



**City of Hermosa Beach,
California**

Comprehensive Annual Financial Report

For the year ended June 30, 2004

City of Hermosa Beach

Hermosa Beach, California

Comprehensive Annual Financial Report

For the year ended June 30, 2004

PREPARED BY THE CITY OF HERMOSA BEACH, CALIFORNIA

FINANCE DEPARTMENT

VIKI L. COPELAND, FINANCE DIRECTOR

City of Hermosa Beach
Basic Financial Statements
For the year ended June 30, 2004

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December 16, 2004

Honorable Mayor and Members of the City Council:

Introduction

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Hermosa Beach for the fiscal year ended June 30, 2004. The report is intended to update readers on the status of the City's financial position and results of operations for the past fiscal year.

This is the second CAFR prepared using the new financial reporting requirements established by Governmental Accounting Standards Board (GASB) Statement 34 for state and local governments throughout the United States. The required management's discussion and analysis (MD&A), gives readers an objective and easily readable analysis of the government's financial performance for the year and government-wide financial statements, prepared using accrual accounting for all of the government's activities. Long term assets and liabilities (such as capital assets, including infrastructure and general obligation debt) are measured in addition to current assets and liabilities. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Hermosa Beach's MD&A can be found immediately following the report of the independent auditors.

Management's representations concerning the finances of the City of Hermosa Beach are contained herein. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Hermosa Beach has established an internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Hermosa Beach's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Hermosa Beach's 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.

Audit

The City of Hermosa Beach's financial statements have been audited by Caporicci & Larson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hermosa Beach for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Hermosa Beach's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Profile of the Government

The City of Hermosa Beach is a beachfront, bedroom community with a stable population, located four miles south of Los Angeles International Airport. The City occupies 1.3 square miles and serves a population of 19,549, according to the State's latest population estimate. However as a beach city, Hermosa experiences a high visitor population and the associated costs. Due to this high visitor population, the City operates in many ways like a larger city. During the 2003-04 fiscal year, beach attendance ranged from a low of 34,500 in December 2003 to a high of 838,000 in July 2004, according to the Los Angeles County Fire Department, Lifeguard Division.

The City of Hermosa Beach, incorporated on January 14, 1907 as a general law city, operates under the Council-Manager form of government. Policy-making and legislative authority are vested in a governing council consisting of five members of the City Council elected on a non-partisan basis at large for a four-year term. Council members serve four-year, staggered terms, with an election every two years. One member is chosen by fellow members to serve as Mayor for a period of nine months; one is chosen to serve as Mayor Pro Tem. The Council is responsible for, among other things, establishing policy, passing ordinances, adopting an annual budget; appointing members to various City Commissions and Boards and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments.

Hermosa Beach offers a full range of municipal services, including police and fire protection, community development (planning and zoning), cultural, recreation and parks, maintenance and construction of public improvements, parking and animal control, and general administration. Financial information for the Downtown Business Area Enhancement District, the Lighting and Landscaping District, the Lower Pier Avenue Assessment District and the Myrtle Avenue and Loma Drive Utility Underground Districts are included in the City's financial statements as required by governmental accounting standards.

The annual budget serves as the foundation for the City of Hermosa Beach's financial planning and control. All departments of the City of Hermosa Beach are required to submit requests for appropriation to the City Manager according to a budget calendar. The City Manager uses these requests as the starting point for developing a proposed budget, which is presented to the City Council for review by May 15. The City Council is required to hold a public hearing on the budget, with adoption no later than June 30th. The appropriated budget is prepared by fund and department (e.g., Police Department). The City Manager may make transfers of appropriations between departments within each fund; transfers of appropriations between funds, however, require the approval of the City Council. A midyear budget review is conducted after the first six months of the fiscal year to ensure estimates are on target. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and major governmental funds with appropriated annual budgets, this comparison is presented as Required Supplementary Information on pages 77-78. For non-major governmental funds with appropriated annual budgets, this comparison is presented as Supplementary Information, after the Notes to the Financial Statements.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Hermosa Beach operates.

Local economy. As a beachfront community, with more bedrooms than businesses, Hermosa Beach had the tenth highest percentage change in assessed valuation of the 88 cities in Los Angeles County for 2003-04. The assessed valuation has risen, on average, 9.2% per year for the past five years, making property tax the number one revenue source in the General Fund. Median home prices in Hermosa Beach as of June 2004 were \$902,500, compared to \$395,000 for Los Angeles County.

Hermosa Beach's three highest employment industries are food services, administrative and support and retail trade, however residents enjoy access to a much more diverse employment base with the close proximity of all of

the other cities in Los Angeles County. The unemployment rate in Hermosa Beach is 1.8%, compared with 6.7% for Los Angeles County.

Sales tax growth up until 2001-02, averaged 12% per year, with a proliferation of eating and drinking places, particularly in the downtown area, and sales of high-end new and used vehicles. Growth since then has been only 2%, with the loss of two auto dealerships from 2001-2003. The loss of the only new car dealership expected in 2004-05. Increases in transient occupancy tax from a new hotel and a windfall in utility users tax revenue will assist in offsetting the negative sales tax trend.

California Public Employees Retirement System (CalPERS). City retirement rates will continue to increase for the next two years significantly due to investment losses sustained by CalPERS. The slide on CalPERS investment returns began in 2001, with a return of -7.2%. 2002 returns were -5.9%. 2003 returns were in the black at 3.9% and 2004 was an encouraging 16.7%. If investment returns continue in line with or above estimates, the City can hope to see some effect on employer contributions rates in a couple of years.

State Budget Through passage of Proposition 1A in November 2004, a deal was struck whereby \$1.3 billion in local government funds will be shifted to the State in 2004-05 and 2005-06, with funds protected thereafter unless 2/3 of the legislature votes to "borrow" funds again. This provides some assurance for the future, but only time will tell whether the State can solve their budget deficit problems without relying on a reduction of local government funds.

Long-term financial planning. The City's long term financial planning focuses on the Five-Year Capital Improvement Plan, which is produced in conjunction with the annual budget. Since the City is built out, the plan primarily addresses maintenance, repair and upgrading of facilities and infrastructure, particularly streets and sewers.

One of the City's financial policies is to set aside funds unspent in the General Fund at year-end for four purposes, one of which is capital improvements. These funds are primarily spent for street improvements. Sewer and storm drain improvements are funded by a portion of the utility user tax revenue which is set aside for that purpose.

Primary projects coming up, (other than street and sewer improvements, which occur every year) are renovation of the Fire Department, architectural upgrades of the Community Center and Phase III, the final phase of the Municipal Pier Upgrade. The City will use a variety of development generated fees (such as fire flow funds), federal Community Development Block Grant Funds, grant funds from the State Wildlife Conservation Fund and Los Angeles County Proposition A Park Bond Act funds for these projects.

Cash management policies and practices. Temporarily idle cash was invested during the year in obligations of the U.S. Treasury and the State Treasurer's investment pool. The average maturity was 20 months, with an average yield on investments of 1.67%. Investment income includes changes in the fair value of investments. Changes in fair value during the current year, however, do not necessarily represent trends that will continue nor do such amounts necessarily become realized, since the City intends to hold the investments to maturity.

Risk management. The City is self-insured up to \$250,000 for liability claims. Excess coverage up to \$10 million is obtained through the Independent Cities Risk Management Authority (ICRMA), a joint powers authority consisting of medium-sized California municipalities. The cost of the insurance depends on both the loss experience of member cities and the loss experience of Hermosa Beach.

The City is self-insured up to \$500,000 for worker's compensation claims, with statutory limit excess coverage provided through a private insurance carrier.

Claims defense and settlement are coordinated by third party administrators for both liability and worker's compensation, with oversight by the City's Risk Manager.

Additional information on the City of Hermosa Beach's risk management activity can be found in Note 8 of the notes to the financial statements.

Pension and other post employment benefits. The City of Hermosa Beach provides pension benefits to safety and non-safety employees through the California Public Employees Retirement System (CalPERS). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The City pays employee contributions as a negotiated benefit. City employer contributions are actuarially determined on an annual basis.

The City of Hermosa Beach also provides postretirement health care benefits for certain retirees. As of the end of the current fiscal year, there were 17 retirees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

The City provides employee coverage for health insurance upon retirement for Police Officer Association members, effective 7/1/03. The City plans to fully fund these benefits through a benefit trust fund.

Additional information on the City of Hermosa Beach's pension arrangements and other post employment benefits can be found in Note 10 in the Notes to the Financial Statements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hermosa Beach for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. This was the fourteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department, with particular appreciation to Valerie Mohler, the Accounting Supervisor. We would also like to express our appreciation to the City Manager and all of the departments, including the City Clerk and City Treasurer, and to our auditors, Caporicci & Larson, for their assistance and support during this transition year. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Hermosa Beach's finances.

Respectfully submitted,



Viki Copeland
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hermosa Beach,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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



President

Executive Director

CITY OF HERMOSA BEACH ORGANIZATIONAL CHART

ELECTORATE

CITY CLERK

CITY COUNCIL

CITY TREASURER

**PLANNING
COMMISSION**

**PUBLIC
WORKS
COMMISSION**

**CIVIL SERVICE
BOARD**

**BOARD OF
APPEALS**

**PARKS &
RECREATION
ADVISORY
COMMISSION**

CITY PROSECUTOR

CITY MANAGER

CITY ATTORNEY

**COMMUNITY
RESOURCES**

PUBLIC WORKS

POLICE

FIRE

**PERSONNEL/
RISK
MANAGEMENT**

FINANCE

**COMMUNITY
DEVELOPMENT**

Parks &
Recreation/
Facilities
Management
Cultural/
Recreational
Athletic
Programming
Special Events
Cable T.V.
Liaison

ENGINEERING
Plan Checks
Field Inspection
Code Enforcement
Encroachments
Capital
Improvement
TRANSPORTATION
Traffic Eng.
Traffic Signals
Traffic Signage
Speed Survey
MAINTENANCE
Landscaping
Irrigation
Streets
Sewer
Storm Drain
Building Maint.
Vehicle Maint.

Enforcement
Investigation
Detention
Emergency
Dispatch
Reserves
Special
Investigations
Record Bureau
Crossing Guard

**COMMUNITY
SERVICES**
Parking
Enforcement
Animal Control
Meter
Maintenance

Fire Suppression
Fire Prevention
Rescue
Public Education
Paramedics
Disaster
Preparedness
Reserves
Plan Checking
Ambulance
Transportation

PERSONNEL
Recruitment
Training
Labor Relations
RISK MGT
Workers' Comp
Claims
Liability Claims
City Insurance
Secretarial
Support

Budget
Accounting
Payroll
Citation
Processing
Animal Licenses
Parking Permits
Business License
Bus Passes

**BUILDING AND
SAFETY**
Plan Checking
Field Inspection
Code
Enforcement
PLANNING
Current Planning
Advanced
Planning
Environmental
Assessment
Conditional Use
Permit (C.U.P.)
Enforcement

PRINCIPAL OFFICIALS OF THE CITY OF HERMOSA BEACH, CALIFORNIA

June 30, 2004

Elected and Administrative Officials

City Council

Art Yoon
J. R. Reviczky
Sam Y. Edgerton
Michael Keegan
Pete Tucker

Mayor
Mayor Pro Tempore
Councilmember
Councilmember
Councilmember

Other Elected Officials

John Workman
Elaine Doerfling

City Treasurer
City Clerk

Administrative Officials

Stephen Burrell
Viki Copeland
Sol Blumenfeld

Michael Earl

Michael Lavin
Richard Morgan
Russell Tingley

City Manager
Finance Director
Community Development
Director
Personnel Director and
Risk Manager
Police Chief
Public Works Director
Fire Chief

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
of the City of Hermosa Beach
Hermosa Beach, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hermosa Beach, California (City), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the 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, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated October 7, 2004 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as management's discussion and analysis, budgetary comparison information and other information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information is presented for

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Oakland

180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County

9 Corporate Park, Suite 100
Irvine, California 92606

Sacramento

777 Campus Commons Rd., Suite 200
Sacramento, California 95825

San Diego

4858 Mercury, Suite 106
San Diego, California 92111

To the Honorable Mayor and City Council
of the City of Hermosa Beach
Hermosa Beach, California

purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Capricci & Carson

Costa Mesa, California
October 7, 2004

Management's Discussion and Analysis

As management of the City of Hermosa Beach, we offer readers of the City Of Hermosa Beach's financial statements this narrative overview and analysis of the financial activities of the City of Hermosa Beach for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report.

Financial Highlights

- The assets of the City of Hermosa Beach exceeded its liabilities at the close of the last fiscal year by \$79,260,000 (*net assets*). Of this amount, \$16,046,000 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$2,694,000. Most of this increase, 65%, or \$1.76 million, is attributable to capital asset additions.
- As of June 30, 2004, the City Of Hermosa Beach's governmental funds reported combined ending fund balances of \$14,132,000, an increase of \$1,476,000 in comparison with the prior year. Approximately 12% of this amount is reserved to indicate that it is not available because it has been committed for purchase orders or contracts for the prior period and will be reappropriated. Another 3% is designated for specific uses, with the remainder available for a variety of purposes.
- As of June 30, 2004, the unreserved fund balance for the General Fund was \$0. Generally, funds remaining unspent in the General Fund at year end are transferred equally to the Contingency Fund, Insurance Fund, Equipment Replacement Fund and the Capital Improvement Fund until financial goals are met. See "Financial Analysis of the Government's Funds" for further discussion of these transfers for 2003-04. The balance in the Contingency Fund (or "rainy day fund") is \$2.6 million or 15% of General Fund appropriations and serves as the City's cushion against economic uncertainties.
- The City Of Hermosa Beach currently has no debt.

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Hermosa Beach's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Hermosa Beach'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 of Hermosa Beach is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent 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 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).

Both of the government-wide financial statements distinguish functions of the City of Hermosa Beach 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 of Hermosa Beach include legislative and legal, general government, public safety, public works, community development, and culture and recreation. The business-type activities of the City of Hermosa Beach include parking and transit operations.

The government-wide financial statements include not only the City of Hermosa Beach itself, but also the Lighting and Landscaping District, the Lower Pier Avenue Assessment District and the Myrtle Avenue and Loma Drive Utility Underground Districts. Although these entities are legally separate, they function for all practical purposes as part of the City, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 17-19 of this report.

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 of Hermosa Beach, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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 financing 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Hermosa Beach maintains thirty-seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the funds below, which are considered to be major funds. Major funds are governmental or enterprise funds whose revenues, expenditures/expenses, assets or liabilities are at least 10% of corresponding totals for all governmental or enterprise funds and at least 5% of the corresponding total for all governmental and enterprise funds combined.

General Fund Capital Improvement Fund Tyco Fund Contingency Fund

Data from the other thirty-three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Hermosa Beach adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 25-29 of this report.

Proprietary funds. The City of Hermosa Beach maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Hermosa Beach uses enterprise funds to account for its parking and transit operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Hermosa Beach's various functions. The City of Hermosa Beach uses internal service funds to account for its fleet of vehicles, information systems and risk management/insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Downtown Enhancement Fund and the Parking Fund, both of which are considered to be major funds of the City of Hermosa Beach. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 33-36 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Hermosa Beach's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Funds of the Lower Pier Avenue, Myrtle Avenue and Loma Drive Undergrounding Districts and Other Post Employment Benefits (OPEB) - Police are held as fiduciary funds by the City. Police OPEB funds will be placed in a trust fund as soon as an outside administrator is hired by the City.

The basic fiduciary fund financial statements can be found on pages 39-40 of this report.

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 on pages 43-73 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Hermosa Beach's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 76-80 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 83-96 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As of June 30, 2004, assets exceeded liabilities by \$79,260,000.

By far the largest portion of the City of Hermosa Beach's net assets, \$60,996,000, (77%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). The City of Hermosa Beach uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

<p style="text-align: center;">Net Assets June 30, 2004 (dollars in thousands)</p>						
	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and Other Assets	25,114	23,072	1,322	2,218	26,436	25,290
Capital Assets	54,115	52,435	6,881	6,797	60,996	59,232
Total Assets	79,229	75,507	8,203	9,015	87,432	84,522
Long-term Liabilities						
Outstanding	2,619	1,904	--	--	2,619	1,904
Other Liabilities	5,059	5,478	494	574	5,553	6,052
Total Liabilities	7,678	7,382	494	574	8,172	7,956
 Net Assets	 71,551	 68,125	 7,709	 8,441	 79,260	 76,566
 Invested in Capital Assets	 54,115	 52,435	 6,881	 6,797	 60,996	 59,232
Restricted	2,218	524	--	864	2,218	1,388
Unrestricted	15,218	15,166	828	780	16,046	15,946
Total Net Assets	71,551	68,125	7,709	8,441	79,260	76,566

A portion of the City of Hermosa Beach's net assets (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$16,457,000) may be used to meet the government's ongoing obligations to citizens and creditors.

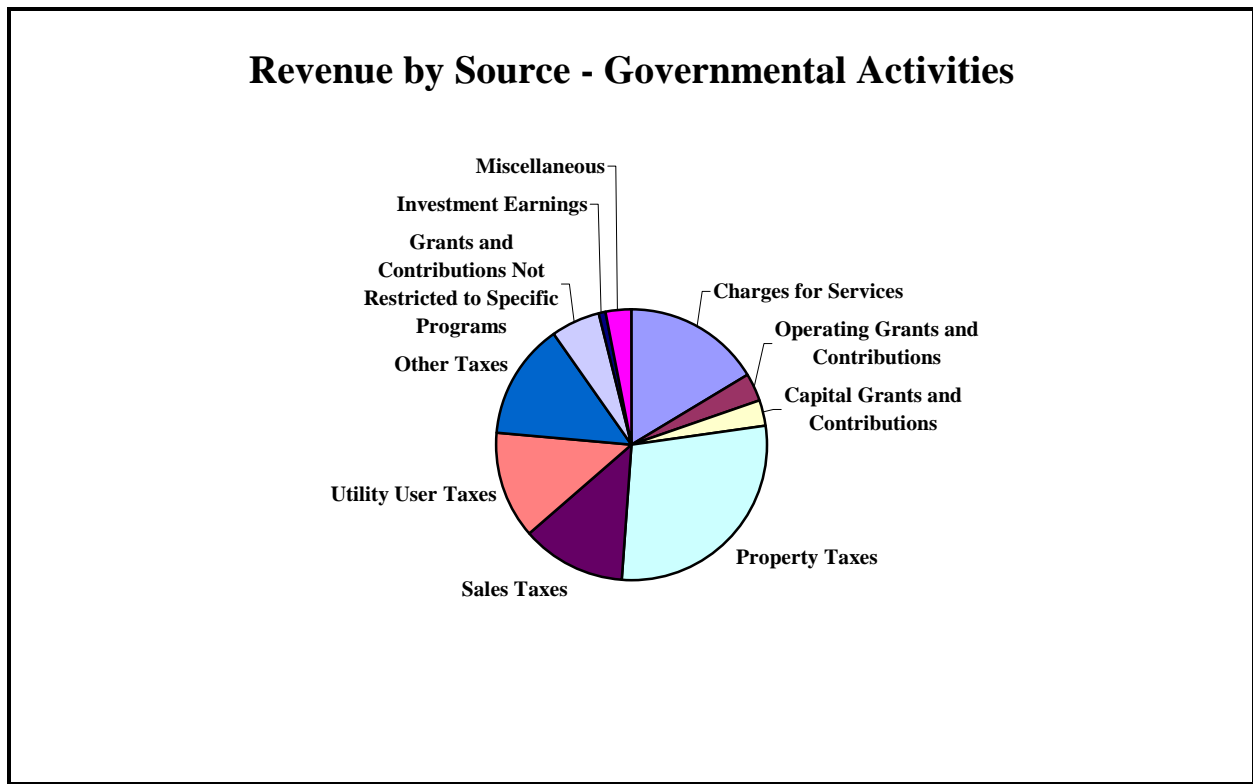
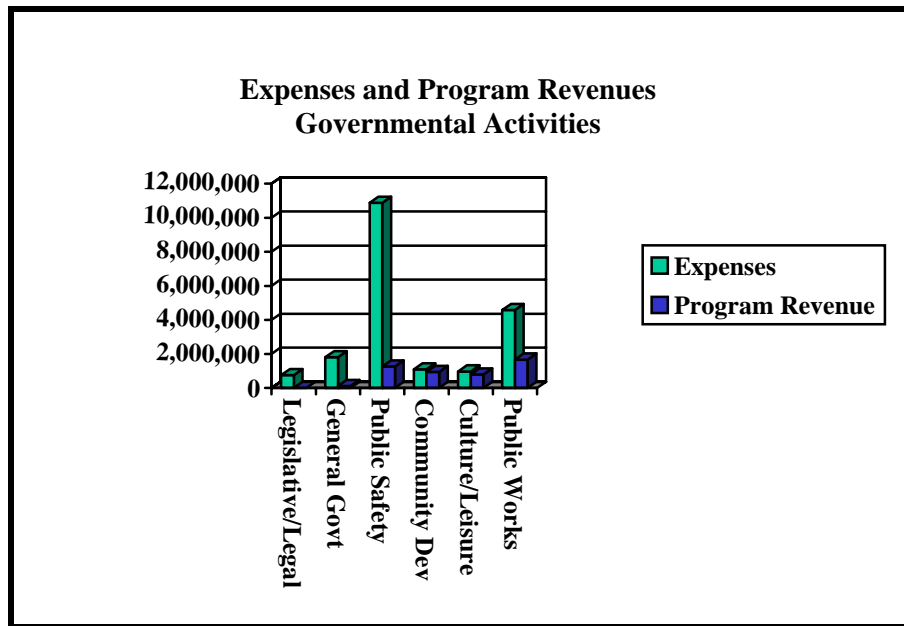
At the end of the current fiscal year, the City of Hermosa Beach is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$2,694,000 during the current fiscal year. As mentioned earlier, \$1,764,000, or 65% of this increase is attributable to capital asset additions. The balance of the growth results from revenue increases which are discussed in more detail in the following report sections.

Governmental activities. Governmental activities increased the City of Hermosa Beach's net assets by \$2,707,000. If prior period adjustments of \$719,000 for construction in progress are included, it would bring the total to \$3,426,000. Key elements of this increase are as follows:

Changes in Net Assets June 30, 2004 (dollars in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program Revenues:						
Charges For Services	3,412	3,058	3,789	3,293	7,201	6,351
Operating Grants and Contributions	675	642	---	---	675	642
Capital Grants and Contributions	666	476	---	---	666	476
General Revenues:						
Property Taxes	5,885	5,282	---	---	5,885	5,282
Other Taxes	8,155	7,220	531	498	8,686	7,718
Grants and Contributions Not Restricted to Specific Programs	1,230	3,112	---	---	1,230	3,112
Other	793	840	87	106	880	946
Total Revenues	20,816	20,630	4,407	3,897	25,223	24,527
Expenses:						
Legislative and legal	755	811			755	811
General Government	1,817	1,415			1,817	1,415
Public Safety	11,220	10,415			11,220	10,415
Community Development	1,116	968			1,116	968
Culture and Recreation	966	1,046			966	1,046
Public Works	4,592	4,137			4,592	4,137
Downtown Enhancement			940	909	940	909
Parking			1,632	1,525	1,632	1,525
Proposition A Transit			310	303	310	303
Proposition C Transit			48	103	48	103
Total Expenses	20,466	18,792	2,930	2,840	23,396	21,632
Increase (Decrease) in Net Assets Before Transfers	350	1,838	1,477	1,057	1,827	2,895
Transfers	2,357	991	(2,357)	(991)	---	---
Increase (Decrease) in Net Assets	2,707	2,829	(880)	66	1,827	2,895
Net Assets - 7/1/03	68,125	65,296	8,441	8,375	76,566	73,671
Prior Period Inventory Adjustment	719		148		867	
Net Assets - 6/30/04	71,551	68,125	7,709	8,441	79,260	76,566

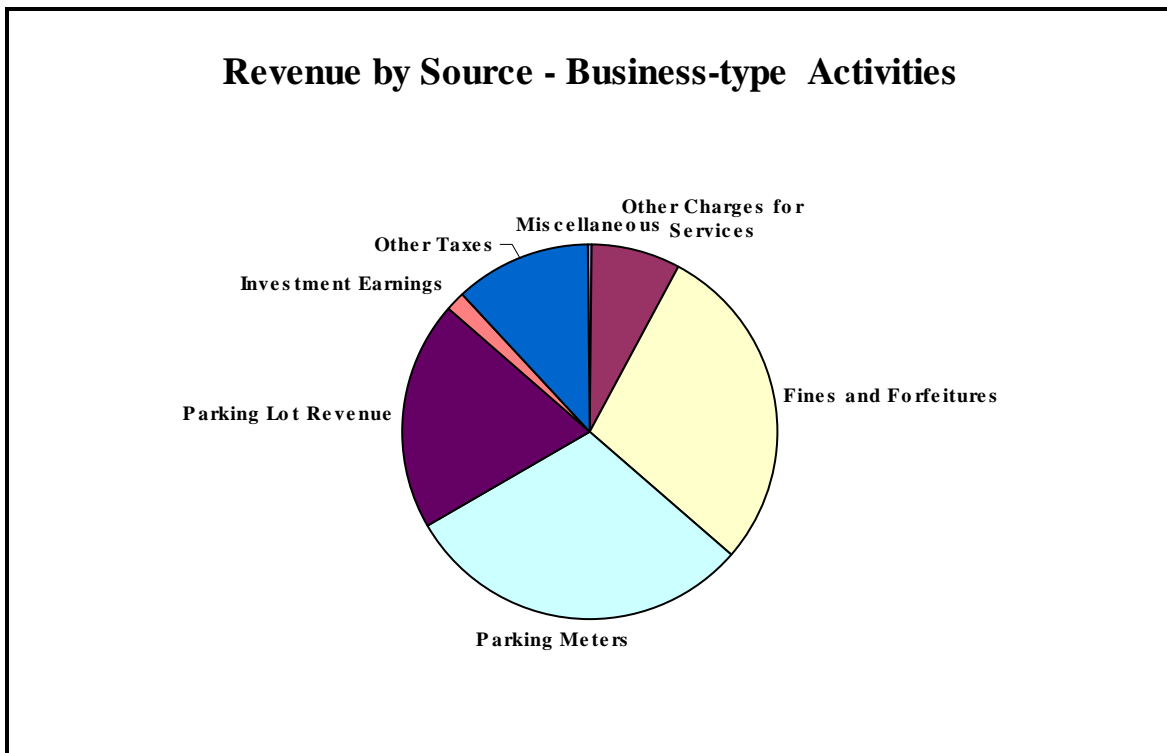
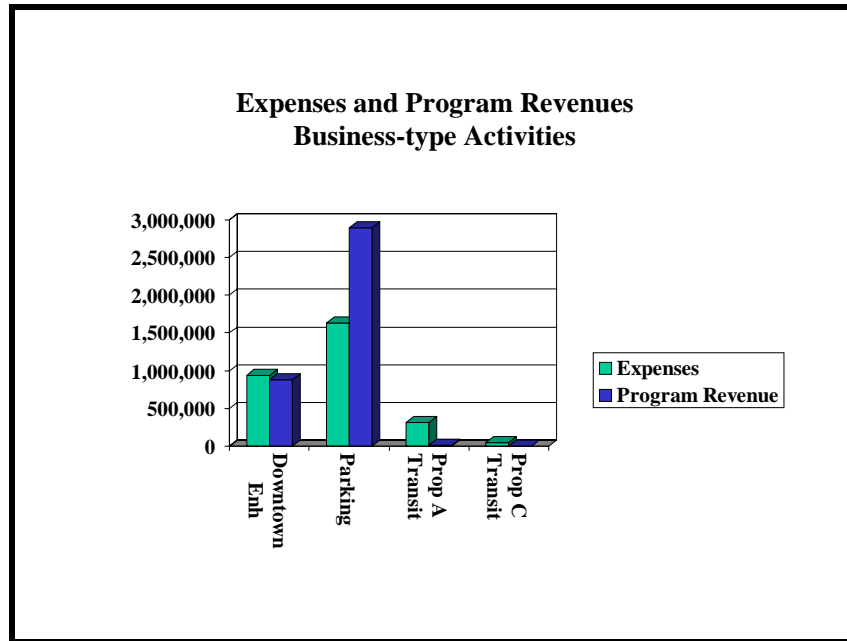
- Proposition A and C Transit Funds were changed from enterprise to special revenue fund types, resulting in a transfer from Business-type Activities to Governmental Activities of \$1,065,000.
- The 12% increase in Charges to Services results primarily from higher planning and building fees related to the booming residential improvement market. Other taxes increased 13% as a result of increased revenue from the utility user tax and transient occupancy tax (tax on hotel stays).
- Property taxes overall increased by \$603,000 or more than 11%. The largest share of the increase, 10%, is related to secured property taxes, which reflect the substantial growth in property values and turnover in ownership. Secured Taxes have risen 10% on average for the past five years.
- A \$719,000 capital assets inventory adjustment was recorded for infrastructure projects in progress prior to GASB 34 implementation (See Note 13).



On the expense side, employee salary and benefit increases of approximately 3.5% affect all governmental categories. General Government shows an increase due to the required recording of a loss on infrastructure assets (sewers and streets) which were replaced when not fully depreciated (\$483,000). Adjusting for this entry would show that category expenses actually decreased by \$97,000 due to one time software purchases in the previous year. Capital improvement projects for maintenance, which are included in the Public Works category, are largely responsible for higher spending in 2004.

Business-type activities. Business-type activities decreased the net assets by \$880,000, representing a 39 percent decrease in the government's net assets. If prior period adjustments of \$148,000 for construction in progress are included, it would bring the total to \$732,000. The primary contributing factors to this decrease were:

- Charges for Services increased 15% due to increased rates for parking fines, parking meters and parking lots. (Rates were increased in June of 2003, with implementation later in the year.)
- Proposition A and C Transit Funds were reclassified to special revenue fund types with the assets of \$1,065,000 transferred to governmental funds.
- A \$148,000 capital assets inventory adjustment was recorded for infrastructure assets that were recorded in the governmental activities during the appraisal process (See Note 13).



Financial Analysis of the Government's Funds

As noted earlier, the City of Hermosa Beach uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City of Hermosa Beach's governmental funds reported combined ending fund balances of \$14,132,000, an increase of \$1,476,000, in comparison with the prior year. Approximately 85% of this total amount (\$12,012,000) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to 1) liquidate contracts and purchase orders of the prior period (\$1,398,546), 2) fund transportation development act projects (\$3,660) and 3) to account for advances to three undergrounding district funds (\$288,000).

Four funds qualify as major funds under the GASB 34 reporting criteria: the General Fund, Tyco Fund, Contingency Fund and Capital Improvement Fund.

The General Fund is the chief operating fund of the City of Hermosa Beach. At the end of the current fiscal year, the total fund balance was \$634,000, with \$231,000 reserved for re-appropriations and \$403,000 unreserved but designated for certain purposes. Financial policies require that unspent funds in the General Fund transfer to meet specific fund targets at year end. As those targets or goals are met, transfers may be redirected where funds are needed. For 2003-04, the City Council redirected that funds left unspent in the General Fund at year end transfer equally to the Compensated Absences Fund (which was below goal), the Retirement Stabilization Fund, the Capital Improvement Fund and the Insurance Fund. The transfer to each fund was \$759,317. Key reasons funds were available at year end are as follows:

- Property taxes were higher by 10%. As mentioned earlier, secured property taxes averaged growth of 10% per year for the last five years.
- Utility user tax revenue grew by 24% due to increased revenue from telecommunication companies. The windfall was created by a change in the application of the tax for those providers.
- Transient occupancy tax revenue increased 23% with the opening of a new hotel and the slow return to higher occupancy rates after 9/11.
- Parking fees and fines were increased, which translated to a higher transfer at year end to the General Fund.
- Expenditures were 7% less than budgeted, namely due to the number of vacant positions which equates to salary and benefit savings.

The Tyco Fund holds funds from an easement granted for a transpacific, submarine fiber optic cable system originating in Japan with a landing in Hermosa Beach. The life of the project is approximately 25 years.

The Contingency Fund serves as the City's "rainy day fund" or reserve for economic uncertainties. A goal amount of 15% of General Fund appropriations has been established. The balance of \$2.6 million represents 15% of appropriations.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were negligible for estimated revenue and appropriations. Estimated revenue increased by 3%. Actual revenue was higher than budgeted by 9% due to aforementioned revenue increases. Transfers In increased by 5% due the increase in parking fees and fines mentioned under business-type activities. Any unrestricted retained earnings in the Parking Fund at year end transfer automatically to the General Fund.

Differences in appropriations other than Transfers Out equaled \$115,123 or about 1%. They are briefly summarized as follows:

- \$31,725 in increases for legal costs in the Legislative/Legal category
- (\$409,935) General Government funding from Prospective Expenditures for employee memoranda of understanding (MOU) increases (funds transfer from prospective expenditures to the department)
- \$134,176 in Public Safety increases for Other Post Employment Benefits (OPEB) benefits allocated to the Police Department and MOU increases for the Fire Department
- \$68,192 for an upgrade of the Community Development software system
- \$26,380 for MOU increases; \$25,000 in donations appropriated for Sunset Concerts; \$51,767 in donations appropriated for recreation programs and community events, all of which increased the Culture/Leisure category
- \$13,543 in MOU increases in the Public Works category
- \$174,275 in increases for capital outlay for computer equipment related to the dispatch changeover from the City of El Segundo to the South Bay Regional Communication Center and Municipal Pier renovation

Transfers out increased due to the year end transfer out to several funds according to adopted financial policies.

Proprietary funds. The City of Hermosa Beach's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Downtown Enhancement Fund and Parking Fund are the major funds according to GASB 34 criteria.

Unrestricted net assets of the Downtown Enhancement operation at the end of the year were \$812,000, and \$16,000 in the Parking Fund, which is for re-appropriations. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Hermosa Beach's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City of Hermosa Beach's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$60,996,000 (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, improvements, machinery and equipment, park facilities, roads, highways, and monuments. The total increase in the City of Hermosa Beach's investment in capital assets for the current fiscal year was 4 percent (a 3 percent increase for governmental activities and a 1 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

Governmental Activities

- A variety of street and sewer projects (widening and expansion projects for existing streets) which are ongoing; construction in progress as of the end of the current fiscal year had reached \$1,750,000.
- Community Center improvements began; construction in progress as of the end of the fiscal year had reached \$339,000.
- Municipal Pier Phase III improvements continued; construction in progress as of the end of the current fiscal year had reached \$460,000

Business type Activities

- On street parking improvements continued; construction in progress as of the end of the fiscal year had reached \$36,000.

City of Hermosa Beach's Capital Assets
(net of depreciation)
(dollars in thousands)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$18,052	\$18,052	\$ 1,573	\$ 1,573	\$19,625	\$19,625
Buildings and structures	2,062	2,536	5,068	5,182	7,130	7,718
Improvements other than buildings	4,637	2,956	--	--	4,637	2,956
Machinery and equipment	1,266	1,220	15	17	1,281	1,237
Vehicles	1,467	1,651	--	--	1,467	1,651
Infrastructure	24,082	22,497	189	--	24,271	22,497
Construction in progress	2,549	3,523	36	25	2,585	3,548
Total	\$54,115	\$52,435	\$6,881	\$6,797	\$60,996	\$59,232

Additional information on the City of Hermosa Beach's capital assets can be found in Note 6 on pages 61-63 of this report.

Economic Factors and Next Year's Budgets and Rates

- Property tax growth has been particularly strong for the past four years, with an average growth of 10% per year.
- Up until 2001-02, sales tax growth had averaged 12% for the past five years. Loss of auto dealerships caused a decline in the ensuing years. The BMW dealership will move at least a portion of its dealership in 2004-05.
- Offsetting the sales tax drop, transient occupancy taxes have almost doubled in the past five years due to added hotels and a second phase to an existing hotel. Hotel occupancies are also rising back to the pre 9/11 level.
- The State's double digit deficit is of concern to all local governments since the State has a history of "raiding" or "borrowing" local funds to balance their budget. For 2004-05 and 2005-06, \$1.3 billion was taken from local government as part of a negotiated arrangement with the Governor. Passage of Proposition 1A in November 2004 is intended to prohibit further state grabs of local funds.
- Also looming are increased retirement rates from CalPERS, the State retirement fund with which many cities contract for pension benefits. Investment losses have caused rates to skyrocket, with the trend continuing for at least a couple of years. Investment returns have risen to 16.9% for 2004 which, if sustained, would stabilize rates. In the meantime, the City set up a Retirement Stabilization Fund to assist in funding expenditures for budget purposes.

All of these factors were considered in preparing the City of Hermosa Beach's budget for the 2004 fiscal year. A discussion of the factors affecting the City's financial condition may be found in the transmittal letter at the front of this report.

Requests for Information

This financial report is designed to provide a general overview of the City of Hermosa Beach's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 1315 Valley Drive, Hermosa Beach, CA 90254.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Hermosa Beach
Statement of Net Assets
June 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 22,370,841	\$ 1,133,097	\$ 23,503,938
Reimbursable grants receivable	436,159		436,159
Interest receivable on investments	82,621	6,348	88,969
Other accounts receivable	1,456,729	25,753	1,482,482
Notes receivable, due within a year		5,692	5,692
Property taxes receivable	641,983		641,983
Deposits	80,000		80,000
Other assets	46,113	688	46,801
Total current assets	25,114,446	1,171,578	26,286,024
Noncurrent assets:			
Notes receivable, due in more than a year		150,451	150,451
Capital assets:			
Non-depreciable	20,601,465	1,609,377	22,210,842
Depreciable, net	33,513,741	5,271,548	38,785,289
Total capital assets	54,115,206	6,880,925	60,996,131
Total noncurrent assets	54,115,206	7,031,376	61,146,582
Total assets	79,229,652	8,202,954	87,432,606
LIABILITIES			
Current liabilities:			
Workers' compensation claims payable - due within one year	453,000		453,000
General liability claims payable - due within one year	184,000		184,000
Accounts payable and accrued liabilities	1,012,364	301,890	1,314,254
Accrued wages and compensated absences	1,434,523	188,908	1,623,431
Refundable deposits	467,528	1,450	468,978
Unearned revenue	693,978	2,000	695,978
Compensated absences, due within one year	780,433		780,433
Other liabilities	33,457		33,457
Total current liabilities	5,059,283	494,248	5,553,531
Noncurrent liabilities:			
Workers' compensation claims payable	2,110,966		2,110,966
General liability claims payable	186,675		186,675
Compensated absences	321,660		321,660
Total noncurrent liabilities	2,619,301	-	2,619,301
Total liabilities	7,678,584	494,248	8,172,832
NET ASSETS			
Invested in capital assets	54,115,206	6,880,925	60,996,131
Restricted for:			
Capital projects	174,719		174,719
Specific projects	2,043,104		2,043,104
Total restricted assets	2,217,823	-	2,217,823
Unrestricted net assets	15,218,039	827,781	16,045,820
Total net assets	\$ 71,551,068	\$ 7,708,706	\$ 79,259,774

See accompanying Notes to Basic Financial Statements.

City of Hermosa Beach
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2004

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues
Primary government:					
Governmental activities:					
Legislative and legal	\$ 755,591				
General government	1,816,801	\$ 84,745	\$ 22,662		\$ 107,407
Public safety	11,219,996	914,655	249,125	\$ 86,377	1,250,157
Community development	1,115,600	929,695		11,602	941,297
Culture and recreation	965,440	793,748			793,748
Public works	4,592,460	689,457	402,664	567,827	1,659,948
Total governmental activities	20,465,889	3,412,300	674,451	665,806	4,752,557
Business-type activities:					
Downtown Enhancement	939,576	879,495			879,495
Parking	1,632,093	2,895,143			2,895,143
Proposition "A" Transit	310,113	14,384			14,384
Proposition "C" Transit	48,119				-
Total business-type activities	2,929,901	3,789,022	-	-	3,789,022
Total primary government	\$ 23,395,790	\$ 7,201,322	\$ 674,451	\$ 665,806	\$ 8,541,579

General Revenues:

Taxes:

Property taxes

Sale taxes

Other

Total taxes

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year, as restated (Note 13)

Net assets - end of year

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (755,591)		\$ (755,591)
(1,709,394)		(1,709,394)
(9,969,839)		(9,969,839)
(174,303)		(174,303)
(171,692)		(171,692)
(2,932,512)		(2,932,512)
(15,713,332)	\$ -	(15,713,332)
	(60,081)	(60,081)
	1,263,050	1,263,050
	(295,729)	(295,729)
	(48,119)	(48,119)
-	859,121	859,121
(15,713,332)	859,121	(14,854,211)
5,885,480		5,885,480
2,596,135		2,596,135
5,559,070	530,773	6,089,843
14,040,685	530,773	14,571,458
1,229,911		1,229,911
177,757	73,519	251,276
615,309	12,966	628,275
2,356,585	(2,356,585)	-
18,420,247	(1,739,327)	16,680,920
2,706,915	(880,206)	1,826,709
68,844,153	8,588,912	77,433,065
\$ 71,551,068	\$ 7,708,706	\$ 79,259,774

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

Governmental Funds of the City are outlined below:

The General Fund - This fund accounts for all revenues and expenditures used to finance the traditional services associated with a municipal government which are not accounted for in the other funds. In Hermosa Beach, these services include general government, safety, community development, culture and recreation and public works.

Tyco Fund - This fund is used to account for funds received from an easement granted for construction of a transpacific, submarine fiber optic cable system originating in Japan with a landing in Hermosa Beach. The project will provide additional capacity.

Contingency Special Revenue Fund - "Rainy day" funds set aside for unforeseen emergencies, unexpected economic events, etc. City Council adopted goal is 15% of appropriations.

Capital Improvement Special Revenue Fund - Funds set aside for Capital Improvement Projects.

Other Governmental Funds - Other Governmental Funds is the aggregate of all the non-major governmental funds.

City of Hermosa Beach
Balance Sheet
Governmental Funds
June 30, 2004

	Major Funds					
	General	Tyco Special Revenue	Contingency Special Revenue	Capital Improvement Special Revenue	Other Governmental Funds	Total
ASSETS						
Cash and investments (Note 2)	\$ 1,393,499	\$ 1,899,511	\$ 2,598,578	\$ 2,585,675	\$ 6,441,587	\$ 14,918,850
Reimbursable grants receivable					436,159	436,159
Interest receivable on investments	23,753	9,956	13,626	9,487	25,799	82,621
Other accounts receivable	1,377,454				79,275	1,456,729
Property taxes receivable	632,890				9,093	641,983
Due from other funds (Note 5)				44,000	356,595	400,595
Advances to other funds				288,000		288,000
Other assets	42,346				902	43,248
Total assets and other debits	\$ 3,469,942	\$ 1,909,467	\$ 2,612,204	\$ 2,927,162	\$ 7,349,410	\$ 18,268,185
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 353,641			\$ 208,289	\$ 317,285	\$ 879,215
Wages and compensated absences payable	1,306,897	\$ 6,430			59,729	1,373,056
Due to other funds (Note 5)					400,595	400,595
Refundable deposits	467,528					467,528
Deferred revenue	684,885				9,093	693,978
Advances from other funds					288,000	288,000
Other liabilities	23,009				10,448	33,457
Total liabilities	2,835,960	6,430	\$ -	208,289	1,085,150	4,135,829
Fund Balances:						
Reserved for:						
Re-appropriations	230,527	113,940		245,784	808,295	1,398,546
Bike paths					668	668
Strand walkways					2,992	2,992
Advances to other funds				288,000		288,000
Unreserved, designated for:						
Trash containers	3,900					3,900
Teen Program Donation/Mervyn's	10,000					10,000
Affordable housing	111,831					111,831
Pier phase III	277,724					277,724
Justice and treasury department					25,842	25,842
Unreserved, undesignated:						
Special revenue		1,789,097	2,612,204	2,185,089	5,426,463	12,012,853
Total fund balances	633,982	1,903,037	2,612,204	2,718,873	6,264,260	14,132,356
Total liabilities and fund balances	\$ 3,469,942	\$ 1,909,467	\$ 2,612,204	\$ 2,927,162	\$ 7,349,410	\$ 18,268,185

See accompanying Notes to Basic Financial Statements.

City of Hermosa Beach
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2004

Total Fund Balances - Total Governmental Funds	\$ 14,132,356
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Amounts reported for governmental activities in the Statement of Net Assets were reported differently because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. Except for the Internal Service Funds reported below, the capital assets were adjusted as follow:

	Governmental Funds	Internal Service Funds	
Non-depreciable	\$ 20,225,771	\$ 375,694	20,601,465
Depreciable, net	31,693,043	1,820,698	33,513,741
Total capital assets	<u>\$ 51,918,814</u>	<u>\$ 2,196,392</u>	<u>54,115,206</u>

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

Insurance Fund	4,733,356
Equipment Replacement Fund	2,606,884
Total internal service funds	<u>7,340,240</u>

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.

	Governmental Funds	Internal Service Funds	
Long-term liabilities - due within one year		\$ (637,000)	(637,000)
Long-term liabilities - due in more than one year		(2,297,641)	(2,297,641)
Compensated absences payable	\$ (1,102,093)		(1,102,093)
Total long-term liabilities	<u>\$ (1,102,093)</u>	<u>\$ (2,934,641)</u>	<u>(4,036,734)</u>

Net Assets of Governmental Activities	\$ 71,551,068
--	----------------------

City of Hermosa Beach
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2004

	Major Funds					
	General	Tyco Special Revenue	Contingency Special Revenue	Capital Improvement Special Revenue	Other Governmental Funds	Total
REVENUES:						
Property taxes	\$ 5,885,480				\$ 453,643	\$ 6,339,123
Other taxes	8,155,205				107,000	8,262,205
Licenses and permits	664,169					664,169
Fines and forfeitures	365,811				5,991	371,802
Use of money and property	315,605	\$ 275,000				590,605
Intergovernmental	959,110				1,208,967	2,168,077
Charges for services	1,321,294				93,371	1,414,665
Miscellaneous	532,178				261,455	793,633
Interest earned on investments	28,816	25,470	\$ 38,494	\$ 28,786	56,191	177,757
Total revenues	18,227,668	300,470	38,494	28,786	2,186,618	20,782,036
EXPENDITURES:						
Current:						
Legislative and legal	752,541					752,541
General government	1,126,004				133,271	1,259,275
Public safety	10,334,723				220,446	10,555,169
Community development	1,077,453				11,603	1,089,056
Culture and recreation	932,447					932,447
Public works	2,073,653				1,115,708	3,189,361
Capital outlay	181,769	30,614		758,118	2,148,764	3,119,265
Total expenditures	16,478,590	30,614	-	758,118	3,629,792	20,897,114
REVENUES OVER (UNDER) EXPENDITURES	1,749,078	269,856	38,494	(729,332)	(1,443,174)	(115,078)
OTHER FINANCING SOURCES (USES):						
Transfers in	2,138,850			1,034,317	3,789,674	6,962,841
Transfers out	(3,946,762)	(275,000)	(368,470)		(781,323)	(5,371,555)
Total other financing sources (uses)	(1,807,912)	(275,000)	(368,470)	1,034,317	3,008,351	1,591,286
Net change in fund balances	(58,834)	(5,144)	(329,976)	304,985	1,565,177	1,476,208
FUND BALANCES:						
Beginning of year, as restated (Note 13)	692,816	1,908,181	2,942,180	2,413,888	4,699,083	12,656,148
End of year	\$ 633,982	\$ 1,903,037	\$ 2,612,204	\$ 2,718,873	\$ 6,264,260	\$ 14,132,356

See accompanying Notes to Basic Financial Statements.

City of Hermosa Beach

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds

\$ 1,476,208

Governmental Activities in the Statement of Activities were reported differently because:

Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.

3,119,265

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. Except for the Internal Service Funds amounts of \$435,105 which are reported below.

(1,443,988)

The net effect of sale involving various capital assets is to decrease net assets.

(483,104)

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

(205,551)

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and equipment replacement, to individual funds. The net revenue of the Internal Service Funds is reported with Governmental Activities.

244,085

Change in Net Assets of Governmental Activities

\$ 2,706,915

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PROPRIETARY FUND FINANCIAL STATEMENTS

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PROPRIETARY FUND FINANCIAL STATEMENTS

Downtown Enhancement Fund - All parking lot revenues are deposited to the Downtown Enhancement Fund in order to promote business in general and improve the appearance of the downtown area.

Parking Fund - All meter, fine and parking permit revenues are deposited to the Parking Fund in order to finance parking operations and capital improvements.

Other Enterprise Funds - Other Enterprise Funds is the aggregate of all the non-major proprietary funds.

City of Hermosa Beach
Statement of Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

	Major Enterprise Funds		Other	Total	Governmental
	Downtown	Parking	Enterprise	Enterprise	Activities
	Enhancement		Funds	Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	\$ 892,975	\$ 240,122		\$ 1,133,097	\$ 7,451,991
Interest receivable on investments	4,662	1,686		6,348	
Other accounts receivable	10,228	15,525		25,753	
Notes receivable, due within a year	5,692			5,692	
Deposits				-	80,000
Other assets	560	128		688	2,865
Total current assets	914,117	257,461	\$ -	1,171,578	7,534,856
Noncurrent assets:					
Notes receivable, due in more than a year	150,451			150,451	
Property and equipment, net of accumulated depreciation	6,503,098	377,827	-	6,880,925	2,196,392
Total noncurrent assets	6,653,549	377,827	-	7,031,376	2,196,392
Total assets	7,567,666	635,288	-	8,202,954	9,731,248
LIABILITIES					
Current liabilities:					
Current portion of long-term liabilities				-	637,000
Accounts payable	243,160	58,730		301,890	133,149
Accrued wages and compensated absences	7,919	180,989		188,908	61,467
Refundable deposit		1,450		1,450	
Deferred revenue	2,000			2,000	
Total current liabilities	253,079	241,169	-	494,248	831,616
Long-term liabilities:					
Workers' compensation claims payable				-	2,563,966
General liability claims payable				-	370,675
Less current portion above				-	(637,000)
Total long-term liabilities	-	-	-	-	2,297,641
Total liabilities	253,079	241,169	-	494,248	3,129,257
NET ASSETS					
Investment in capital assets	6,503,098	377,827		6,880,925	2,196,392
Unrestricted	811,489	16,292		827,781	4,405,599
Total net assets	\$ 7,314,587	\$ 394,119	\$ -	\$ 7,708,706	\$ 6,601,991

See accompanying Notes to Basic Financial Statements

City of Hermosa Beach
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2004

	Major Enterprise Funds		Other	Total	Governmental
	Downtown	Parking	Enterprise	Enterprise	Activities
	Enhancement		Funds	Funds	Internal
					Service Funds
OPERATING REVENUES:					
Other taxes			\$ 530,773	\$ 530,773	
Fines and forfeitures		\$ 1,244,636		1,244,636	
Use of money and property	\$ 46,899			46,899	
Charges for services	879,495	1,650,507	14,384	2,544,386	\$ 2,578,321
Miscellaneous	9,424	3,542		12,966	34,183
Total operating revenues	935,818	2,898,685	545,157	4,379,660	2,612,504
OPERATING EXPENSES:					
Salaries and wages	42,929	1,177,780	33,442	1,254,151	359,269
Contractor services	707,356	68,302	324,780	1,100,438	510,080
Supplies	75,473	372,992	10	448,475	185,494
Claims expense				-	1,636,619
Depreciation	113,818	13,019		126,837	435,104
Total operating expenses	939,576	1,632,093	358,232	2,929,901	3,126,566
OPERATING INCOME (LOSS)	(3,758)	1,266,592	186,925	1,449,759	(514,062)
NONOPERATING REVENUES (EXPENSES):					
Interest earned on investments	10,311	2,671	13,638	26,620	
Loss on sale of assets				-	(7,152)
Total nonoperating revenues (expenses)	10,311	2,671	13,638	26,620	(7,152)
INCOME (LOSS) BEFORE TRANSFERS	6,553	1,269,263	200,563	1,476,379	(521,214)
TRANSFERS:					
Transfers in	1,285	21,570		22,855	829,200
Transfers out	(3,734)	(1,311,119)	(1,064,587)	(2,379,440)	(63,901)
Total operating transfers	(2,449)	(1,289,549)	(1,064,587)	(2,356,585)	765,299
Changes in net assets	4,104	(20,286)	(864,024)	(880,206)	244,085
NET ASSETS:					
Beginning of the year, as restated	7,310,483	414,405	864,024	8,588,912	6,357,906
End of the year	\$ 7,314,587	\$ 394,119	\$ -	\$ 7,708,706	\$ 6,601,991

See accompanying Notes to Basic Financial Statements.

City of Hermosa Beach
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2004

	Major Enterprise Funds		Other	Total	Governmental
	Downtown		Enterprise	Enterprise	Activities
	Enhancement	Parking	Funds	Funds	Internal
					Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 922,089	\$ 2,897,476	\$ 599,922	\$ 4,419,487	\$ 14,341
Cash received for services from other funds					2,578,321
Cash payments to suppliers for goods and services	(776,171)	(483,459)	(387,141)	(1,646,771)	(652,662)
Cash payments to employees for services	(41,987)	(1,161,583)	(35,061)	(1,238,631)	(359,679)
Insurance premiums and settlements				-	(1,044,611)
Other operating revenues	9,424	3,542	-	12,966	34,183
Net cash provided by (used for) operating activities	113,355	1,255,976	177,720	1,547,051	569,893
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	1,285	21,570		22,855	829,200
Transfers out	(3,734)	(1,311,119)	(1,064,587)	(2,379,440)	(63,901)
Net cash provided by (used for) noncapital financing activities	(2,449)	(1,289,549)	(1,064,587)	(2,356,585)	765,299
CASH FLOWS CAPITAL AND RELATED FINANCING ACTIVITIES:					
Loss on sale of capital assets					(7,152)
Acquisition of capital assets	(26,311)	(26,583)		(52,894)	(204,290)
Net cash provided by (used for) capital and related financing activities	(26,311)	(26,583)	-	(52,894)	(211,442)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest earned on investments	10,311	2,671	13,638	26,620	
Net cash provided (used) by investing activities	10,311	2,671	13,638	26,620	-
Net increase (decrease) in cash and cash equivalents	94,906	(57,485)	(873,229)	(835,808)	1,123,750
CASH AND CASH EQUIVALENTS:					
Beginning of year	798,069	297,607	873,229	1,968,905	6,328,241
Ending of year	\$ 892,975	\$ 240,122	\$ -	\$ 1,133,097	\$ 7,451,991
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (3,758)	\$ 1,266,592	\$ 186,925	\$ 1,449,759	\$ (514,062)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	113,818	13,019		126,837	435,104
Changes in operating assets and liabilities:					
Interest receivable on investments	207	931	5,328	6,466	
Other accounts receivable	(791)	690	49,437	49,336	6,750
Notes receivable	(5,161)			(5,161)	
Other assets	(560)	(128)		(688)	7,591
Worker's compensation claims payable				-	794,835
General liability claims payable				-	(202,827)
Accounts payable	6,658	(42,165)	(62,351)	(97,858)	42,912
Accrued wages and compensated absences	942	16,197	(1,619)	15,520	(410)
Refundable deposits		840		840	
Deferred revenue	2,000			2,000	
Total adjustments	117,113	(10,616)	(9,205)	97,292	1,083,955
Net cash provided (used) by operating activities	\$ 113,355	\$ 1,255,976	\$ 177,720	\$ 1,547,051	\$ 569,893

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

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FIDUCIARY FUND FINANCIAL STATEMENTS

Agency Fund are used to account for assets held by the City in the capacity of agent for individuals. Agency Fund spending is controlled primarily through legal agreements and applicable State and Federal laws.

City of Hermosa Beach
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Agency Funds
	<hr/>
ASSETS	
Cash and investments	\$ 352,411
Interest receivable	1,208
Other accounts receivable	<hr/> 10,051
Total assets	<hr/> \$ 363,670 <hr/>
 LIABILITIES	
Assessment:	
Installment account	\$ 242,400
OPEB contribution from City	<hr/> 121,270
Total liabilities	<hr/> \$ 363,670 <hr/>

See accompanying Notes to Basic Financial Statements.

City of Hermosa Beach
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For the year ended June 30, 2004

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City of Hermosa Beach
Notes to Basic Financial Statements
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Hermosa Beach, California, (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (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 of Hermosa Beach was incorporated on January 14, 1907, under the general laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety (police, crossing guards and fire), maintenance and construction of public improvements, cultural, recreation, community development (planning and zoning), and general administrative services.

As required by GAAP, the basic 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. Discretely presented component units, on the other hand, are reported in a separate column in the combined basic financial statements to emphasize their legal separateness from 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 because the governing board is substantively the same as the primary government:

Hermosa Beach Street Lighting and Landscaping District

This fund is used to account for the Lighting and Landscaping Assessment District, which was created for street lighting/median maintenance purposes pursuant to Street and Highway Code 22500-22679.

Lower Pier Avenue Assessment District Improvement Fund

This fund is used to account for the funds of the assessment district, which was created pursuant to Street and Highway Code 10000 for improvements in the downtown Pier Plaza.

Myrtle Underground Utility District Improvement Fund

This fund is used to account for the funds of the electric underground assessment district, which was created pursuant to Street and Highway Code 10000.

Loma Underground Utility District Improvement Fund

This fund is used to account for the funds of the electric underground assessment district, which was created pursuant to Street and Highway Code 10000.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government - Wide Financial Statements

These statements are presented as required by GASB Statement No. 34. The City Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the City, the primary government, accompanied by a total column. Fiduciary activities of the City are not included in these statements.

The basic financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated because their expenses are reported a second time as expenditures/expenses in the funds that are billed for the goods or services they provide. However, transactions between governmental and business-type activities have not been eliminated. The following interfund activities, if applicable, have been eliminated:

- Due to/from other funds – short-term loans within the primary government
- Advances to/from other funds – long-term loans within the primary government
- Operating transfers in/out – flows of assets between funds without the requirement for repayment

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

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements

These statements are presented as required by GASB Statement No. 34. 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. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. Major funds are governmental or enterprise funds whose revenues, expenditures/expenses, assets or liabilities are at least 10% of corresponding totals for all governmental or enterprise funds and at least 5% of the corresponding total for all governmental and enterprise funds combined. The City reports the following major governmental funds:

General Fund. This is the City's principal operating fund. It accounts for all revenues and expenditures used to finance the traditional services associated with a municipal government except those required to be accounted for in another fund.

Tyco Fund. This fund is used to account for funds received from an easement granted for construction of a transpacific, submarine fiber optic cable system originating in Japan with a landing in Hermosa Beach. The funds are primarily used for major improvement projects.

Contingency Fund. This fund accounts for "Rainy Day" funds set aside for unforeseen emergencies, unexpected economic events, etc.

Capital Improvement Fund. This fund accounts for funds set aside for capital improvement projects.

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 present increase (revenue and other financing sources) and decrease (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 those 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 tax, sales tax, intergovernmental revenues and other taxes. Business license fees are recorded as received. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Unearned revenues 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, or when lease payments, recreation class registrations or facility rentals are received in advance. In subsequent periods when the government has a legal claim to the resources, the unearned revenue is removed from the balance sheet and revenue is recognized.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34 and is located after the governmental funds balance sheet in the fund financial statements.

Proprietary Fund Financial Statements

Two types of funds are classified as proprietary funds: enterprise funds and internal service funds. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major 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.

The City reports the following major enterprise funds:

Downtown Enhancement Fund. This fund accounts for parking lot and parking structure operations and expenses related to the promotion of business in general in the downtown area.

Parking Fund. This fund accounts for all meter, fine and parking permit revenues and expenditures related to parking operations and capital improvements.

The internal service funds are used to account for fleet services, information technology services and risk management services provided to other departments on a cost-reimbursement basis.

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

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

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. The City's Fiduciary funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary fund types are accounted for according to the nature of the fund. Funds held as fiduciary funds represent assets resulting from assessments to the property owners in three electric undergrounding districts and a downtown improvement district. The assets are used to repay bonds secured by the private property in the district. In addition, a temporary agency fund was established in 2003-2004 to account for contributions and expenditures related to other post employment benefits for the Police Department. The City is in the process of establishing an agreement with an outside party for the administration of these funds.

C. Use of Restricted/Unrestricted Net Assets

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

D. Cash and Investments

The City pools cash resources of its various funds to facilitate cash management. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio. Interest earnings are apportioned among funds based on ending accounting period cash and investment balances.

The City's cash and cash equivalents are comprised of cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less at the time of acquisition.

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

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF 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 a result of changes in interest rates.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Property Tax Receivable

Property taxes attach as an enforceable lien on property as of July 1 each year. Taxes are levied on January 1 and are payable in two installments: December 10 and April 10 of each year. The County of Los Angeles, California (County) bills and collects the property taxes and remits them to the City according to a payment schedule established by the County. City property tax revenues are recognized when received in cash except at year-end when they are accrued pursuant to the modified accrual basis of accounting. The City recognizes available taxes or those collected within 60 days as revenue at June 30.

The County is permitted by State law to levy taxes at 1% of full market value (at time of purchase) and can increase the assessed valuation no more than 2% per year. The City receives a share of this basic levy, proportionate to what it received during the years 1976 to 1978.

F. 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."

G. Capital Assets

Capital assets, which include land, buildings, improvements, equipment, furniture, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements. Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$1,000 and infrastructure at \$100,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	3-20 years
Infrastructure	15-50 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included all infrastructure as of June 30, 2004 into the 2003-2004 Basic Financial Statements.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Capital Assets, Continued

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, sewers and storm drains, parking meters and monuments. Each major infrastructure system can be divided into subsystems. For example the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights and landscaping. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

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

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 2003. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry- accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

H. Claims Payable

The City records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers' compensation claims. The estimated liability for workers' compensation claims and general liability claims includes "incurred but not reported" (IBNR) claims. There is no fixed payment schedule to pay these liabilities.

I. Compensated Absences Payable

City employees have vested interest in varying levels of vacation, sick leave and compensatory time based on their length of employment. It is the policy of the City to pay all accumulated vacation pay and a portion of sick pay when an employee retires or terminates. Only the short-term liability for compensated absences (the amount due to employees for future absences, such as vacation, sick and compensatory time, which are attributable to services already rendered) is reported as a current liability in the fund financial statements; the long-term amount is included as a liability in the governmental activities of 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. As mentioned under "Financial Policies," the City's goal is to accumulate funding in the Compensated Absences Fund for 50% of the accrued liability for compensated absences.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Unearned Revenue

In the Government-Wide Financial Statements, unearned revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues in the Government-Wide Financial Statements are lease payments received in advance, prepaid charges for services and facility rentals paid.

In the Fund Financial Statements, the City records unearned revenue for transactions for which revenues have not been earned. Typical transactions for which unearned revenue is recorded are grants received but not yet earned or available, lease payments received in advance and advance registration for recreation classes and facility rentals.

K. Long-Term Debt

Government-Wide Financial Statements

The City has no long-term debt. Other long-term obligations are reported on the Statement of Net Assets as liabilities in the appropriate activities.

Fund Financial Statements

Long-term debt is not presented in the fund financial statements, but long-term liabilities are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets located after the governmental funds balance sheet in the fund financial statements.

L. Net Assets

Government-Wide Financial Statements

In the government-wide financial statements, net assets are reported in one of three categories:

Invested in Capital Assets– This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt, (if applicable), that is attributed to the acquisition, construction, or improvement of the assets.

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

Unrestricted Net Assets – This amount represents remaining net assets that do not meet the definition of “*invested in capital assets*” or “*restricted net assets*.”

M. Fund Balances – Reservations and Designations

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties to use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. 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.

2. CASH AND INVESTMENTS

The City maintains a cash and investment pool which includes cash balances and authorized investments of all funds. This pooled cash is invested by the City Treasurer to enhance earnings. The pooled interest earned is allocated to the fund based on cash and investment balances in these funds at the end of each accounting period.

A. Cash Deposits

The carrying amounts of the City's cash deposits were \$819,972 at June 30, 2004. Bank balances at June 30, 2004, were \$959,294 which were fully insured and 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. The law 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 market 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 \$100,000 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, if applicable. Interest income from cash and investments with fiscal agents is credited directly to the related fund. 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 is not allocated to the Compensated Absences Fund, funds created to advance costs for utility undergrounding districts, reimbursable grant funds or internal service funds.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

B. Investments

The City's investment policy is more restrictive than the State's, by design. Under the provisions of the City's investment policy, and in accordance with California Government Code, the investments below are authorized.

- Securities of the U.S. Government, or its agencies
- Banker's acceptances
- Time Certificates of Deposits
- Negotiable certificates of Deposit
- California Local Agency Investment Fund
- Corporate Medium-Term Notes

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the City's investments are carried at fair market value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end with the effects of these adjustments included in income for that fiscal year. Changes in value for the fiscal year ended June 30, 2004, amounted to an unrealized decrease of \$44,982.

The City's investments with the Local Agency Investment Fund (LAIF), the State of California's investment pool, at June 30, 2004, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes, which are 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, the bulk of which are mortgage-backed securities, and which 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, such as collateralized mortgage obligations (CMO's), or credit card receivables.

As of June 30, 2004, the City had \$21,539,812 invested in LAIF. 1.603% of pool investment funds were invested in Structured Notes and Asset-Backed Securities.

The City valued its investments in LAIF as of June 30, 2004 by multiplying its account balance with LAIF by a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of .998384177.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

C. Credit Risk

Governmental Accounting Standards Board Statement No. 3 requires that deposits and investments be classified by credit risk.

Classification of deposits and investments by credit risk:

Deposits

Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 - Deposits which are uninsured or uncollateralized.

Investments

Category 1 - Insured or registered or securities held by the entity or its agent in the entity's name.

Category 2 - Uninsured and unregistered with securities held by the counterparty's trust department or agent in the entity's name.

Category 3 - Uninsured and unregistered with securities held by the counterparty, or by its trust department or agent, but not in the entity's name.

Investments Not Subject to Categorization

Investments in the California Local Agency Investment Fund (LAIF) are not categorized, as GASB Statement No. 3 does not require categorization of investment pools managed by another government. Certain fiscal agent investments, if applicable, are not categorized because the underlying assets are open-ended mutual funds. Guaranteed investment contracts, if applicable, are not categorized because they are direct contractual investments and are not securities. All such investments are not required to be categorized under interpretive guidelines issued by the GASB.

D. Summary of Cash and Investments

The following is a summary of cash and investment at June 30, 2004:

	Government-Wide Statement of Net Assets			Funds Financial Fiduciary Funds	
	Governmental Activities	Business-Type Activities	Total	Statement of Net Assets	Total
Cash and Investments	\$ 22,370,841	\$ 1,133,097	\$ 23,503,938	\$ 352,411	\$ 23,856,349

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

D. Summary of Cash and Investments, Continued

Cash (deposits) and investments were categorized as follows at June 30, 2004:

	Category			
	1	2	Uncategorized	Fair Value
City Treasury:				
<i>Cash Deposits:</i>				
Demand accounts	\$ 113,000	\$ 846,294		\$ 959,294
Less items in transit				(139,322)
Total cash deposits	113,000	846,294	\$ -	819,972
<i>Investments:</i>				
Local Agency Investment Fund			21,539,812	21,539,812
U.S. government notes	1,496,565			1,496,565
Total investments	1,496,565	-	21,539,812	23,036,377
Total cash and investments	\$ 1,609,565	\$ 846,294	\$ 21,539,812	\$ 23,856,349

At June 30, 2004, the City had no category 3 investments.

E. Summary of Investments to Maturity

Investments held in the City Treasury grouped by maturity date at June 30, 2004, are shown below:

Maturity	Fair Value
Current to one year	\$ 22,041,687
One to two years	994,690
Total	\$ 23,036,377

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

3. RECEIVABLES

Government-Wide Financial Statements

At June 30, 2004, the Government-Wide Financial Statements show the following miscellaneous receivables net of allowances for uncollectible amounts, if any:

	Government-Wide Statement of Net Assets		Fiduciary Funds	
	Governmental	Business-Type	Statement of	
	Activities	Activities	Net Assets	Total
Accounts	1,456,729	\$ 25,753	\$ 10,051	\$ 1,492,533
Taxes	641,983			641,983
Interest	82,621	6,348	1,208	90,177
Grants	436,159			436,159
Notes	-	156,143		156,143
Total	\$ 2,617,492	\$ 188,244	\$ 11,259	\$ 2,816,995

Fund Financial Statements

At June 30, 2004, the Fund Financial Statements show the following receivables:

A. Accounts Receivable

Accounts receivable consisted of amounts accrued in the ordinary course of operations. The total amount of accounts receivable for each major and non-major fund in the aggregate as of June 30, 2004, were as follows:

<i>Governmental Funds:</i>	
General Fund	\$ 1,377,454
Non-major Funds	79,275
Total governmental funds	1,456,729
<i>Proprietary Funds:</i>	
Downtown Enhancement Fund	10,228
Parking Fund	15,525
Total proprietary funds	25,753
Total	\$ 1,482,482

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

3. RECEIVABLES, Continued

B. Taxes Receivable

At June 30, 2004, the City had taxes receivable in the following major funds and non-major funds in the aggregate:

	Property Taxes
<i>Governmental Funds:</i>	
General Fund	\$ 632,890
Non-major Funds	9,093
Total	\$ 641,983

C. Interest Receivable

Interest receivable consists of interest from investments pooled by the City, which is distributed among the funds according to their cash balances at the end of the accounting period, and interest receivable on restricted investments held by the fiscal agents which are recorded in the funds holding the investment. The interest receivable as of June 30, 2004, was as follows:

	City Pooled Investments
<i>Governmental Funds:</i>	
General fund	\$ 23,753
Tyco fund	9,956
Contingency fund	13,626
Capital Improvement	9,487
Non-major funds	25,799
Total governmental funds	82,621
<i>Proprietary Funds:</i>	
Downtown Enhancement fund	4,662
Parking fund	1,686
Total proprietary funds	6,348
Total	88,969
<i>Agency Funds</i>	1,208
Total interest receivable	\$ 90,177

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

3. RECEIVABLES, Continued

D. Reimbursable Grants Receivable

Grants receivable consists of a variety of reimbursable grants from other agencies. The total amount of reimbursable grants for each major and non-major fund in the aggregate as of June 30, 2004 were as follows:

<i>Governmental Funds:</i>	
Non-major Funds	<u>\$ 436,159</u>
Total governmental funds	<u>\$ 436,159</u>

E. Notes Receivable

In April 1995, the City entered into an agreement with the South Bay Alano Club for the purchase of a building and property owned by the City. The note in the amount of \$200,000, which is secured by a deed of trust, specified a 10 year term with an interest rate of 10% per annum. The final payment of unpaid principal and interest accrued monthly is due in May 2010. The outstanding principal at June 30, 2004 is \$156,143.

4. LEASE REVENUES

In January 2000, the North Pier Parking Structure was completed. The parking structure contains 400 parking spaces and was funded in part by a downtown developer in exchange for the use of 100 spaces in the structure. The remainder of the funding was provided by the City's Downtown Enhancement Fund and Prop A Open Space funding contributed by the Los Angeles County Department of Beaches and Harbors. In consideration of the County contribution, 50% of the annual net income derived from the parking structure must be shared with the County each year by September 1. The payment to the County for fiscal year 2003-2004 is \$201,574.

In January 2001, a 50 year lease for the retail space located in front of the North Pier Parking Structure was initiated. The City receives a monthly lease payment in the amount of \$1,750. The lease includes a negotiated increase to the monthly lease payment to be calculated every 60 months based on the consumer price index. The first increase is due in January 2006.

In February 2004, the City entered into a 5 year lease agreement with Sprint, a cellular telephone company, for placement of an antenna on the North Pier Parking Structure. The City receives a monthly lease payment in the amount of \$2,000.

The City leases a portion of the Hermosa Beach Community Center to nonprofit and cultural organizations. The leases are renegotiated annually.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

4. LEASE REVENUES, Continued

All of the above leases are accounted for as operating leases by the City. The future minimum rental revenues under these leases are as follows:

Year Ending June 30,	
2005	\$ 61,241
2006	45,000
2007	45,000
2008	45,000
2009	35,000
2010-2014	105,000
2015-2019	105,000
2020-2024	105,000
2025-2029	105,000
2030-2034	105,000
2035-2039	105,000
2040-2044	105,000
2045-2049	105,000
2050-2054	33,250
Total	\$ 1,104,491

Lease revenue for fiscal year 2004 was \$95,951 with \$64,951 reflected in the General Fund and \$31,000 in the Downtown Enhancement Fund, an enterprise fund.

5. INTERFUND TRANSACTIONS

A. Government-Wide Financial Statements

Transfers

At June 30, 2004, the City had the following operating transfers:

	Transfers Out
	Business-Type Activities
Transfers In Governmental Activities	\$ 2,356,585
Total	\$ 2,356,585

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements

The composition of due to/from other funds at June 30, 2004 is as follows:

		Due to Other Funds
		Non-major Governmental Funds
Due From Other Funds	Capital Improvement Fund	\$ 44,000
	Non-major funds	356,595
	Total	\$ 400,595

The balance of \$44,000 due to the Capital Improvement fund from Non-major governmental funds resulted from loans for the start up of a utility undergrounding district. A balance of \$111,158 in non-major funds resulted from the time lag between the dates that reimbursable expenditures occur and payments are received from other agencies. The remaining balance of \$245,437 resulted from an additional claim the City was required to file for a reimbursable state parks grant. All balances are scheduled to be collected in the subsequent year.

Advances

At June 30, 2004, the composition of advances to other funds is as follows:

		Advances from Other Funds
		Non-major Governmental Funds
Advances to Other Funds	Capital Improvement Fund	\$ 288,000
	Total	\$ 288,000

The balance of \$288,000 advanced from the Capital Improvement fund to the Non-major Governmental funds resulted from long term loans for the start up costs of 3 utility undergrounding districts. Since the advances are not scheduled to be collected in the subsequent year, the fund balance of the Capital Improvement fund was reserved to reflect that the financial resources are not currently available.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Transfers

At June 30, 2004, the City had the following operating transfers:

		Transfers Out								
				Non-major	Downtown		Other	Internal		
		General	Tyco	Contingency	Governmental	Enhancement	Parking	Enterprise	Service	
		Fund	Fund	Fund	Funds	Fund	Fund	Funds	Fund	
									Total	
Transfer In	General Fund				\$ 760,096	\$ 3,734	\$ 1,311,119		\$ 63,901	\$ 2,138,850
	Capital									
	Improvement Fund	\$ 759,317	\$ 275,000							1,034,317
	Non-major									
	Governmental Funds	2,356,617		\$ 368,470				\$ 1,064,587		3,789,674
	Downtown									
	Enhancement Fund	1,285								1,285
	Parking Fund	21,570								21,570
Internal Service Fund	807,973			21,227					829,200	
Total		\$ 3,946,762	\$ 275,000	\$ 368,470	\$ 781,323	\$ 3,734	\$ 1,311,119	\$ 1,064,587	\$ 63,901	\$ 7,814,896

In general, transfers are used to 1) transfer any unexpended balance in the General Fund according to the City's financial policies, 2) use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) to reimburse the General Fund for administration services provided to other funds .

In the year ended June 30, 2004, the following one-time transfers were made:

- The General Fund made a transfer of \$113,343 to subsidize the operations of the Lighting Landscaping District fund;
- The General Fund made a transfer of \$56,151 to the Lighting Landscaping District Fund, the Downtown Enhancement Fund, the Parking Fund, the AB939 Fund, the Sewer Fund, the Insurance Fund, and the Equipment Replacement Fund for changes to employee memoranda of understanding (MOU's);
- The General Fund made a transfer of \$40,000 to the Equipment Replacement fund to finance a pilot wireless network program;
- The Park/Recreation Facility Tax Fund made a transfer of \$54,300 to fund special projects in the General Fund related to recreational facilities;
- The Asset Seizure/Forfeiture Fund made a transfer of \$40,500 to fund special projects in the General fund related to the police station;
- The Equipment Replacement Fund made a transfer to the General Fund to subsidize the purchase of a Community Development software upgrade;
- The transfer out in "other enterprise funds" reflects the re-classification of the Proposition A Fund and Proposition C Fund from enterprise to special revenue funds.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

6. CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City has reported all capital assets, including infrastructure, in the Government-Wide Statement of Net Assets. The City elected to use the “*Basic Approach*” as defined by GASB Statement No. 34 for infrastructure reporting. All capital and 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, 2004, the City’s capital assets consisted of the following:

	Government Activities	Business-Type Activities	Total
<i>Non-Depreciable Assets:</i>			
Land	\$ 18,052,495	\$ 1,572,740	\$ 19,625,235
Construction in progress	2,548,970	36,637	2,585,607
Total non-depreciable assets	20,601,465	1,609,377	22,210,842
<i>Depreciable Assets:</i>			
Buildings and structures	3,491,998	5,558,605	9,050,603
Improvements other than buildings	6,861,043	13,141	6,874,184
Machinery and equipment	2,647,173	44,074	2,691,247
Vehicles	2,833,232		2,833,232
Infrastructure	36,487,235	235,942	36,723,177
Total depreciable assets	52,320,681	5,851,762	58,172,443
Less accumulated depreciation for:			
Buildings and structures	(1,430,398)	(490,587)	(1,920,985)
Improvements other than Buildings	(2,224,328)	(13,141)	(2,237,469)
Machinery and equipment	(1,380,993)	(29,381)	(1,410,374)
Vehicles	(1,366,399)		(1,366,399)
Infrastructure	(12,404,822)	(47,105)	(12,451,927)
Total accumulated depreciation	(18,806,940)	(580,214)	(19,387,154)
Total depreciable assets, net	33,513,741	5,271,548	38,785,289
Total capital assets	\$ 54,115,206	\$ 6,880,925	\$ 60,996,131

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

6. CAPITAL ASSETS, Continued

The following is a summary of capital assets for governmental activities for the year ended June 30, 2004:

A. Government-Wide Financial Statements, Continued

	Balance July 1, 2003	Additions	Deletions	Adjustments	Balance June 30, 2004
<i>Capital assets not being depreciated:</i>					
Land	\$ 18,052,495				\$ 18,052,495
Construction in progress	3,523,017	\$ 529,281		\$ (1,503,328)	2,548,970
Total capital assets not being depreciated	21,575,512	529,281		(1,503,328)	20,601,465
<i>Capital assets being depreciated:</i>					
Buildings and structures	3,906,022	4,390		(418,414)	3,491,998
Improvements other than buildings	5,004,018	1,513,421		343,604	6,861,043
Machinery and equipment	2,529,642	300,971	\$ (61,854)	(121,586)	2,647,173
Vehicles	2,765,500	136,916	(77,222)	8,038	2,833,232
Infrastructure	34,822,539	2,362,564	(1,438,346)	740,478	36,487,235
Total capital assets being depreciated	49,027,721	4,318,262	(1,577,422)	552,120	52,320,681
Less accumulated depreciation for:					
Buildings and structures	(1,370,480)	(65,541)		5,623	(1,430,398)
Improvements other than buildings	(2,048,250)	(207,198)		31,120	(2,224,328)
Machinery and equipment	(1,309,260)	(232,578)	58,445	102,400	(1,380,993)
Vehicles	(1,114,858)	(302,637)	65,320	(14,224)	(1,366,399)
Infrastructure	(12,325,563)	(1,071,139)	955,243	36,637	(12,404,822)
Total accumulated depreciation	(18,168,411)	(1,879,093)	1,079,008	161,556	(18,806,940)
Total capital assets being depreciated, net	30,859,310	2,439,169	(498,414)	713,676	33,513,741
Total governmental activities	\$ 52,434,822	\$ 2,968,450	\$ (498,414)	\$ (789,652)	\$ 54,115,206

Governmental activities depreciation expense for capital assets for the year ended June 30, 2004 was \$1,879,093. The City allocated the depreciation expense to departments/functions.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

6. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of capital assets for business-type activities:

	Balance July 1, 2003	Additions	Deletions	Adjustments	Balance June 30, 2004
<i>Capital assets not being depreciated:</i>					
Land	\$ 1,572,740				\$ 1,572,740
Construction in progress	25,047	11,590			36,637
depreciated	1,597,787	11,590	\$ -	\$ -	\$ 1,609,377
<i>Capital assets being depreciated:</i>					
Buildings and structures	5,558,605				5,558,605
Improvements other than buildings	13,141				13,141
Machinery and equipment	50,336			(6,262)	44,074
Infrastructure		26,586		209,356	235,942
Total capital assets, being depreciated	5,622,082	26,586	-	203,094	5,851,762
Less accumulated depreciation for:					
Buildings and structures	(376,486)	(114,101)			(490,587)
Improvements other than buildings	(13,141)				(13,141)
Machinery and equipment	(33,374)	(2,269)		6,262	(29,381)
Infrastructure		(10,468)		(36,637)	(47,105)
Total accumulated depreciation	(423,001)	(126,838)	-	(30,375)	(580,214)
net	5,199,081	(100,252)	-	172,719	5,271,548
Total business-type activities	\$ 6,796,868	\$ (88,662)	\$ -	\$ 172,719	\$ 6,880,925

Business-type activities depreciation expense for capital assets for the year ended June 30, 2004 are as follows:

Downtown enhancement	\$ 113,817
Parking	13,021
Total depreciation expense	\$ 126,838

B. Fund Financial Statements

The fund financial statements do not present General Government Capital Assets. They are shown in the Reconciliation of the Governmental Funds Balances Sheet to the Government-Wide Statement of Net Assets located after the governmental fund balance sheet in the fund financial statements.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

7. LONG-TERM DEBT

A. Long-Term Debt with City Commitment

The following is a summary of compensated absences payable transactions for the year ended June 30, 2004:

	Balance July 1, 2003	Additions	Retirements	Balance June 30, 2004	Classification	
					Due in One Year	Due in more than One Year
<i>Governmental Activities:</i>						
Compensated absences	\$ 896,542	\$ 1,043,193	\$ (837,642)	\$ 1,102,093	\$ 780,433	\$ 321,660
Total	<u>\$ 896,542</u>	<u>\$ 1,043,193</u>	<u>\$ (837,642)</u>	<u>\$ 1,102,093</u>	<u>\$ 780,433</u>	<u>\$ 321,660</u>

The long-term portion of compensated absences payable has been accrued for the Governmental Activities on the Government-Wide Financial Statement. Typically, the General Fund (major fund), the Lighting and Landscaping District Fund, AB939 Fund and the Sewer Fund (non-major funds) have been used to liquidate the liability for compensated absences. There is no fixed payment schedule to pay these liabilities. The total amount of compensated absences payable at June 30, 2004, was \$1,102,093.

B. Long-Term Debt without City Commitment

At June 30, 2004, the following Special Assessment Bonds are payable from the proceeds of the Special Assessment levied and collected on all real property within the special districts. The City is in no way obligated to repay the debt in the event of default and the debt is not recorded in the accompanying financial statements.

1998 Lower Pier Special Assessment Bonds

In November 1997, limited obligation improvement bonds in the amount of \$400,000 were issued for the Lower Pier Avenue Assessment District for street and sidewalk improvements in the downtown area. The City is in no way financially obligated for payments of the bonds, which are secured by private property in the district. The bonds will be repaid from assessments to the property owners as part of their annual property tax bill.

The annual debt service requirements by year are as follows:

Year Ending June 30,	Principal	Interest	Balance Total
2005	\$ 15,000	\$ 21,287	\$ 36,287
2006	15,000	20,312	35,312
2007	20,000	19,175	39,175
2008	20,000	17,875	37,875
2009	20,000	16,575	36,575
2010-2014	115,000	61,913	176,913
2015-2018	130,000	17,550	147,550
Total	<u>\$ 335,000</u>	<u>\$ 174,687</u>	<u>\$ 509,687</u>

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

7. LONG-TERM DEBT, Continued

B. Long-Term Debt without City Commitment

1999 Myrtle Utility Underground District Special Assessment Bonds

In October 1999, limited obligation improvement bonds in the amount of \$1,159,114 were issued for the Myrtle Avenue Utility Underground Assessment District for the undergrounding of utilities within the district. The City is in no way financially obligated for payment of the bonds, which are secured by private property in the district. The bonds will be repaid from assessments to the property owners as part of their annual property tax bill.

The annual debt service requirements by year are as follows:

Year Ending June 30,	Principal	Interest	Balance Total
2005	\$ 40,000	\$ 50,360	\$ 90,360
2006	45,000	48,425	93,425
2007	45,000	46,333	91,333
2008	45,000	44,172	89,172
2009	50,000	41,820	91,820
2010-2014	280,000	167,568	447,568
2015-2019	365,000	78,724	443,724
2020-2023	85,000	2,444	87,444
Total	\$ 955,000	\$ 479,846	\$ 1,434,846

1999 Loma Utility Underground District Special Assessment Bonds

In October 1999, limited obligation improvement bonds in the amount of \$1,324,653 were issued for the Loma Drive Utility Underground Assessment District for the undergrounding of utilities within the district. The City is in no way financially obligated for payment of the bonds, which are secured by private property in the district. The bonds will be repaid from assessments to the property owners as part of their annual property tax bill.

The annual debt service requirements by year are as follows:

Year Ending June 30,	Principal	Interest	Balance Total
2005	\$ 50,000	\$ 58,440	\$ 108,440
2006	50,000	56,165	106,165
2007	50,000	53,840	103,840
2008	55,000	51,318	106,318
2009	55,000	48,595	103,595
2010-2014	330,000	194,293	524,293
2015-2019	420,000	91,490	511,490
2020-2023	100,000	2,875	102,875
Total	\$ 1,110,000	\$ 557,016	\$ 1,667,016

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. OTHER REQUIRED FUND DISCLOSURES

A. Deficit Fund Balances

At June 30, 2004, the following funds had deficit fund equity:

Bayview Drive Underground District	<u>\$ (38,000)</u>
Bonnie Brae Underground District	<u>\$ (50,000)</u>
Beach Drive Underground District	<u>\$ (27,000)</u>
Prospect Utility Underground District	<u>\$ (200,000)</u>

The deficits represent “start up” costs for the district and will be eliminated once the districts have been formed and assessment collections are received. If the districts are not approved, the costs will be borne by the City and transferred to another fund.

9. RISK MANAGEMENT

The City maintains an internal service fund to account for the City’s general liability and workers’ compensation claims, automobile, property, and unemployment insurance.

The City is self-insured for individual workers’ compensation claims up to \$500,000 and for each general liability claim up to \$250,000. The City is insured above the self-insured retention for general liability insurance coverage, up to a maximum of \$10,000,000 per occurrence, as a member of the Independent Cities Risk Management Authority (ICRMA). Settled claims have not exceeded this coverage in any of the past five years.

ICRMA is a joint exercise of powers authority organized and operating pursuant to the California Government Code. ICRMA was formed in 1980 pursuant to joint exercise of power agreements for insurance and risk management purposes, which, as amended, enable ICRMA to provide programs of risk sharing, insurance and risk management services in connection with liability, property, and workers’ compensation claims.

ICRMA’s annual budget is based on estimated payroll, historical loss experience and self insured retention for each participating member. The budgeted weighted risk sharing percentage is one element of determining the City’s annual premium but does not necessarily represent the percentage participation in the losses of the ICRMA. Budgeted weighted risk sharing percentages for the last five years are listed below:

3.93% weighted risk sharing percentage for July 1, 2003 to July 1, 2004
2.57% weighted risk sharing percentage for July 1, 2002 to July 1, 2003
3.10% weighted risk sharing percentage for July 1, 2001 to July 1, 2002
3.10% weighted risk sharing percentage for July 1, 2000 to July 1, 2001
1.84% weighted risk sharing percentage for July 1, 1999 to July 1, 2000

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

9. RISK MANAGEMENT, Continued

The City's premiums to ICRMA in the amount of \$ 260,570 for the fiscal year 2003-2004 are in accordance with formulas established by ICRMA. The City is liable for possible additional assessments and withdrawal costs under terms of the membership agreement, however there has never been an additional assessment since the pool was formed.

The City has entered into contracts with third party administrators who supervise and administer the City's general liability and workers' compensation insurance program. Claim loss estimates are determined by the third party administrator based on the nature of an individual claim. The loss estimates include amounts for future compensation, medical, legal and administrative fees. The City also includes estimated claims incurred but not reported (IBNR) provided by an actuary. Reimbursement requests are submitted to the City on a monthly basis as claims are paid.

The workers' compensation and general liability claims payable of \$2,934,641 reported at June 30, 2004, are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amounts were as follows:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Year Liability	Amounts Due within One Year
<u>Workers' Compensation</u>					
2001-2002	\$ 1,410,368	\$ 1,256,827	\$ (686,366)	\$ 1,980,829	\$ 325,000
2002-2003	1,980,829	473,475	(685,173)	1,769,131	325,000
2003-2004	1,769,131	2,337,918	(1,543,083)	2,563,966	453,000
<u>General Liability</u>					
2001-2002	\$ 572,923	\$ 10,316	\$ (250,857)	\$ 332,382	\$ 250,000
2002-2003	332,382	596,841	(355,721)	573,502	250,000
2003-2004	573,502	(110,046)	(92,781)	370,675	184,000

Detailed financial information may be obtained from the ICRMA Program Administrator located at 3760 Kilroy Airport Way, Suite 360, Long Beach, California 90806.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

10. RETIREMENT PLANS

A. Public Employee Retirement System

Plan Description

The City contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS 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 the CalPERS annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Funding Policy

City employees are required by State statute to contribute 7% for miscellaneous employees and 9% for safety employees of their annual covered salary. As a negotiated benefit, the City makes the contributions required of City employees on their behalf. Those contributions amounted to \$763,538 for the year ended June 30, 2004. The City, as the employer, is required to contribute for fiscal year 2003-2004 at actuarially determined rates; which are applied to annual covered payroll. The 2003-2004 rate is 0% for miscellaneous employees, 27.843% for police employees and 18.510% for fire employees. The contribution rate for miscellaneous employees is 0% because their plan is superfunded, meaning that the actuarial value of plan assets exceeds the present value of projected benefits. The contribution requirements of City employees and the City employer are established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2003-2004, the City's annual pension cost of \$1,179,717 for CalPERS was equal to the City's required and actual contributions, of which \$0 is for the miscellaneous plan, \$827,733 for the police plan and \$351,984 for the fire plan. The required contribution was determined as part of the June 30, 2003, 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 3.75% to 14.45% depending on age, service, and type of employment, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2003 was 17 years for public safety police employees, 15 years for public safety fire employees, and 17 years for miscellaneous employees for prior and current service unfunded liability.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

10. RETIREMENT PLANS, Continued

A. Public Employee Retirement System, Continued

THREE-YEAR TREND INFORMATION FOR PERS

Miscellaneous Plan

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2002	\$ -	100%	\$ -
6/30/2003	-	100%	-
6/30/2004	-	100%	-

Police Plan

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2002	\$ 563,961	100%	\$ -
6/30/2003	635,079	100%	-
6/30/2004	827,733	100%	-

Fire Plan

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2002	\$ 169,691	100%	\$ -
6/30/2003	154,110	100%	-
6/30/2004	351,984	100%	-

B. Other Post-Employment Benefits

In addition to the pension benefits described above, the City provides post-employment health care benefits, in accordance with negotiated Memoranda of Understanding. Prior to July 1, 2000 these benefits were available to employees represented by the Management Association, General and Supervisory Bargaining Unit represented by the California Teamsters Public, Professional and Medical Employees' Union and the Professional and Administrative Employee Association. Eligible employees were service retirees, age 55 or over, with a minimum of ten years continuous service with the City.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

10. RETIREMENT PLANS, Continued

B. Other Post-Employment Benefits, Continued

Employees who retired from September 1, 1988 through August 31, 1991 were provided:

- 1) \$60 per month (or cost of policy, whichever is less) for a minimum of ten years continuous service with the City, or
- 2) \$80 (or the cost of policy, whichever is less) for a minimum of twenty years continuous service, payable to the medical insurance provider.

Employees who retired from September 1, 1991 to June 30, 2000 were provided:

- 1) \$40 per month (or cost of policy, whichever is less) for a minimum of ten years continuous service with the City, or
- 2) \$60 respectively (or the cost of policy, whichever is less) for a minimum of twenty years continuous service, payable to the medical insurance provider.

For employees retiring on or after July 1, 2002, post employment benefits are as follows for each bargaining group:

General and Supervisory Bargaining Unit

For service retirement at age 55 or over employee will receive a medical insurance supplement in the amount of:

- 1) \$80 per month (or the cost of policy, whichever is less) with a minimum of ten years of continuous service with the City, or
- 2) \$140 per month (or cost of policy, whichever is less) with a minimum of 20 years of service.

Professional and Administrative Employees Association

For service retirement at age 55 or over employee will receive a medical insurance supplement in the amount of:

- 1) \$80 per month (or the cost of policy, whichever is less) with a minimum of ten years of continuous service with the City, or
- 2) \$140 per month (or cost of policy, whichever is less) with a minimum of 20 years of service.

Hermosa Beach Management Association

For service retirement at age 55 or over employee will receive a medical insurance supplement in the amount of:

- 1) \$60 per month (or the cost of policy, whichever is less) with a minimum of ten years of continuous service with the City, or
- 2) Cost of policy for employee only with a minimum of 20 years of service.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

10. RETIREMENT PLANS, Continued

B. Other Post-Employment Benefits, Continued

Police Management Association

For service retirement:

- 1) At age 55 or over employee will receive a medical insurance supplement in the amount of \$200 per month (or cost of policy, whichever is less) with a minimum of fifteen years of continuous service with the City, or
- 2) At age 50 employee will receive a medical insurance supplement in the amount of \$200 per month (or cost of policy, whichever is less) with a minimum of 20 years of continuous service.

Police Officers Association

For service retirement prior to July 1, 2003:

- 1) At age 55 or over employee will receive a medical insurance supplement in the amount of \$200 per month (or cost of policy, whichever is less) with a minimum of fifteen years of total full-time service with the City, or
- 2) At age 50 employee will receive a medical insurance supplement in the amount of \$200 per month (or cost of policy, whichever is less) with a minimum of 20 years of total full-time service.

For service retirement July 1, 2003 or later:

- 1) At age 50, or for disability retirement (no age restriction), employee will receive an amount up to the employee only HMO premium available through the City's medical insurance provider with a minimum of twenty years total full-time sworn police service with the City, or
- 2) At age 55, or for disability retirement (no age restriction), employee will receive an amount up to the employee only HMO premium available through the City's medical insurance provider with a minimum of fifteen years total full-time sworn police service with the City.

An actuary was hired to determine the annual required contribution for benefits for police officers retiring after July 1, 2003. A temporary agency fund was established in 2003-2004 to account for contributions and expenditures related to these benefits. The City is in the process of establishing an agreement with an outside party for the administration of these funds. For fiscal year 2003-2004, two retirees received benefits at a total cost of \$7,374.

Firefighters Association

For service retirement at age 50 or disability retirement (no age restriction) employee will receive a medical insurance supplement in the amount of:

- 1) \$150 per month with a minimum of ten years of service with the City, or
- 2) \$250 per month with a minimum of 20 years of service.

Estimated benefits payable are budgeted each fiscal year. For fiscal year 2003-2004, seventeen retirees received benefits at a total cost of \$25,158.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

11. COMMITMENTS AND CONTINGENCIES

A. Commitments

The City had several outstanding or planned construction projects as of June 30, 2004. These projects are evidenced by contractual commitments with contractors and include:

Project	Spent to Date	Commitment
		Remaining
Infrastructure	\$ 1,750,589	\$ 2,112,606
Municipal Pier Upgrades	460,000	1,910,200

The infrastructure projects include both street and sewer projects that are funded by multiple funds including the Tyco Fund, the Proposition C Fund, the Capital Improvement Fund and the Sewer Fund. The Municipal Pier Upgrades project is a commitment of the General Fund and the Tyco Fund, with remaining funding provided by a County Open Space Grant and a State Coastal Conservancy Grant. The Valley Park Renovation project is a commitment of multiple funds including the Parks/Rec Facility Tax Fund, the Sewer Fund and the Capital Improvement Fund.

B. Contingencies

The City is a defendant in a number of lawsuits, which have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty.

12. SUBSEQUENT EVENTS

MacPherson Oil Project

The City entered into a lease with MacPherson Oil in 1986 to allow oil drilling from the City Yard site. During the time that ensued, MacPherson was taking the necessary steps to obtain all required environmental reviews and permits. In 1995 the voters enacted a new ordinance by way of an initiative, entitled Proposition E, to prohibit oil drilling in the City. The issue of whether Proposition E applied to MacPherson's project was the subject of a lawsuit initiated by Proposition E proponents. The City and MacPherson argued that Proposition E did not preclude MacPherson from exercising its rights under the lease. The court of appeal, in a final opinion, ruled otherwise, and the oil project is now dead as a result of that decision.

MacPherson has now sued the City, by way of a cross-complaint in the legal action referred to above, for damages due to the alleged breach of contract caused by Proposition E. Both parties filed motions for summary judgment in the trial court. In its motion, MacPherson contended, among other things, that enactment of Proposition E worked a breach of its lease with the City, entitling it to damages for lost profits. It claims damages in excess of \$100 million. In its motion, the City contended that because the Court of Appeal has ruled Proposition E not to be an unconstitutional impairment of contract, it cannot work a breach. The City further contended that the passage of Proposition E made performance of the lease impossible. Finally, the City contended that if MacPherson is entitled to any damages, they are limited to restitution, and not lost profits.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

12. SUBSEQUENT EVENTS, Continued

In December, 2003, the trial court granted the City's motion in its entirety, holding that MacPherson is not entitled to proceed against the City for damages. MacPherson appealed this ruling to the court of appeal, where it is now fully briefed. The City is vigorously defending the trial court ruling in its favor. We expect oral argument to be scheduled soon. Should MacPherson prevail and obtain a reversal, the matter will be remanded to the trial court for trial. That event could have a material effect on the financial position of the City.

13. PRIOR PERIOD ADJUSTMENTS

Government-Wide Statements

The City recorded the following prior period adjustments to record infrastructure projects that were in progress prior to the implementation of GASB Statement No. 34 and to reclassify infrastructure assets that were recorded during the appraisal process in governmental-type activities rather than business-type activities. Accordingly, the net assets as of July 1, 2003, have been restated as follow:

	Net Assets as Previously Reported	Prior Period Adjustments Capital Assets	Net Assets as Restated
<i>Government-type Activities:</i>			
Net assets	\$ 68,125,128	\$ 719,025	\$ 68,844,153
Total governmental-type activities	\$ 68,125,128	\$ 719,025	\$ 68,844,153
<i>Business-type Activities:</i>			
	\$ 8,441,238	\$ 147,674	\$ 8,588,912
Total business-type activities	\$ 8,441,238	\$ 147,674	\$ 8,588,912

Fund Financial Statements

The following prior period adjustments were made in the fund financial statements:

- The City made adjustments in the following funds as a result of infrastructure assets that were recorded during the appraisal process in the General Fixed Assets Account Group rather than the enterprise funds:

	Net Assets as Previously Reported	Prior Period Adjustments	Net Assets as Restated
<i>Major Fund:</i>			
Parking	\$ 8,441,238	\$ 147,674	\$ 8,588,912

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REQUIRED SUPPLEMENTARY INFORMATION

City of Hermosa Beach
Required Supplementary Information
For the year ended June 30, 2004

1. FINANCIAL POLICIES

In 2001 – 2002, the City established financial goals for the following funds:

Contingency Fund – Goal of fund balance equal to 15% of the General Fund operating budget appropriations for economic uncertainties, unforeseen emergencies.

Insurance Fund – Goal of \$3,000,000 in retained earnings for claims reserves and catastrophic losses.

Equipment Replacement Fund – Goal of retained earnings equal to the accumulated amount calculated for all equipment, based on replacement cost and useful life of equipment.

Compensated Absences Fund – Goal of fund balance equal to 50% funding for accrued liabilities for employee vacation, sick and compensatory time.

Generally, any funds remaining unspent at year-end in the General Fund transfer equally to the Contingency Fund, Insurance Fund, Equipment Replacement Fund and the Capital Improvement Fund. As goals are met according to the above policy, transfers may be redirected to the Capital Improvement Fund (since there are never enough capital improvement funds) or other funds, as the need arises. For 2003-2004, the City Council deferred the transfer to the Equipment Replacement Fund and to the Contingency Fund since goals had been met. A new fund was established to set aside funds for use during periods of retirement rate instability. Therefore, in order to meet the established goals, funds were transferred to the Compensated Absences Fund, the newly established Retirement Stabilization Fund, the Capital Improvement Fund and the Insurance Fund.

2. BUDGETS AND BUDGETARY ACCOUNTING

Budgets are annually adopted for all governmental and proprietary fund types on a basis consistent with generally accepted accounting principles. The City is required by its municipal code to adopt an annual budget on or before June 30 for the ensuing fiscal year. From the effective date of the budget, the amounts become the “*annual appropriated budget*.”

The appropriated budget is prepared by fund, department and division. The City Council may amend the budget by motion during the fiscal year. Expenditures may not legally exceed appropriations at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within the same fund, however, any transfers between funds or revisions that alter total appropriations of any fund require City Council approval. The legal level of control is therefore at the fund level. An example of this would be the Finance Department, which has two divisions, Finance Administration, funded by the General Fund and Finance Cashier, funded by the Parking Fund. The City Manager may approve a transfer from Finance Administration to another department within the General Fund, however, a transfer from Finance Administration to Finance Cashier would require City Council approval because the divisions are in two different funds.

Supplemental appropriations, which increase appropriations, were made during the fiscal year, therefore, “final” budgeted revenue and appropriation amounts shown in the financial statements represent the original budget, modified for adjustments during the year. Appropriations lapse at the end of the fiscal year.

City of Hermosa Beach
Required Supplementary Information, Continued
For the year ended June 30, 2004

2. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Encumbrances – Under encumbrance accounting, purchase orders, contracts and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary accounting. Unexpended appropriations lapse at year-end.

Following are the budget comparison schedule for the General Fund and applicable major special revenue funds for which an annual operating budget was adopted.

Budgetary Comparison Schedule – General Fund

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final Budget
	Original	Final	Amounts	
Fund Balance, July 1	\$ 456,731	\$ 692,816	\$ 692,816	\$ -
Resources (inflows):				
Property taxes	5,522,931	5,717,112	5,885,480	168,368
Other taxes	7,024,502	7,436,874	8,155,205	718,331
Licenses and permits	545,351	547,238	664,169	116,931
Fines and forfeitures	230,000	280,000	365,811	85,811
Use of money and property	219,600	225,600	315,605	90,005
Intergovernmental	1,113,181	835,546	959,110	123,564
Charges for services	1,067,390	1,065,345	1,321,294	255,949
Miscellaneous	352,299	409,407	532,178	122,771
Interest earned on investments	62,919	48,589	28,816	(19,773)
Transfers in	2,037,937	2,138,644	2,138,850	206
Total resources	18,176,110	18,704,355	20,366,518	1,662,163
Charges to appropriations (outflows):				
Legislative and legal	810,123	841,848	752,541	89,307
General government	1,690,250	1,280,315	1,126,004	154,311
Public safety	10,570,763	10,704,939	10,334,723	370,216
Community development	1,181,147	1,249,339	1,077,453	171,886
Culture and recreation	1,010,155	1,113,302	932,447	180,855
Public works	2,213,672	2,227,215	2,073,653	153,562
Capital outlay	331,000	505,275	181,769	323,506
Transfers out	700,000	3,946,762	3,946,762	-
Total charges to appropriations	18,507,110	21,868,995	20,425,352	1,443,643
Excess of resources over (under) charges to appropriations	(331,000)	(3,164,640)	(58,834)	3,105,806
Fund Balances, June 30	\$ 125,731	\$ (2,471,824)	\$ 633,982	\$ 3,105,806

City of Hermosa Beach
Required Supplementary Information, Continued
For the year ended June 30, 2004

2. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule – Tyco Fund

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final Budget
	Original	Final	Amounts	
Fund Balance, July 1	\$ 1,901,454	\$ 1,908,181	\$ 1,908,181	\$ -
Resources (inflows):				
Use of money and property	275,000	275,000	275,000	-
Interest earned on investments	43,275	42,990	25,470	(17,520)
Total resources	318,275	317,990	300,470	(17,520)
Charges to appropriations (outflows):				
Capital outlay	1,861,499	1,442,429	30,614	1,411,815
Transfers out	275,000	275,000	275,000	-
Total charges to appropriations	2,136,499	1,717,429	305,614	1,411,815
Excess of resources over (under) charges to appropriations	(1,818,224)	(1,399,439)	(5,144)	1,394,295
Fund Balances, June 30	\$ 83,230	\$ 508,742	\$ 1,903,037	\$ 1,394,295

Budgetary Comparison Schedule – Contingency Fund

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final Budget
	Original	Final	Amounts	
Fund Balance, July 1	\$ 2,493,329	\$ 2,942,180	\$ 2,942,180	\$ -
Resources (inflows):				
Interest earned on investments	50,661	61,424	38,494	(22,930)
Total resources	50,661	61,424	38,494	(22,930)
Charges to appropriations (outflows):				
Transfers out		368,470	368,470	-
Total charges to appropriations	-	368,470	368,470	-
Excess of resources over (under) charges to appropriations	50,661	(307,046)	(329,976)	(22,930)
Fund Balances, June 30	\$ 2,543,990	\$ 2,635,134	\$ 2,612,204	\$ (22,930)

City of Hermosa Beach
Required Supplementary Information, Continued
For the year ended June 30, 2004

2. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule – Capital Improvement Fund

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final Budget
	Original	Final	Amounts	
Fund Balance, July 1	\$ 1,697,303	\$ 2,413,888	\$ 2,413,888	\$ -
Resources (inflows):				
Interest earned on investments	46,227	43,678	28,786	(14,892)
Transfers in	275,000	1,034,319	1,034,317	(2)
Total resources	321,227	1,077,997	1,063,103	(14,894)
Charges to appropriations (outflows):				
Capital outlay	1,809,280	1,644,259	758,118	886,141
Total charges to appropriations	1,809,280	1,644,259	758,118	886,141
Excess of resources over (under) charges to appropriations	(1,488,053)	(566,262)	304,985	871,247
Fund Balances, June 30	\$ 209,250	\$ 1,847,626	\$ 2,718,873	\$ 871,247

City of Hermosa Beach
Required Supplementary Information, Continued
For the year ended June 30, 2004

PUBLIC EMPLOYEE RETIREMENT SYSTEMS (PERS)
SCHEDULE OF FUNDING PROGRESS

<u>Miscellaneous Plan</u>						
	(A)	(B)	(C)	(D)	(E)	(F)
			Unfunded (Overfunded)			Unfunded (Overfunded)
		Entry Age	Actuarial	Funded		Actuarial
Actuarial	Actuarial	Actuarial	Accrued	Ratio	Covered	Liability as
Valuation	Asset	Accrued	Liability	(A/B)	Payroll	Percentage of
Date	Value	Liability	(B-A)			Covered
						Payroll
						(C/E)
6/30/2001	\$ 23,817,395	\$ 18,384,409	\$ (5,432,986)	129.6%	\$ 4,116,801	(132.0)%
6/30/2002	22,146,887	19,851,090	(2,295,797)	111.6%	4,369,031	(52.5)%
6/30/2003	22,158,209	23,938,282	1,780,073	92.6%	4,589,334	38.8%

<u>Police Plan</u>						
	(A)	(B)	(C)	(D)	(E)	(F)
			Unfunded (Overfunded)			Unfunded (Overfunded)
		Entry Age	Actuarial	Funded		Actuarial
Actuarial	Actuarial	Actuarial	Accrued	Ratio	Covered	Liability as
Valuation	Asset	Accrued	Liability	(A/B)	Payroll	Percentage of
Date	Value	Liability	(B-A)			Covered
						Payroll
						(C/E)
6/30/2001	\$ 28,814,227	\$ 31,541,217	\$ 2,726,990	91.4%	\$ 2,576,494	105.8%
6/30/2002	27,092,413	32,469,629	5,377,216	83.4%	2,820,718	190.6%
6/30/2003	27,490,370	36,611,205	9,120,835	75.1%	3,030,766	300.9%

<u>Fire Plan</u>						
	(A)	(B)	(C)	(D)	(E)	(F)
			Unfunded (Overfunded)			Unfunded (Overfunded)
		Entry Age	Actuarial	Funded		Actuarial
Actuarial	Actuarial	Actuarial	Accrued	Ratio	Covered	Liability as
Value	Asset	Accrued	Liability	(A/B)	Payroll	Percentage of
Date	Value	Liability	(B-A)			Covered
						Payroll
						(C/E)
6/30/2001	\$ 13,815,326	\$ 13,845,239	\$ 29,913	99.8%	\$ 1,522,830	2.0%
6/30/2002	13,153,033	15,057,079	1,904,046	87.4%	1,721,850	110.6%
6/30/2003	13,526,717	16,406,921	2,880,204	82.4%	1,802,610	159.8%

SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds:

Lighting and Landscaping District Fund - This fund is used to account for the Lighting Assessment District, which was created for street lighting/median maintenance purposes pursuant to Street and highway Code 22500-22679.

State Gas Tax Fund - This fund is used to account for the City's share of state gasoline tax, which is restricted for use on public streets. Restricted Transportation Development Act funds from Los Angeles County Transportation Commission for the Strand Walkway Project and Bicycle Path Project are also accounted for in this fund.

AB 939 Fund - This fund is used to account for the fees collected in connection with solid waste collection. The fees are used to implement a Source Reduction and Recycling Element and a Household Waste Element.

Compensated Absences Fund - This fund is used to account for funds set aside to provide for liabilities associated with vacation time, sick time, etc. accumulated by employees.

County Gas Tax Fund - This fund is used to account for County Aid to City's funds for use on eligible streets of general countywide interest.

Prop A Open Space Fund - This fund is used to account for funds generated by passage of the L.A. County Safe Neighborhood Parks Bond Act by County voters for the purpose of improving parks and recreational facilities.

Parks and Recreation Facilities Fund - This fund is used to account for revenue from subdivision fees and park or recreation facility tax fees on new dwellings. Generally, the funds are to be used for acquisition, improvements and expansion of park or recreational facilities.

4% Utility Users Tax Fund - This fund is used to account for funds remaining from a 4% utility users tax which was pledged for lease payments relating to certificates of participation (COPs) for the purchase of open space. The COPs were defeased in 1997. Remaining funds must be spent for open space purposes.

Building Improvement Fund - This fund is intended to provide funds for ongoing building maintenance.

Lower Pier Administrative Expense Fund - This fund temporarily holds funds for payment of administrative expenses for the assessment district. These funds are invested but interest is not allocated to this fund because it is not required by the bond documents.

Myrtle District Administrative Expense Fund - This fund is used to account for all administrative expenditures required for the Myrtle Avenue Utility Underground Special Assessment District.

Loma District Administrative Expense Fund - This fund is used to account for all administrative expenditures required for the Loma Drive Utility Underground Special Assessment District.

Community Development Block Grant Fund - This fund is used to account for funds received for participation in the federal block grant program. Projects must be approved by the County CDBG Commission.

NON-MAJOR GOVERNMENTAL FUNDS, Continued

Special Revenue Funds, Continued:

Proposition "A" Transit Fund - Transit revenue consists primarily of Proposition A fund (the 1/2 cent sales tax for Los Angeles County transportation purposes). The City currently operates a Dial-a-Ride program, a taxi voucher program, a commuter bus and subsidizes bus passes for senior citizens and students.

Proposition "C" Transit Fund - The Proposition C Fund is a fund which was added during 1992 to account for funds allocated from the voter-approved 1/2 cent sales tax. Funds must be used for transit purposes.

Grants Fund - This fund is used to account for State and Federal grants for specific projects.

Office of Traffic Safety Grant - This fund is used to account for a grant from the State of California that addresses decreasing alcohol and hit and run collisions and increasing seat belt, child safety seat and bicycle helmet use through education and en

Air Quality Management District Fund - This fund is used to account for funds distributed by the South Coast Air Quality Management district. The revenues are restricted to programs which promote reduction in air pollution from motor vehicles.

Supplemental Law Enforcement Services Fund (COPS) - This fund is used to account for funds received from the Citizen Option for Public Safety (COPS) program, established by the State Legislature in fiscal year 1996-1997. Funds must be used for front line municipal police services and must supplement and not supplant existing funding.

California Law Enforcement Equipment Program Fund (CLEEP) - Funds received for the purchase of high technology law enforcement equipment.

Taskforce for Regional Auto Theft Prevention (TRAP) Fund - Funds provided by a \$1 fee on vehicle registration implemented by the Los Angeles County Board of Supervisor for a program to deter, investigate and prosecute vehicle theft in Los Angeles County.

Sewer Fund - This fund is used to account for funds derived from a portion of the 6% utility user tax and miscellaneous services charges. Funds are spent on the Sewer/Storm Drain Department and capital sewer projects.

Asset Seizure and Forfeiture Fund - This fund is used to account for property seized as a result of illegal activity and forfeited to the Police Department. Funds must be used for law enforcement purposes to supplement, not replace or decrease, existing appropriations.

Fire Protection Fund - This fund is used to account for fire flow fees which are used to upgrade and enhance the fire flow capabilities of the fire protection system.

Retirement Stabilization - This fund is used to account for funds set aside for use when retirement rates are unstable and have therefore increased beyond expectations.

NON-MAJOR GOVERNMENTAL FUNDS, Continued

Special Revenue Funds, Continued:

Artesia Boulevard Relinquishment Fund - This fund is used to track the costs related to the transfer ownership of Artesia Boulevard from the State to the City. During the fiscal year 2000-01, the State of California determined an estimated cost for the rehabilitation of the street which will be contributed to the City as a part of the transfer of ownership.

Lower Pier Avenue Assessment District Fund - This fund is used to account for proceeds from the sale of bonds for downtown improvement. The bonds are secured by real property in the downtown area and repaid from assessments against the property. The City is not obligated in any way with respect to the bonds.

Myrtle Utility Underground Improvement Fund - This fund is used to account for expenditures relating to the cost for utility undergrounding in the special assessment district. It is also used to account for proceeds from bonds sold to finance the cost of the undergrounding. The bonds are secured by liens against real property within the district and will be repaid from assessments against the property. The City is not obligated in any way with respect to the bonds.

Loma Utility Underground Improvement Fund - This fund is used to account for expenditures relating to the cost for utility undergrounding in the special assessment district. It is also used to account for proceeds from bonds sold to finance the cost of the undergrounding. The bonds are secured by liens against real property within the district and will be repaid from assessments against the property. The City is not obligated in any way with respect to the bonds.

Bayview Drive Underground District - This fund is used to account for funds set aside for the creation of a new utility undergrounding district. The expenditures in this fund will be reimbursed to the City upon formation of the district.

Bonnie Brae Underground District - This fund is used to account for funds set aside for the creation of a new utility undergrounding district. The expenditures in this fund will be reimbursed to the City upon formation of the district.

Beach Drive Underground District - This fund is used to account for funds set aside for the creation of a new utility undergrounding district. The expenditures in this fund will be reimbursed to the City upon formation of the district.

Prospect Utility Underground District - This fund is used to account for funds set aside for the creation of a new utility undergrounding district. The expenditures in this fund will be reimbursed to the City upon formation of the district.

City of Hermosa Beach
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2004

	Special Revenue Funds					
	Lighting and Landscaping District	State Gas Tax	AB 939	Compensated Absences	County Gas Tax	Prop A Open Space
ASSETS						
Cash and investments	\$ 245,045	\$ 9,788	\$ 370,479	\$ 943,509		
Reimbursable grants receivable						\$ 41,113
Interest receivable on investments	676	45	1,930			
Other accounts receivable	8,208		4,981			
Property taxes receivable	9,093					
Due from other funds						
Other assets	902					
Total assets	\$ 263,924	\$ 9,833	\$ 377,390	\$ 943,509	\$ -	\$ 41,113
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 25,250		\$ 20,021			
Accrued wages and compensated absences	26,198		4,843			
Due to other funds						\$ 41,110
Deferred revenue	9,093					
Advances to other funds						
Other liabilities						
Total liabilities	60,541	\$ -	24,864	\$ -	\$ -	41,110
Fund Balances:						
Reserved:						
Bike paths		668				
Strand walkways		2,992				
Re-appropriations			22,000			
Unreserved, designated						
Unreserved, undesignated						
Special revenue	203,383	6,173	330,526	943,509		3
Total fund balances	203,383	9,833	352,526	943,509	-	3
Total liabilities and fund balances	\$ 263,924	\$ 9,833	\$ 377,390	\$ 943,509	\$ -	\$ 41,113

Special Revenue Funds								
Parks and Recreation Facilities	4% Utility Users Tax	Building Improvement	Lower Pier Admin Expense	Myrtle Dist Admin Expense	Loma Dist Admin Expense	Community Development Block Grant	Proposition "A" Transit	Proposition "C" Transit
\$ 197,418	\$ 27,873	\$ 4,620	\$ 736	\$ 8,695	\$ 11,349	\$ 70,378	\$ 253,315	\$ 912,229
1,010	153	18		45	63		1,325	4,761
\$ 198,428	\$ 28,026	\$ 4,638	\$ 736	\$ 8,740	\$ 11,412	\$ 70,378	\$ 254,640	\$ 916,990
			\$ 450	\$ 484	\$ 583	\$ 62,504	100,783	4,770
						7,873	1,489	1
\$ -	\$ -	\$ -	450	484	583	70,377	102,272	4,771
50,000								
148,428	28,026	4,638	286	8,256	10,829	1	152,368	912,219
198,428	28,026	4,638	286	8,256	10,829	1	152,368	912,219
\$ 198,428	\$ 28,026	\$ 4,638	\$ 736	\$ 8,740	\$ 11,412	\$ 70,378	\$ 254,640	\$ 916,990

(Continued)

City of Hermosa Beach
Combining Balance Sheet, Continued
Non-Major Governmental Funds, Continued
June 30, 2004

	Special Revenue Funds					
		Office of Traffic Safety Grant	Air Quality Management District	Supplemental Law Enforcement Services	California Law Enforcement Equipment Program (CLEEP)	Taskforce for Regional Auto Theft Prevention
ASSETS						
Cash and investments			\$ 16,573	\$ 100,114	\$ 36,765	
Reimbursable grants receivable	\$ 324,668					
Interest receivable on investments			90	370	334	
Other accounts receivable			6,096			\$ 54,477
Property taxes receivable						
Due from other funds						
Other assets						
Total assets	\$ 324,668	\$ -	\$ 22,759	\$ 100,484	\$ 37,099	\$ 54,477
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 50,059			\$ 897	\$ 1,236	
Accrued wages and compensated absences			\$ 29			\$ 4,989
Due to other funds	258,124					49,488
Deferred revenue						
Advances from other funds						
Other liabilities	62			10,386		
Total liabilities	308,245	\$ -	29	11,283	1,236	54,477
Fund Balances:						
Reserved:						
Bike paths						
Strand walkways						
Re-appropriations	16,075			12,540		
Unreserved, designated						
Unreserved, undesignated						
Special revenue	348		22,730	76,661	35,863	
Total fund balances	16,423	-	22,730	89,201	35,863	-
Total liabilities and fund balances	\$ 324,668	\$ -	\$ 22,759	\$ 100,484	\$ 37,099	\$ 54,477

Special Revenue Funds								
Sewer	Asset Seizure and Forfeiture	Fire Protection	Retirement Stabilization	Artesia Blvd. Relinquish- ment	Lower Pier Ave Assessment District	Myrtle Utility Underground Improvement	Loma Utility Underground Improvement	Bayview Drive Underground District
\$ 962,264	\$ 126,812	\$ 380,112	\$ 1,127,299	\$ 515,556	\$ 69,956	\$ 4,518	\$ 99,334	
6,800	658	1,975	1,930	2,705	370	27	514	
1,574	3,939							
356,595								
<u>\$ 1,327,233</u>	<u>\$ 131,409</u>	<u>\$ 382,087</u>	<u>\$ 1,129,229</u>	<u>\$ 518,261</u>	<u>\$ 70,326</u>	<u>\$ 4,545</u>	<u>\$ 99,848</u>	<u>\$ -</u>
\$ 37,086		\$ 12,934						
22,180								
								\$ 38,000
59,266	\$ -	12,934	\$ -	\$ -	\$ -	\$ -	\$ -	38,000
620,605		87,075						
	25,842							
647,362	105,567	282,078	1,129,229	518,261	70,326	4,545	99,848	(38,000)
1,267,967	131,409	369,153	1,129,229	518,261	70,326	4,545	99,848	(38,000)
<u>\$ 1,327,233</u>	<u>\$ 131,409</u>	<u>\$ 382,087</u>	<u>\$ 1,129,229</u>	<u>\$ 518,261</u>	<u>\$ 70,326</u>	<u>\$ 4,545</u>	<u>\$ 99,848</u>	<u>\$ -</u>

(Continued)

City of Hermosa Beach
Combining Balance Sheet, Continued
Non-Major Governmental Funds, Continued
June 30, 2004

	Special Revenue Funds			Total Other Governmental Funds
	Bonnie Brae Underground District	Beach Drive Underground District	Prospect Utility Underground District	
ASSETS				
Cash and investments		\$ 17,228		\$ 6,441,587
Reimbursable grants receivable				436,159
Interest receivable on investments				25,799
Other accounts receivable				79,275
Property taxes receivable				9,093
Due from other funds				356,595
Other assets				902
Total assets	\$ -	\$ 17,228	\$ -	\$ 7,349,410
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable		\$ 228		\$ 317,285
Accrued wages and compensated absences				59,729
Due to other funds		44,000		400,595
Deferred revenue				9,093
Advances from other funds	\$ 50,000		\$ 200,000	288,000
Other liabilities				10,448
Total liabilities	50,000	44,228	200,000	1,085,150
Fund Balances:				
Reserved:				
Bike paths				668
Strand walkways				2,992
Re-appropriations				808,295
Unreserved, designated				25,842
Unreserved, undesignated				
Special revenue	(50,000)	(27,000)	(200,000)	5,426,463
Total fund balances	(50,000)	(27,000)	(200,000)	6,264,260
Total liabilities and fund balances	\$ -	\$ 17,228	\$ -	\$ 7,349,410

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City of Hermosa Beach
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2004

	Special Revenue Funds					
	Lighting and Landscaping District	State Gas Tax	AB 939	Compensated Absences	County Gas Tax	Prop A Open Space
REVENUES:						
Property taxes	\$ 453,643					
Other taxes						
Fines and forfeitures						
Intergovernmental		\$ 361,618				\$ 20,557
Charges for services			\$ 59,104			
Miscellaneous						
Interest earned on investments	1,526	113	6,001		\$ 53	
Total revenues	455,169	361,731	65,105	\$ -	\$ 53	20,557
EXPENDITURES:						
Current:						
General government			122,221			
Public safety						
Community development						
Public works	519,525					
Capital outlay						
Total expenditures	519,525	-	122,221	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	(64,356)	361,731	(57,116)	-	53	20,557
OTHER FINANCING SOURCES (USES):						
Transfers in	121,125		236	759,317		
Transfers out	(20,463)	(355,488)		(148,972)	(205)	(20,557)
Total other financing sources (uses)	100,662	(355,488)	236	610,345	(205)	(20,557)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES						
	36,306	6,243	(56,880)	610,345	(152)	-
FUND BALANCES:						
Beginning of year	167,077	3,590	409,406	333,164	152	3
End of year	\$ 203,383	\$ 9,833	\$ 352,526	\$ 943,509	\$ -	\$ 3

Special Revenue Funds

Parks and Recreation Facilities	4% Utility Users Tax	Building Improvement	Lower Pier Admin Expense	Myrtle Dist Admin Expense	Loma Dist Admin Expense	Community Development Block Grant	Proposition "A" Transit	Proposition "C" Transit
\$ 7,000						\$ 579,429		
60,564	\$ 11,174		\$ 2,807	\$ 9,083	\$ 9,920			
2,390	450	\$ 66		136	170			
69,954	11,624	66	2,807	9,219	10,090	579,429	\$ -	\$ -
			1,763	4,099	4,458			
						11,603		
4,515						567,895		
4,515	-	-	1,763	4,099	4,458	579,498	-	-
65,439	11,624	66	1,044	5,120	5,632	(69)	-	-
							152,368	912,219
(40,800)			(1,021)	(2,959)	(3,382)			
(40,800)	-	-	(1,021)	(2,959)	(3,382)	-	152,368	912,219
24,639	11,624	66	23	2,161	2,250	(69)	152,368	912,219
173,789	16,402	4,572	263	6,095	8,579	70		
\$ 198,428	\$ 28,026	\$ 4,638	\$ 286	\$ 8,256	\$ 10,829	\$ 1	\$ 152,368	\$ 912,219

(Continued)

City of Hermosa Beach
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2004

	Special Revenue Funds					
		Office of Traffic Safety Grant	Air Quality Management District	Supplemental Law Enforcement	California Law Enforcement Equipment Program (CLEEP)	Taskforce for Regional Auto Theft Prevention
REVENUES:						
Property taxes						
Other taxes				\$ 100,000		
Fines and forfeitures						
Intergovernmental	\$ 89,448	\$ 15,440	\$ 22,662			\$ 112,102
Charges for services						
Miscellaneous						
Interest earned on investments			25	2,376	\$ 550	
Total revenues	89,448	15,440	22,687	102,376	550	112,102
EXPENDITURES:						
Current:						
General government			730			
Public safety	79,257	15,440		11,533	489	112,102
Community development						
Public works	4,432					
Capital outlay				84,148	7,950	
Total expenditures	83,689	15,440	730	95,681	8,439	112,102
REVENUES OVER (UNDER) EXPENDITURES	5,759	-	21,957	6,695	(7,889)	-
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out				(21,227)		
Total other financing sources (uses)	-	-	-	(21,227)	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	5,759	-	21,957	(14,532)	(7,889)	-
FUND BALANCES:						
Beginning of year	10,664		773	103,733	43,752	
End of year	\$ 16,423	\$ -	\$ 22,730	\$ 89,201	\$ 35,863	\$ -

Special Revenue Funds								
Sewer	Asset Seizure and Forfeiture	Fire Protection	Retirement Stabilization	Artesia Blvd. Relinquish- ment	Lower Pier Ave Assessment District	Myrtle Utility Underground Improvement	Loma Utility Underground Improvement	Bayview Drive Underground District
	\$ 5,991							
\$ 7,711								
34,267								
66,581		\$ 89,201				\$ 125		
22,253	2,437	6,452	\$ 1,442	\$ 7,300	\$ 961	56	\$ 1,434	
130,812	8,428	95,653	1,442	7,300	961	181	1,434	\$ -
		1,625						
591,751								
1,161,292	16,000	78,249				5,439		8,000
1,753,043	16,000	79,874	-	-	-	5,439	-	8,000
(1,622,231)	(7,572)	15,779	1,442	7,300	961	(5,258)	1,434	(8,000)
716,622			1,127,787					
	(40,500)	(125,749)						
716,622	(40,500)	(125,749)	1,127,787	-	-	-	-	-
(905,609)	(48,072)	(109,970)	1,129,229	7,300	961	(5,258)	1,434	(8,000)
2,173,576	179,481	479,123		510,961	69,365	9,803	98,414	(30,000)
\$ 1,267,967	\$ 131,409	\$ 369,153	\$ 1,129,229	\$ 518,261	\$ 70,326	\$ 4,545	\$ 99,848	\$ (38,000)

(Continued)

City of Hermosa Beach
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2004

	Special Revenue Funds			
	Bonnie Brae Underground District	Beach Drive Underground District	Prospect Utility Underground District	Total Other Governmental Funds
REVENUES:				
Property taxes				\$ 453,643
Other taxes				107,000
Fines and forfeitures				5,991
Intergovernmental				1,208,967
Charges for services				93,371
Miscellaneous		12,000		261,455
Interest earned on investments				56,191
Total revenues	\$ -	\$ 12,000	\$ -	2,186,618
EXPENDITURES:				
Current:				
General government				133,271
Public safety				220,446
Community development				11,603
Public works				1,115,708
Capital outlay		15,276	200,000	2,148,764
Total expenditures	-	15,276	200,000	3,629,792
REVENUES OVER (UNDER) EXPENDITURES	-	(3,276)	(200,000)	(1,443,174)
OTHER FINANCING SOURCES (USES):				
Transfers in				3,789,674
Transfers out				(781,323)
Total other financing sources (uses)	-	-	-	3,008,351
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	(3,276)	(200,000)	1,565,177
FUND BALANCES:				
Beginning of year	(50,000)	(23,724)	-	4,699,083
End of year	<u>\$ (50,000)</u>	<u>\$ (27,000)</u>	<u>\$ (200,000)</u>	<u>\$ 6,264,260</u>

(Concluded)

City of Hermosa Beach

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

Lighting and Landscaping District

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	\$ 167,077	\$ 167,077	\$ -
Resources (inflows):			
Property taxes	455,900	453,643	(2,257)
Interest earned on investments	1,884	1,526	
Interest earned on investments	7,781	121,125	113,344
Amount available for appropriation	465,565	576,294	110,729
Charges to appropriations (outflows):			
Public works	565,655	519,525	46,130
Transfers out	20,463	20,463	-
Total charges to appropriations	586,118	539,988	46,130
Excess of resources over (under) charges to appropriations	(120,553)	36,306	156,859
Fund balance, June 30, 2004	\$ 46,524	\$ 203,383	\$ 156,859

City of Hermosa Beach

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

State Gas Tax

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	<u>\$ 3,590</u>	<u>\$ 3,590</u>	<u>\$ -</u>
Resources (inflows):			
Intergovernmental	357,151	361,618	4,467
Interest earned on investments	<u>54</u>	<u>113</u>	<u>59</u>
Amount available for appropriation	<u>357,205</u>	<u>361,731</u>	<u>4,526</u>
Charges to appropriations (outflows):			
Transfers out	<u>355,488</u>	<u>355,488</u>	<u>-</u>
Total charges to appropriations	<u>355,488</u>	<u>355,488</u>	<u>-</u>
Excess of resources over (under) charges to appropriations	<u>1,717</u>	<u>6,243</u>	<u>4,526</u>
Fund balance, June 30, 2004	<u><u>\$ 5,307</u></u>	<u><u>\$ 9,833</u></u>	<u><u>\$ 4,526</u></u>

City of Hermosa Beach

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

AB 939

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	\$ 409,406	\$ 409,406	\$ -
Resources (inflows):			
Charges for services	59,020	59,104	84
Interest earned on investments	9,844	6,001	(3,843)
Transfers in	236	236	-
Amount available for appropriation	69,100	65,341	(3,759)
Charges to appropriations (outflows):			
General government	213,519	122,221	91,298
Total charges to appropriations	213,519	122,221	91,298
Excess of resources over (under) charges to appropriations	(144,419)	(56,880)	87,539
Fund balance, June 30, 2004	\$ 264,987	\$ 352,526	\$ 87,539

City of Hermosa Beach

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

Compensated Absences

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	<u>\$ 333,164</u>	<u>\$ 333,164</u>	<u>\$ -</u>
Resources (inflows):			
Operating transfers in	<u>759,316</u>	<u>759,317</u>	<u>1</u>
Amount available for appropriation	<u>759,316</u>	<u>759,317</u>	<u>1</u>
Charges to appropriations (outflows):			
Transfers out	<u>148,972</u>	<u>148,972</u>	<u>-</u>
Total charges to appropriations	<u>148,972</u>	<u>148,972</u>	<u>-</u>
Excess of resources over (under) charges to appropriations	<u>610,344</u>	<u>610,345</u>	<u>1</u>
Fund balance, June 30, 2004	<u><u>\$ 943,508</u></u>	<u><u>\$ 943,509</u></u>	<u><u>\$ 1</u></u>

City of Hermosa Beach

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

County Gas Tax

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	\$ 152	\$ 152	\$ -
Resources (inflows):			
Interest earned on investments		53	53
Amount available for appropriation	-	53	53
Charges to appropriations (outflows):			
Transfers out	206	205	1
Total charges to appropriations	206	205	1
Excess of resources over (under) charges to appropriations	(206)	(152)	54
Fund balance, June 30, 2004	\$ (54)	\$ -	\$ 54

City of Hermosa Beach

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

Prop A Open Space

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	\$ 3	\$ 3	\$ -
Resources (inflows):			
Intergovernmental	162,280	20,557	(141,723)
Miscellaneous		-	-
Amount available for appropriation	162,280	20,557	(141,723)
Charges to appropriations (outflows):			
Capital outlay	141,723		141,723
Transfers out	20,557	20,557	-
Total charges to appropriations	162,280	20,557	141,723
Excess of resources over (under) charges to appropriations	-	-	-
Fund balance, June 30, 2004	\$ 3	\$ 3	\$ -

City of Hermosa Beach

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

Parks and Recreation Facilities

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	<u>\$ 173,789</u>	<u>\$ 173,789</u>	<u>\$ -</u>
Resources (inflows):			
Other taxes	7,000	7,000	-
Miscellaneous	41,168	60,564	19,396
Interest earned on investments	<u>4,110</u>	<u>2,390</u>	<u>(1,720)</u>
Amount available for appropriation	<u>52,278</u>	<u>69,954</u>	<u>17,676</u>
Charges to appropriations (outflows):			
Culture and recreation	2,500		2,500
Capital outlay	182,768	4,515	178,253
Transfers out	<u>40,800</u>	<u>40,800</u>	<u>-</u>
Total charges to appropriations	<u>226,068</u>	<u>45,315</u>	<u>180,753</u>
Excess of resources over (under) charges to appropriations	<u>(173,790)</u>	<u>24,639</u>	<u>198,429</u>
Fund balance, June 30, 2004	<u>\$ (1)</u>	<u>\$ 198,428</u>	<u>\$ 198,429</u>

City of Hermosa Beach

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

4% Utility Users Tax

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	<u>\$ 16,402</u>	<u>\$ 16,402</u>	<u>\$ -</u>
Resources (inflows):			
Miscellaneous		11,174	11,174
Interest earned on investments	<u>733</u>	<u>450</u>	<u>(283)</u>
Amount available for appropriation	<u>733</u>	<u>11,624</u>	<u>10,891</u>
Fund balance, June 30, 2004	<u><u>\$ 17,135</u></u>	<u><u>\$ 28,026</u></u>	<u><u>\$ 10,891</u></u>

City of Hermosa Beach

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

Building Improvement

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	<u>\$ 4,572</u>	<u>\$ 4,572</u>	<u>\$ -</u>
Resources (inflows):			
Interest earned on investments	<u>104</u>	<u>66</u>	<u>(38)</u>
Amount available for appropriation	<u>104</u>	<u>66</u>	<u>(38)</u>
Fund balance, June 30, 2004	<u><u>\$ 4,676</u></u>	<u><u>\$ 4,638</u></u>	<u><u>\$ (38)</u></u>

City of Hermosa Beach

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

Lower Pier Administrative Expense

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	<u>\$ 263</u>	<u>\$ 263</u>	<u>\$ -</u>
Resources (inflows):			
Miscellaneous	<u>2,807</u>	<u>2,807</u>	<u>-</u>
Amount available for appropriation	<u>2,807</u>	<u>2,807</u>	<u>-</u>
Charges to appropriations (outflows):			
General government	<u>1,763</u>	<u>1,763</u>	<u>-</u>
Transfers out	<u>1,021</u>	<u>1,021</u>	<u>-</u>
Total charges to appropriations	<u>2,784</u>	<u>2,784</u>	<u>-</u>
Excess of resources over (under) charges to appropriations	<u>23</u>	<u>23</u>	<u>-</u>
Fund balance, June 30, 2004	<u><u>\$ 286</u></u>	<u><u>\$ 286</u></u>	<u><u>\$ -</u></u>

City of Hermosa Beach

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

Myrtle District Administrative Expense

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	<u>\$ 6,095</u>	<u>\$ 6,095</u>	<u>\$ -</u>
Resources (inflows):			
Miscellaneous	9,083	9,083	-
Interest earned on investments	<u>139</u>	<u>136</u>	<u>(3)</u>
Amount available for appropriation	<u>9,222</u>	<u>9,219</u>	<u>(3)</u>
Charges to appropriations (outflows):			
General government	5,718	4,099	1,619
Transfers out	<u>2,959</u>	<u>2,959</u>	<u>-</u>
Total charges to appropriations	<u>8,677</u>	<u>7,058</u>	<u>1,619</u>
Excess of resources over (under) charges to appropriations	<u>545</u>	<u>2,161</u>	<u>1,616</u>
Fund balance, June 30, 2004	<u><u>\$ 6,640</u></u>	<u><u>\$ 8,256</u></u>	<u><u>\$ 1,616</u></u>

City of Hermosa Beach

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

Loma District Administrative Expense

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	<u>\$ 8,579</u>	<u>\$ 8,579</u>	<u>\$ -</u>
Resources (inflows):			
Miscellaneous	9,920	9,920	-
Interest earned on investments	<u>202</u>	<u>170</u>	<u>(32)</u>
Amount available for appropriation	<u>10,122</u>	<u>10,090</u>	<u>(32)</u>
Charges to appropriations (outflows):			
General government	6,200	4,458	1,742
Transfers out	<u>3,382</u>	<u>3,382</u>	<u>-</u>
Total charges to appropriations	<u>9,582</u>	<u>7,840</u>	<u>1,742</u>
Excess of resources over (under) charges to appropriations	<u>540</u>	<u>2,250</u>	<u>1,710</u>
Fund balance, June 30, 2004	<u><u>\$ 9,119</u></u>	<u><u>\$ 10,829</u></u>	<u><u>\$ 1,710</u></u>

City of Hermosa Beach

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

Community Development Block Grant

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	<u>\$ 70</u>	<u>\$ 70</u>	<u>\$ -</u>
Resources (inflows):			
Intergovernmental	<u>624,539</u>	<u>579,429</u>	<u>(45,110)</u>
Amount available for appropriation	<u>624,539</u>	<u>579,429</u>	<u>(45,110)</u>
Charges to appropriations (outflows):			
Community development	<u>11,609</u>	<u>11,603</u>	<u>6</u>
Capital outlay	<u>613,000</u>	<u>567,895</u>	<u>45,105</u>
Total charges to appropriations	<u>624,609</u>	<u>579,498</u>	<u>45,111</u>
Excess of resources over (under) charges to appropriations	<u>(70)</u>	<u>(69)</u>	<u>1</u>
Fund balance, June 30, 2004	<u><u>\$ -</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 1</u></u>

City of Hermosa Beach

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

Proposition "A" Transit

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	\$ -	\$ -	\$ -
Resources (inflows):			
Transfers in		152,368	152,368
Amount available for appropriation	-	152,368	152,368
Fund balance, June 30, 2004	\$ -	\$ 152,368	\$ 152,368

City of Hermosa Beach

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

Proposition "C" Transit

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	\$ -	\$ -	\$ -
Resources (inflows):			
Transfers in		912,219	912,219
Amount available for appropriation	-	912,219	912,219
Fund balance, June 30, 2004	\$ -	\$ 912,219	\$ 912,219

City of Hermosa Beach

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

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	\$ 10,664	\$ 10,664	\$ -
Resources (inflows):			
Intergovernmental	414,239	89,448	(324,791)
Amount available for appropriation	414,239	89,448	(324,791)
Charges to appropriations (outflows):			
Public safety	89,395	79,257	10,138
Public works	11,507	4,432	7,075
Capital outlay	324,000		324,000
Total charges to appropriations	424,902	83,689	341,213
Excess of resources over (under) charges to appropriations	(10,663)	5,759	16,422
Fund balance, June 30, 2004	\$ 1	\$ 16,423	\$ 16,422

City of Hermosa Beach

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

Office of Traffic Safety Grant

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	\$ -	\$ -	\$ -
Resources (inflows):			
Intergovernmental	15,441	15,440	(1)
Amount available for appropriation	15,441	15,440	(1)
Charges to appropriations (outflows):			
Public safety	15,441	15,440	1
Total charges to appropriations	15,441	15,440	1
Excess of resources over (under) charges to appropriations	-	-	-
Fund balance, June 30, 2004	\$ -	\$ -	\$ -

City of Hermosa Beach

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

Air Quality Management District

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	\$ 773	\$ 773	\$ -
Resources (inflows):			
Intergovernmental	22,000	22,662	662
Interest earned on investments	5	25	20
Amount available for appropriation	22,005	22,687	682
Charges to appropriations (outflows):			
General government	1,000	730	270
Total charges to appropriations	1,000	730	270
Excess of resources over (under) charges to appropriations	21,005	21,957	952
Fund balance, June 30, 2004	\$ 21,778	\$ 22,730	\$ 952

City of Hermosa Beach

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

Supplemental Law Enforcement Services

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	\$ 103,733	\$ 103,733	\$ -
Resources (inflows):			
Other taxes	100,000	100,000	-
Interest earned on investments	2,953	2,376	(577)
Amount available for appropriation	102,953	102,376	(577)
Charges to appropriations (outflows):			
Public safety	54,000	11,533	42,467
Capital outlay	95,260	84,148	11,112
Transfers out	21,227	21,227	-
Total charges to appropriations	170,487	116,908	53,579
Excess of resources over (under) charges to appropriations	(67,534)	(14,532)	53,002
Fund balance, June 30, 2004	\$ 36,199	\$ 89,201	\$ 53,002

City of Hermosa Beach

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

California Law Enforcement Equipment Program

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	\$ 43,752	\$ 43,752	\$ -
Resources (inflows):			
Interest earned on investments	1,072	550	(522)
Amount available for appropriation	1,072	550	(522)
Charges to appropriations (outflows):			
Public safety	116	489	(373)
Capital outlay	42,665	7,950	34,715
Total charges to appropriations	42,781	8,439	34,342
Excess of resources over (under) charges to appropriations	(41,709)	(7,889)	33,820
Fund balance, June 30, 2004	\$ 2,043	\$ 35,863	\$ 33,820

City of Hermosa Beach

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

Taskforce for Regional Auto Theft Prevention

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	\$ -	\$ -	\$ -
Resources (inflows):			
Intergovernmental	148,200	112,102	(36,098)
Amount available for appropriation	148,200	112,102	(36,098)
Charges to appropriations (outflows):			
Public safety	148,200	112,102	36,098
Total charges to appropriations	148,200	112,102	36,098
Excess of resources over (under) charges to appropriations	-	-	-
Fund balance, June 30, 2004	\$ -	\$ -	\$ -

City of Hermosa Beach

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

Sewer

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	\$ 2,173,576	\$ 2,173,576	\$ -
Resources (inflows):			
Intergovernmental	7,919	7,711	(208)
Charges for services	20,670	34,267	13,597
Miscellaneous	8,896	66,581	57,685
Interest earned on investments	42,003	22,253	(19,750)
Transfers in	716,622	716,622	-
Amount available for appropriation	796,110	847,434	51,324
Charges to appropriations (outflows):			
Public works	655,369	591,751	63,618
Capital outlay	2,147,530	1,161,292	986,238
Total charges to appropriations	2,802,899	1,753,043	1,049,856
Excess of resources over (under) charges to appropriations	(2,006,789)	(905,609)	1,101,180
Fund balance, June 30, 2004	\$ 166,787	\$ 1,267,967	\$ 1,101,180

City of Hermosa Beach

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

Asset Seizure and Forfeiture

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	\$ 179,481	\$ 179,481	\$ -
Resources (inflows):			
Fines and forfeitures	1,700	5,991	4,291
Interest earned on investments	3,966	2,437	(1,529)
Amount available for appropriation	5,666	8,428	2,762
Charges to appropriations (outflows):			
Capital outlay	16,000	16,000	-
Transfers out	40,500	40,500	-
Total charges to appropriations	56,500	56,500	-
Excess of resources over (under) charges to appropriations	(50,834)	(48,072)	2,762
Fund balance, June 30, 2004	\$ 128,647	\$ 131,409	\$ 2,762

City of Hermosa Beach

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

Fire Protection

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	\$ 479,123	\$ 479,123	\$ -
Resources (inflows):			
Miscellaneous	67,200	89,201	22,001
Interest earned on investments	10,749	6,452	(4,297)
Amount available for appropriation	77,949	95,653	17,704
Charges to appropriations (outflows):			
Public Safety	5,179	1,625	
Capital outlay	199,791	78,249	121,542
Transfers out	125,749	125,749	-
Total charges to appropriations	330,719	205,623	125,096
Excess of resources over (under) charges to appropriations	(252,770)	(109,970)	142,800
Fund balance, June 30, 2004	\$ 226,353	\$ 369,153	\$ 142,800

City of Hermosa Beach

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

Retirement Stabilization

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Resources (inflows):			
Interest earned on investments		1,442	1,442
Transfers in	<u>1,127,787</u>	<u>1,127,787</u>	<u>-</u>
Amount available for appropriation	<u>1,127,787</u>	<u>1,129,229</u>	<u>1,442</u>
Fund balance, June 30, 2004	<u><u>\$ 1,127,787</u></u>	<u><u>\$ 1,129,229</u></u>	<u><u>\$ 1,442</u></u>

City of Hermosa Beach

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

Artesia Boulevard Relinquishment

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	<u>\$ 510,961</u>	<u>\$ 510,961</u>	<u>\$ -</u>
Resources (inflows):			
Interest earned on investments	<u>12,124</u>	<u>7,300</u>	<u>(4,824)</u>
Amount available for appropriation	<u>12,124</u>	<u>7,300</u>	<u>(4,824)</u>
Fund balance, June 30, 2004	<u><u>\$ 523,085</u></u>	<u><u>\$ 518,261</u></u>	<u><u>\$ (4,824)</u></u>

City of Hermosa Beach

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

Lower Pier Avenue Assessment District

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	<u>\$ 69,365</u>	<u>\$ 69,365</u>	<u>\$ -</u>
Resources (inflows):			
Interest earned on investments	<u>1,636</u>	<u>961</u>	<u>(675)</u>
Amount available for appropriation	<u>1,636</u>	<u>961</u>	<u>(675)</u>
Fund balance, June 30, 2004	<u><u>\$ 71,001</u></u>	<u><u>\$ 70,326</u></u>	<u><u>\$ (675)</u></u>

City of Hermosa Beach

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

Myrtle Utility Underground Improvement

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	<u>\$ 9,803</u>	<u>\$ 9,803</u>	<u>\$ -</u>
Resources (inflows):			
Miscellaneous		125	125
Interest earned on investments	<u>128</u>	<u>56</u>	<u>(72)</u>
Amount available for appropriation	<u>128</u>	<u>181</u>	<u>53</u>
Charges to appropriations (outflows):			
Capital outlay	<u>5,440</u>	<u>5,439</u>	<u>1</u>
Total charges to appropriations	<u>5,440</u>	<u>5,439</u>	<u>1</u>
Excess of resources over (under) charges to appropriations	<u>(5,312)</u>	<u>(5,258)</u>	<u>54</u>
Fund balance, June 30, 2004	<u><u>\$ 4,491</u></u>	<u><u>\$ 4,545</u></u>	<u><u>\$ 54</u></u>

City of Hermosa Beach

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

Loma Utility Underground Improvement

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	\$ 98,414	\$ 98,414	\$ -
Resources (inflows):			
Interest earned on investments	2,322	1,434	(888)
Amount available for appropriation	2,322	1,434	(888)
Excess of resources over (under) charges to appropriations	2,322	1,434	(888)
Fund balance, June 30, 2004	\$ 100,736	\$ 99,848	\$ (888)

City of Hermosa Beach

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

Bayview Drive Underground District

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	\$ (30,000)	\$ (30,000)	\$ -
Charges to appropriations (outflows):			
Capital outlay	8,000	8,000	-
Total charges to appropriations	8,000	8,000	-
Excess of resources over (under) charges to appropriations	(8,000)	(8,000)	-
Fund balance, June 30, 2004	\$ (38,000)	\$ (38,000)	\$ -

City of Hermosa Beach

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

Bonnie Brae Underground District

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>\$ -</u>
Charges to appropriations (outflows):			
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>
Excess of resources over (under) charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2004	<u><u>\$ (50,000)</u></u>	<u><u>\$ (50,000)</u></u>	<u><u>\$ -</u></u>

City of Hermosa Beach

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

Beach Drive Underground District

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	<u>\$ (23,724)</u>	<u>\$ (23,724)</u>	<u>\$ -</u>
Resources (inflows):			
Miscellaneous	<u>-</u>	<u>12,000</u>	<u>12,000</u>
Amount available for appropriation	<u>-</u>	<u>12,000</u>	<u>12,000</u>
Charges to appropriations (outflows):			
Capital outlay	<u>20,276</u>	<u>15,276</u>	<u>5,000</u>
Total charges to appropriations	<u>20,276</u>	<u>15,276</u>	<u>5,000</u>
Excess of resources over (under) charges to appropriations	<u>(20,276)</u>	<u>(3,276)</u>	<u>17,000</u>
Fund balance, June 30, 2004	<u><u>\$ (44,000)</u></u>	<u><u>\$ (27,000)</u></u>	<u><u>\$ 17,000</u></u>

City of Hermosa Beach

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

Prospect Utility Underground District

For the year ended June 30, 2004

	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance with Final Budget
Fund balance, July 1, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charges to appropriations (outflows):			
Capital outlay	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total charges to appropriations	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Excess of resources over (under) charges to appropriations	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Fund balance, June 30, 2004	<u><u>\$ (200,000)</u></u>	<u><u>\$ (200,000)</u></u>	<u><u>\$ -</u></u>

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NON-MAJOR PROPRIETARY FUNDS

Proposition "A" Transit Fund - Transit revenue consists primarily of Proposition A fund (the 1/2 cent sales tax for Los Angeles County transportation purposes). The City currently operates a Dial-a-Ride program, a taxi voucher program, a commuter bus and subsidizes bus passes for senior citizens and students.

Proposition "C" Transit Fund - The Proposition C Fund is a fund which was added during 1992 to account for funds allocated from the voter-approved 1/2 cent sales tax. Funds must be used for transit purposes.

City of Hermosa Beach
Combining Statement of Net Assets
Non-Major Proprietary Funds
For the year ended June 30, 2004

	Proposition "A" Transit	Proposition "C" Transit	Total Other Enterprise Funds
ASSETS			
Current assets:			
Cash and investments			
Interest receivable on investments			
Other accounts receivable			
Total current assets	\$ -	\$ -	\$ -
Total assets	-	-	-
LIABILITIES			
Current liabilities:			
Accounts payable			-
Accrued wages and compensated absences			-
Total liabilities	-	-	-
NET ASSETS			
Restricted for special projects			-
Total net assets	\$ -	\$ -	\$ -

* The Proposition "A" and "C" Transit funds were reclassified as special revenue funds as shown on page 87.

City of Hermosa Beach

Combining Statement of Revenues, Expenses and Changes in Net Assets

Non-Major Proprietary Funds

For the year ended June 30, 2004

	Proposition "A" Transit	Proposition "C" Transit	Total Other Enterprise Funds
OPERATING REVENUES:			
Other taxes	\$ 309,038	\$ 221,735	\$ 530,773
Charges for services	14,384		14,384
Total operating revenues	323,422	221,735	545,157
OPERATING EXPENSES:			
Salaries and wages	33,442		33,442
Contractor services	276,661	48,119	324,780
Supplies	10		10
Total operating expenses	310,113	48,119	358,232
OPERATING INCOME (LOSS)	13,309	173,616	186,925
NONOPERATING REVENUES (EXPENSES):			
Interest earned on investments	2,410	11,228	13,638
Total nonoperating revenues (expenses)	2,410	11,228	13,638
INCOME (LOSS) BEFORE TRANSFERS	15,719	184,844	200,563
Transfers out	(152,368)	(912,219)	(1,064,587)
NET INCOME (LOSS)	(136,649)	(727,375)	(864,024)
NET ASSETS:			
Beginning of the year	136,649	727,375	864,024
End of the year	\$ -	\$ -	\$ -

City of Hermosa Beach
Combining Statement of Cash Flows
Non-Major Proprietary Funds
For the year ended June 30, 2004

	Proposition "A" Transit	Proposition "C" Transit	Total Other Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 352,305	\$ 247,617	\$ 599,922
Cash payments to suppliers for goods and services	(339,022)	(48,119)	(387,141)
Cash payments to employees for services	(35,060)	(1)	(35,061)
Net cash provided by (used for) operating activities	(21,777)	199,497	177,720
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers out	(152,368)	(912,219)	(1,064,587)
Net cash provided by (used for) noncapital financing activities	(152,368)	(912,219)	(1,064,587)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest earned on investments	2,410	11,228	13,638
Net cash provided (used) by investing activities	2,410	11,228	13,638
Net increase (decrease) in cash and cash equivalents	(171,735)	(701,494)	(873,229)
CASH AND CASH EQUIVALENTS:			
Beginning of year	171,735	701,494	873,229
Ending of year	\$ -	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 13,309	\$ 173,616	\$ 186,925
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Changes in operating assets and liabilities:			
Interest receivable on investments	1,053	4,275	5,328
Other accounts receivable	27,830	21,607	49,437
Accounts payable	(62,351)	-	(62,351)
Accrued wages and compensated absences	(1,618)	(1)	(1,619)
Total adjustments	(35,086)	25,881	(9,205)
Net cash provided (used) by operating activities:	\$ (21,777)	\$ 199,497	\$ 177,720

INTERNAL SERVICE FUNDS

Insurance Fund - This fund was created to account for costs associated with the City's insurances: liability, workers' compensation, unemployment, auto, property and officials' bonds.

Equipment Replacement Fund - This fund was created to provide ongoing funds to replace assets at the end of the assets' useful life.

City of Hermosa Beach
Combining Statement of Net Assets
All Internal Service Funds
June 30, 2004

	Insurance Fund	Equipment Replacement Fund	Total
ASSETS			
Current assets:			
Cash and investments	\$ 4,777,534	\$ 2,674,457	\$ 7,451,991
Deposits	80,000		80,000
Other assets	827	2,038	2,865
Total current assets	4,858,361	2,676,495	7,534,856
Property and equipment, net of accumulated depreciation		2,196,392	2,196,392
Total assets	4,858,361	4,872,887	9,731,248
LIABILITIES			
Current liabilities:			
Current portion of long-term liabilities	637,000		637,000
Accounts payable	106,348	26,801	133,149
Accrued wages and compensated absences	18,657	42,810	61,467
Total current liabilities	762,005	69,611	831,616
Long-term liabilities:			
Workers' compensation claims payable	2,563,966		2,563,966
General liability claims payable	370,675		370,675
Less current portion above	(637,000)		(637,000)
Total long-term liabilities	2,297,641	-	2,297,641
Total liabilities	3,059,646	69,611	3,129,257
NET ASSETS			
Invested in capital assets		2,196,392	2,196,392
Unrestricted	1,798,715	2,606,884	4,405,599
Total net assets	\$ 1,798,715	\$ 4,803,276	\$ 6,601,991

City of Hermosa Beach

Combining Statement of Revenues, Expenses, and Changes in Net Assets

All Internal Service Funds

For the year ended June 30, 2004

	Insurance Fund	Equipment Replacement Fund	Total
OPERATING REVENUES:			
Charges for services	\$ 1,412,810	\$ 1,165,511	\$ 2,578,321
Miscellaneous	31,644	2,539	34,183
Total operating revenues	1,444,454	1,168,050	2,612,504
OPERATING EXPENSES:			
Salaries and wages	100,710	258,559	359,269
Contractor services	412,963	97,117	510,080
Supplies	1,258	184,236	185,494
Claims expense	1,636,619		1,636,619
Depreciation		435,104	435,104
Total operating expenses	2,151,550	975,016	3,126,566
OPERATING INCOME (LOSS)	(707,096)	193,034	(514,062)
NONOPERATING REVENUES (EXPENSES):			
Loss on sale of assets		(7,152)	(7,152)
Total nonoperating revenues (expenses)	-	(7,152)	(7,152)
INCOME (LOSS) BEFORE TRANSFERS	(707,096)	185,882	(521,214)
Transfers in	761,869	67,331	829,200
Transfers out		(63,901)	(63,901)
NET INCOME (LOSS)	54,773	189,312	244,085
NET ASSETS			
Beginning of the year	1,743,942	4,613,964	6,357,906
End of the year	\$ 1,798,715	\$ 4,803,276	\$ 6,601,991

City of Hermosa Beach
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2004

	Insurance Fund	Equipment Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 919	\$ 13,422	\$ 14,341
Cash received for services from other funds	1,412,810	1,165,511	2,578,321
Cash payments to suppliers of goods and services	(343,106)	(309,556)	(652,662)
Cash payments to employees for services	(100,684)	(258,995)	(359,679)
Insurance premiums and settlements	(1,044,611)		(1,044,611)
Cash received from (payments to) others	31,644	2,539	34,183
Net cash provided by (used for) operating activities	(43,028)	612,921	569,893
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	761,869	67,331	829,200
Transfers out		(63,901)	(63,901)
Net cash provided by (used for) noncapital financing activities	761,869	3,430	765,299
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Loss on sale of capital assets		(7,152)	(7,152)
Acquisition of capital assets		(204,290)	(204,290)
Net cash provided (used for) by capital and related financing activities		(211,442)	(211,442)
Net increase (decrease) in cash and cash equivalents	718,841	404,909	1,123,750
CASH AND CASH EQUIVALENTS:			
Beginning of year	4,058,693	2,269,548	6,328,241
End of year	<u>\$ 4,777,534</u>	<u>\$ 2,674,457</u>	<u>\$ 7,451,991</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (707,096)	\$ 193,034	\$ (514,062)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:			
Depreciation		435,104	435,104
Changes in current assets and liabilities:			
Other accounts receivable		6,750	6,750
Other assets	919	6,672	7,591
Worker's compensation claims payable	794,835		794,835
General liability claims payable	(202,827)		(202,827)
Accounts payable	71,115	(28,203)	42,912
Accrued wages and compensated absences	26	(436)	(410)
Total adjustments	664,068	419,887	1,083,955
Net cash provided (used) by operating activities	\$ (43,028)	\$ 612,921	\$ 569,893

FIDUCIARY FUNDS

The Agency Fund of the City was established to account for transactions related to payments for limited obligation bonds for the Lower Pier Avenue Assessment District, the Myrtle Avenue Utility Undergrounding Assessment District, the Loma Drive Utility Undergrounding Assessment District and the Other Post Employment Benefits - Police Fund.

City of Hermosa Beach
Combining Statement of Fiduciary Net Assets
All Agency Funds
June 30, 2004

	Lower Pier District Redemption	Myrtle Avenue Assessment	Loma Drive Assessment	Other Post Employment Benefits - Police	Total
ASSETS					
Cash and investments	\$ 30,375	\$ 93,773	\$ 106,993	\$ 121,270	\$ 352,411
Interest receivable	162	487	559		1,208
Other accounts receivable	2,737	4,313	3,001		10,051
Total assets	\$ 33,274	\$ 98,573	\$ 110,553	\$ 121,270	\$ 363,670
LIABILITIES					
Assessment:					
Installment account	\$ 33,274	\$ 98,573	\$ 110,553		\$ 242,400
OPEB contribution from City				\$ 121,270	121,270
Total liabilities	\$ 33,274	\$ 98,573	\$ 110,553	\$ 121,270	\$ 363,670

City of Hermosa Beach
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the year ended June 30, 2004

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
ASSETS				
Lower Pier District Redemption Fund:				
Cash and investments	\$ 31,803	\$ 45,300	\$ (46,728)	\$ 30,375
Interest receivable	198	186	(222)	162
Other accounts receivable	-	2,737		2,737
Myrtle Avenue Assessment Fund:				
Cash and investments	93,726	114,887	(114,840)	93,773
Interest receivable	573	556	(642)	487
Other accounts receivable	2,899	5,188	(3,774)	4,313
Loma Drive Assessment Fund:				
Cash and investments	99,425	132,113	(124,545)	106,993
Interest receivable	605	638	(684)	559
Other accounts receivable	2,577	7,490	(7,066)	3,001
Other Post Employment Benefits - Police:				
Cash and investments	-	128,644	(7,374)	121,270
Total assets	<u>\$ 231,806</u>	<u>\$ 437,739</u>	<u>\$ (305,875)</u>	<u>\$ 363,670</u>
LIABILITIES				
Lower Pier District Redemption Fund:				
Assessment installment account	\$ 32,001	\$ 48,223	\$ (46,950)	\$ 33,274
Myrtle Avenue Assessment Funds:				
Assessment installment account	97,198	120,631	(119,256)	98,573
Loma Drive Assessment Fund:				
Assessment installment account	102,607	140,241	(132,295)	110,553
Other Post Employment Benefits - Police:				
OPEB contribution from City	-	128,644	(7,374)	121,270
Total liabilities	<u>\$ 231,806</u>	<u>\$ 437,739</u>	<u>\$ (305,875)</u>	<u>\$ 363,670</u>

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**CAPITAL ASSETS USED IN THE OPERATING
OF GOVERNMENTAL FUNDS**

City of Hermosa Beach
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source*
June 30, 2004

GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	\$ 17,676,802
Buildings and improvements	3,491,998
Improvements other than buildings	6,861,043
Machinery and equipment	1,820,552
Vehicles	24,352
Construction in progress	2,548,967
Infrastructure	36,487,235
Total governmental funds capital assets	68,910,949
Accumulated depreciation	(16,992,135)
Total governmental funds capital assets, net	\$ 51,918,814

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

State grants	\$ 36,116
General fund revenues	31,238,726
Special revenue funds revenues	37,324,181
Donated assets	311,926
Total governmental funds capital assets	68,910,949
Accumulated depreciation	(16,992,135)
Total governmental funds capital assets, net	\$ 51,918,814

* This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of Hermosa Beach
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity*
June 30, 2004

	Land	Buildings and Structures	Improvements Other than Buildings	Machinery and Equipment	Vehicles	Infrastructure	Construction in Progress	Total
GOVERNMENTAL FUNDS								
CAPITAL ASSETS								
General government	\$ 60,000	\$ 2,254,173	\$ 97,728	\$ 333,353				\$ 2,745,254
Public safety		194,855	694,262	1,053,054	\$ 24,352			1,966,523
Community development			99,858	16,491				116,349
Culture and recreation	650,000	573,559	203,555	125,530				1,552,644
Public works	16,966,802	469,411	5,765,640	292,124		\$ 36,487,235	\$ 2,548,967	62,530,179
Total governmental funds capital assets	17,676,802	3,491,998	6,861,043	1,820,552	24,352	36,487,235	2,548,967	68,910,949
Accumulated depreciation		(1,430,397)	(2,224,328)	(932,298)	(290)	(12,404,822)		(16,992,135)
Total governmental funds capital assets	\$ 17,676,802	\$ 2,061,601	\$ 4,636,715	\$ 888,254	\$ 24,062	\$ 24,082,413	\$ 2,548,967	\$ 51,918,814

* This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of Hermosa Beach
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes in Capital Assets - By Function by Activity*
For the year ended June 30, 2004

	Capital Assets July 1, 2003	Additions	Deletions	Inventory Adjustment	Capital Assets June 30, 2004
Function and Activity:					
General government	\$ 3,064,720		\$ (319,466)		\$ 2,745,254
Public safety	1,560,606	\$ 405,917			1,966,523
Community development	153,965		(37,616)		116,349
Culture and recreation	1,553,428	102,193	(102,977)		1,552,644
Public works	60,378,105	2,235,060	(1,032,820)	\$ 949,834	62,530,179
Total governmental funds capital assets	66,710,824	2,743,170	(1,492,879)	949,834	68,910,949
Accumulated depreciation	(16,703,208)	(372,319)	83,392	-	(16,992,135)
Total governmental funds capital assets, net	<u>\$ 50,007,616</u>	<u>\$ 2,370,851</u>	<u>\$ (1,409,487)</u>	<u>\$ 949,834</u>	<u>\$ 51,918,814</u>

* This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts.

City of Hermosa Beach
Government-wide Revenues
June 30, 2004
Last Three Fiscal Years
(Unaudited)

PROGRAM REVENUES					GENERAL REVENUES			
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Grants and Contributions Not Restricted to Specific Programs	Investment Earnings	Other	Total
2001-2002	\$ 5,233,107	\$ 596,278	\$ 1,678,235	\$ 12,924,320	\$ 1,146,371	\$ 797,918	\$ 567,261	\$ 22,943,490
2002-2003	5,895,438	642,214	475,933	13,454,981	3,111,569	535,167	411,470	24,526,772
2003-2004	7,201,322	674,451	665,806	14,571,458	1,229,911	251,276	628,275	25,222,499

Source : City of Hermosa Beach - Finance Department
GASB Statement 34 implemented fiscal year 2003

City of Hermosa Beach
Government-wide Expense by Function
June 30, 2004
Last Three Fiscal Years
(Unaudited)

	Fiscal Year		
	2001-2002	2002-2003	2003-2004
Legislative and Legal	\$ 823,736	\$ 810,589	\$ 754,169
General Government	1,748,183	1,415,000	1,800,769
Public Safety	9,686,652	10,415,112	10,868,420
Community Development	907,709	968,000	1,086,608
Culture and Recreation	921,851	1,045,567	965,924
Public Works	6,109,734	4,136,564	4,578,896
Downtown Enhancement	933,796	909,137	939,576
Parking	1,577,320	1,525,371	1,632,093
Proposition A Transit	263,641	302,907	310,113
Proposition C Transit	443,344	103,091	48,119
Total	\$ 23,415,966	\$ 21,631,338	\$ 22,984,688

Source : City of Hermosa Beach - Finance Department
GASB Statement 34 implemented fiscal year 2003

City of Hermosa Beach
General Governmental Revenues by Source
June 30, 2004
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Property and Other Taxes	Licenses and Permits	Fines and Forfeitures	Interest Earned on Investments and Use of Money and Property	Inter- governmental	Charges for Services	Other	Total
1994-1995	\$ 8,640,996	\$ 139,758	\$ 117,384	\$ 1,032,825	\$ 2,062,111	\$ 467,405	\$ 156,519	\$ 12,616,998
1995-1996	9,484,209	183,533	124,268	1,043,782	3,100,743	660,850	474,014	15,071,399
1996-1997	8,901,449	275,424	132,334	890,799	1,717,746	755,949	845,830	13,519,531
1997-1998	9,472,541	484,154	163,001	883,387	1,738,821	1,058,616	774,839	14,575,359
1998-1999	9,993,562	567,607	209,785	938,892	6,081,589	1,184,003	394,383	19,369,821
1999-2000	10,754,339	558,456	205,822	1,055,608	3,039,122	2,246,195	4,653,620	22,513,162
2000-2001	11,801,668	579,608	185,736	1,434,124	2,816,543	1,203,290	826,154	18,847,123
2001-2002	12,574,773	445,673	225,653	945,232	3,257,239	1,108,816	645,600	19,202,986
2002-2003	13,060,204	571,682	278,334	2,635,498	2,175,932	1,254,917	645,335	20,621,902
2003-2004	14,601,328	664,169	371,802	768,362	2,168,077	1,414,665	793,633	20,782,036

Source : City of Hermosa Beach - Finance Department

City of Hermosa Beach
General Governmental Expenditures by Function
June 30, 2004
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Government	Public Safety	Community Development	Culture and Recreation	Public Works	Debt Service	Capital Outlay	Total
1994-1995	\$ 1,463,336	\$ 6,382,332	\$ 437,203	\$ 731,466	\$ 2,020,106	\$ 534,211	\$ 1,191,483	\$ 12,760,137
1995-1996	1,366,906	6,443,474	490,673	475,734	2,158,067	3,130,579	2,713,833	16,779,266
1996-1997	1,490,253	6,809,657	699,250	497,993	2,174,626	11,152	3,603,009	15,285,940
1997-1998	1,618,188	7,202,300	665,860	579,692	2,270,463	10,114	1,009,505	13,356,122
1998-1999	1,691,483	7,597,552	756,665	662,438	2,344,034	5,836	6,434,628	19,492,636
1999-2000	1,568,591	7,872,772	814,392	744,245	2,481,209	-	5,608,405	19,089,614
2000-2001	1,743,773	8,997,038	866,389	725,387	2,582,510	-	3,406,953	18,322,050
2001-2002	1,913,892	9,186,446	888,262	888,734	2,975,944	-	3,486,133	19,339,411
2002-2003	2,077,463	10,040,618	951,856	966,621	3,082,096	-	4,281,144	21,399,798
2003-2004	2,011,816	10,555,169	1,089,056	932,447	3,189,361	-	3,119,265	20,897,114

Source : City of Hermosa Beach - Finance Department

City of Hermosa Beach
Assessed and Estimated Actual Value of Taxable Property
June 30, 2004
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Secured Property	Unsecured Property	Less Exemptions	Net Assessed Value	Estimated Valuation	Percentage Increase	Ratio of Net Assessed Value to Estimated Actual Value (%)
1994-1995	\$ 1,677,528,958	\$ 19,406,553	\$ 27,445,557	\$ 1,669,489,954	\$ 1,696,935,511	2.00%	98.38%
1995-1996	1,682,602,183	17,400,969	29,395,303	1,670,607,849	1,700,003,152	0.18%	98.27%
1996-1997	1,704,314,436	19,059,312	30,812,333	1,692,561,415	1,723,373,748	1.37%	98.21%
1997-1998	1,737,072,254	20,195,505	31,168,694	1,726,099,065	1,757,267,759	1.97%	98.23%
1998-1999	1,826,726,032	22,813,132	31,150,694	1,818,388,470	1,849,539,164	5.25%	98.32%
1999-2000	2,014,926,680	23,889,046	29,734,340	2,009,081,386	2,038,815,726	10.23%	98.54%
2000-2001	2,196,702,270	23,249,949	30,692,035	2,189,260,184	2,219,952,219	8.88%	98.62%
2001-2002	2,399,510,371	26,313,475	26,277,711	2,399,546,135	2,425,823,846	9.27%	98.92%
2002-2003	2,596,802,111	29,323,836	29,039,328	2,597,086,619	2,626,125,947	8.26%	98.89%
2003-2004	2,844,974,502	29,409,345	27,924,765	2,846,459,082	2,874,383,847	9.45%	99.03%

Source : County of Los Angeles Auditor-Controller

Note : Assessed valuations available from the County of Los Angeles are based on 100%
of full value per Section 135 of the California Revenue and Taxation Code.

City of Hermosa Beach

Property Tax Rates and Tax Levies - All Direct and Overlapping Governments

(per \$100 of assessed valuation)

June 30, 2004 - Last Ten Fiscal Years

(Unaudited)

Fiscal Year	General	Los Angeles County	Elementary Schools	Community College	Flood Control	Metropolitan Water District	Total
1994-1995	1.000000	0.001993			0.006041	0.008900	1.014941
1995-1996	1.000000	0.001814			0.000963	0.008900	1.009863
1996-1997	1.000000	0.001604			0.001991	0.008900	1.011677
1997-1998	1.000000	0.001584			0.002197	0.008900	1.012495
1998-1999	1.000000	0.001422			0.001765	0.008900	1.012304
1999-2000	1.000000	0.001451			0.001953	0.008900	1.012087
2000-2001	1.000000	0.001314			0.001552	0.008800	1.011666
2001-2002	1.000000	0.001033			0.000881	0.006700	1.011666
2002-2003	1.000000	0.001033			0.000881	0.006700	1.008614
2003-2004	1.000000	0.000992	0.019308	0.019025	0.000462	0.006100	1.045887

Source : County of Los Angeles Auditor-Controller

Note : Assessed valuations available from the County of Los Angeles are based on 100% of full value per Section 135 of the California Revenue and Taxation Code.

City of Hermosa Beach
Property Tax Levies and Collections
June 30, 2004
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Total Current Levy</u>	<u>Total Current Collection</u>	<u>Percentage of Levy Collected</u>
1994-1995	\$ 3,321,595	\$ 3,038,420	91.47%
1995-1996	3,337,288	3,093,600	92.70%
1996-1997	3,362,402	3,149,979	93.68%
1997-1998	3,434,310	3,252,801	94.71%
1998-1999	3,623,653	3,442,675	95.01%
1999-2000	4,002,324	3,808,235	95.15%
2000-2001	4,370,463	4,239,808	97.01%
2001-2002	4,790,920	4,576,910	95.53%
2002-2003	5,193,796	5,017,148	96.60%
2003-2004	5,688,428	5,489,332	96.50%

Source : County of Los Angeles Auditor-Controller

City of Hermosa Beach
Computation of Legal Debt Margin
June 30, 2004
(Unaudited)

Total assessed value of all real and personal property	\$	2,874,383,847
Legal debt limit - 15% of total assessed valuation	\$	431,157,577 (a)
Amount of debt applicable to limit		None (b)
Legal debt margin	\$	431,157,577
Percentage of legal debt limit authorized		0%

Source : City of Hermosa Beach - Finance Department

(a) Per California Government Code Section 43605

(b) The City has no debt payable from taxes levied upon property in the City.

City of Hermosa Beach
Statement of Direct and Overlapping Debt
June 30, 2004
(Unaudited)

2003-2004 Assessed Valuation :

	Gross Bonded Debt Balance	Percent Applicable to City	Net Bonded Debt
DIRECT DEBT :			
Hermosa Beach Elementary School District 2002	\$ 9,579,401	100.000%	\$ 9,579,401
TOTAL DIRECT DEBT:	\$ 9,579,401		\$ 9,579,401
OVERLAPPING DEBT:			
Los Angeles County Detention Facilities 1987 Debt Service	\$ 23,470,000	0.455%	\$ 106,818
Los Angeles County Flood Control Storm Drain Debt Service	5,600,000	0.462%	25,853
Los Angeles County Flood Control Refunding Bonds 1993 Debt Service	555,000	0.462%	2,562
West Basin Water District Debt Service*	447,475,000	0.434%	1,943,226
El Camino Community College District 2002 Debt Service	63,700,000	5.417%	3,450,663
TOTAL OVERLAPPING DEBT			\$ 5,529,122
TOTAL DIRECT AND OVERLAPPING DEBT			\$ 15,108,523

2003/04 Net Assessed Valuation : \$ 2,846,459,082

Debt to Assessed Valuation Ratios :	Direct Debt	0.34%
	Overlapping Debt	0.19%
	Total Debt	0.53%

* 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 Combined 2002/2003 Lien
Date Tax Rolls

This report reflects general obligation debt which is being repaid through voter-approved indebtedness. It excludes revenue, mortgage revenue, tax allocation bonds, interim financing obligations, non-bonded capital lease obligations, and certificates of participation.

City of Hermosa Beach
Demographic Statistics
June 30, 2004
Last Ten Fiscal Years
(Unaudited)

	(a)	(b)	(c)	(d)	(e)
Fiscal Year	Population	Per Capita Income	Persons per Household	Unemployment Rate (%)	School Enrollment
1994-1995	18,598		2.034	1.9	760
1995-1996	18,681		2.014	2.1	887
1996-1997	18,919		2.021	1.8	1,324
1997-1998	19,098		2.038	1.6	1,346
1998-1999	19,401		2.059	1.4	1,384
1999-2000	19,631		2.082	1.5	1,420
2000-2001	18,912	\$ 54,244	2.112	1.4	1,430
2001-2002	19,175		1.995	1.4	1,471
2002-2003	19,365		2.019	1.7	1,489
2003-2004	19,549		2.036	1.8	1,498

Data Source:

- (a) State of California Department of Finance, estimated population.
- (b) U.S. Department of Commerce, Bureau of the Census, per capita income available every ten years as part of national census. Census 2000.
- (c) State of California Department of Finance
- (d) State of California Employment Development Department. Expressed as a percentage, estimate based on ratio to County movement since 1980 and 1990 Census.
- (e) State Department of Education.

City of Hermosa Beach
Construction Value, Property Value and Bank Deposits
June 30, 2004
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Residential		Commercial		Total Assessed	Bank Deposits (in thousands)
	Number of Permits	Valuation	Number of Permits	Valuation		
1994-1995	236	\$ 3,681,282	71	\$ 1,296,815	\$ 1,696,935,511	\$ 129,866
1995-1996	316	7,643,660	75	1,840,624	1,700,003,152	135,486
1996-1997	363	12,034,307	67	4,508,672	1,723,373,748	146,695
1997-1998	612	29,728,509	73	3,977,221	1,757,267,759	153,236
1998-1999	594	37,648,012	55	6,857,053	1,849,539,164	166,610
1999-2000	476	27,553,549	57	6,044,503	2,038,815,726	183,910
2000-2001	540	32,136,129	56	7,402,324	2,219,952,219	190,111
2001-2002	591	19,260,802	43	2,142,566	2,425,823,846	194,276
2002-2003	630	23,174,222	65	2,499,590	2,626,125,947	210,669
2003-2004	596	28,114,344	75	6,713,988	2,874,383,847	279,395

Source : Construction values - City of Hermosa Beach Community Development Department
Bank Deposits - Federal Deposit Insurance Corporation
(includes Savings and Loans)

City of Hermosa Beach
Schedule of Insurance
June 30, 2004
(Unaudited)

Company & Policy Number	Policy Period	Limits & Coverages	Annual Premium
Independent Cities Risk Management Authority	7-1-03 through 6-30-04	Self-insured workers' compensation to \$1,000,000. CSAC excess insurance to \$50 million \$500,000 S.I.R.	\$ 51,679
Independent Cities Risk Management Authority	7-1-03 through 6-30-04	Excess Liability Insurance \$250,000 S.I.R. \$19 million limit for bodily injury, property damage, personal injury, or Public Officials' E&O.	\$ 208,891
Travelers Indemnity Co. of Ill. QT6603526A232TIL03	7-1-03 through 6-30-04	Auto Physical damage including Comprehensive & Collision coverage with \$5,000 deductible for high dollar value vehicles.	\$ 9,954
Lloyd's of London DP187603(1)/DC417903	7-1-03 through 6-30-04	" All-risk" physical loss or damage to real and personal property, EDP equipment, media, and extra expense, rents, and mobile equipment. Excludes earthquake and flood.	\$ 28,409
Essex Insurance ESX354185	7-1-03 through 6-30-04	Supplemental policy for earthquake and loss of income on the parking structure.	\$ 14,489
The Hartford	11-7-03 through 11-7-04	\$100,000 public official bond for Finance Director.	\$ 400
The Hartford	11-24-03 through 11-24-04	\$100,000 public official bond for City Treasurer.	\$ 400
Fidelity & Deposit	11-12-03 through 11-12-07	\$10,000 public official bond for City Clerk.	\$ 355 (4 year period)
Fidelity & Deposit	7-1-01 through 7-1-04	\$25,000 public employee dishonesty bond with \$2,500 deductible.	\$ 1,617 (3 year period)
The Hartford	1-3-03 through 1-3-06	\$100,000 public official bond for City Manager.	\$ 1,040 (3 year period)

Source : City of Hermosa Beach - Personnel Department

City of Hermosa Beach
Top Property Taxpayers
June 30, 2004
(Unaudited)

Owner (Number of Parcels)	Assessed Value	% of Total Assessed Valuation
International Church of The Four Square (43)	\$ 13,983,673	0.49%
Regency Centers Limited Partnership (7)	12,718,559	0.44%
Playa Pacifica Limited (2)	11,803,796	0.41%
Beta Group (2)	10,984,923	0.38%
Robert J. & Ranae R. Desantis Trust (1)	10,612,080	0.37%
Cheng Yi & Ying Yin Chang (1)	7,358,901	0.26%
Adelphia Media Services Inc. (3)	6,887,759	0.24%
Robert Lovelace (2)	6,380,460	0.22%
Barbara K. Robinson (1)	6,222,180	0.22%
SII Trust Schuler Investment Corporation (1)	6,107,979	0.21%

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

City of Hermosa Beach
Top 25 Sales Tax Producers *
June 30, 2004
(Unaudited)

Business Name	Business Category
Albertson's	Grocery Stores with Liquor
Aloha Sharkeez	Restaurants with Beer and Wine
Audi Leasing Ltd Bentley Leasing	Auto Lease
Becker Surfboards	Sporting Goods/Bike Stores
Casey's Premium Cars	Used Automotive Dealers
Chase Manhattan Auto Finance	Auto Lease
Classic Tile & Design	Lumber/Building Materials
Club Sushi	Restaurants with Liquor
E T Surfboards	Sporting Goods/Bike Stores
Efram's Mobil	Service Stations
Hennessey's Tavern	Restaurants with Liquor
Jama Auto House	Used Automotive Dealers
Learned Lumber	Lumber/Building Materials
May Mohit Gas Station & Mini Market	Service Stations
Okell's Fireplace	Home Furnishings
Pacific Volkswagen	New Motor Vehicle Dealers
Patrick Molloy's	Restaurants with Liquor
Ralph's	Grocery Stores with Liquor
Richard M. Pola & Associates	Textiles/Furnishings
Rocky Cola Café	Fast Food
Sav On Drugs	Drug Stores
South Bay B M W	New Motor Vehicle Dealers
Spyderboards	Sporting Goods/Bike Stores
Union Cattle Co.	Restaurant with Liquor
Von's	Grocery Stores with Liquor

Percent of City Total Paid By

Top 25 Accounts = Approximately 65.74%

Source : Hinderliter, de Llamas & Associates, State Board of Equalization

* Businesses Listed Alphabetically

Period: April 2003 through March 2004

City of Hermosa Beach

Major Employers*

June 30, 2004

(Unaudited)

<u>Name</u>	<u>Type of Business</u>
Aloha Sharkeez	Restaurant with Liquor
Comedy & Magic Club	Entertainment
Hennessey's Tavern	Restaurant with Liquor
Patrick Molloy's	Restaurant with Liquor
Pointe 705	Restaurant with Liquor
Rocky Cola Café	Fast Food
Shorewood Realtors, Inc.	Real Estate
South Bay BMW	New Motor Vehicle Dealer, Auto Repair
Union Cattle Co.	Restaurant with Liquor
Von's	Grocery Store with Liquor

Source : City of Hermosa Beach - Finance Department

* Businesses Listed Alphabetically

City of Hermosa Beach
Taxable Sales by Category (in thousands)
June 30, 2003
Last Ten Calendar Years
(Unaudited)

Sales	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Retail Stores :										
Apparel Stores	\$ 2,873	\$ 3,074	\$ 4,179	\$ 2,351	\$ 6,269	\$ 3,360	\$ 2,892	\$ 3,114	\$ 2,781	\$ 2,685
Food Stores	17,529	17,955	18,662	19,496	19,953	19,342	20,076	19,874	19,494	18,472
Packaged Liquor Stores	1,728	1,610	1,531	2,213	2,169	2,348	2,731	2,416	2,104	1,647
Eating and Drinking Places	30,499	32,631	35,252	40,371	43,981	48,815	52,866	55,921	58,192	60,861
Home Furnishing and Appliances	1,892	2,145	3,122	3,589	3,452	4,620	6,109	5,235	5,662	6,319
Building Materials and Farm Tools	8,663	8,799	9,051	9,704	13,197	12,580	12,403	12,406	15,284	16,266
Automobile Dealers and Supplies	24,584	25,532	30,914	41,852	41,005	60,655	83,096	91,434	74,953	77,871
Service Stations	(a)	(a)	(a)	5,893	5,258	(a)	(a)	(a)	(a)	(a)
Other Retail Stores	23,498	23,646	24,614	15,684	21,628	27,270	33,522	30,705	21,270	31,677
Total retail stores	111,266	115,392	127,325	141,153	156,912	178,990	213,695	221,105	199,738	215,798
All Other Outlets	16,760	18,283	18,633	27,903	27,850	23,357	23,309	23,659	28,058	16,987
Total all outlets	<u>\$ 128,026</u>	<u>\$ 133,675</u>	<u>\$ 145,958</u>	<u>\$ 169,056</u>	<u>\$ 184,762</u>	<u>\$ 202,347</u>	<u>\$ 237,004</u>	<u>\$ 244,764</u>	<u>\$ 227,796</u>	<u>\$ 232,785</u>

Source : State Board of Equalization.

(a) Due to limited number of businesses in this category, sales for this category are confidential - they are included in other retail.

City of Hermosa Beach

Miscellaneous Statistics

June 30, 2004

(Unaudited)

<i>Date of Incorporation</i>	January 14, 1907
<i>Form of Government</i>	Council-Manager
<i>Number of Employees (excluding police and fire) :</i>	
Full-time	82
Part-time (excluding police and fire reserves)	18
<i>Area in square miles</i>	1.3
<i>Hermosa Beach facilities and services:</i>	
Miles of Streets	40
Number of Street Lights (city owned)	588
Number of Parking Meters	1,714
Culture and Recreation:	
Community Theatre	1
Parks	20
Park acreage	21.70
Beach acreage	36.52
Hermosa Valley Green Belt (open space park) acreage	19.50
Fire Protection:	
Number of stations	1
Number of firefighters and paramedics	20
Number of authorized reserve firefighters	26
Police Protection:	
Number of stations	1
Number of sworn officers	39
Number of authorized reserve police	20
Number of law violations:	
Physical arrests	1,424
Traffic violations	3,171
Parking violations	49,379
Sewerage System:	
Miles of sanitary sewers	34
Linear feet of storm drains	6,011
<i>Land Use Statistics:</i>	
Parcels ¹	6,909
Housing Units ²	9,916
Building permits issued	671
<i>Facilities and services not included in the reporting entity:</i>	
Education:	
Number of elementary schools (2 public, 2 private)	4
Cable Television System:	
Miles of service	73.46

Source : City of Hermosa Beach - Finance Department

¹ HdL Coren & Cone

² State of California Department of Finance