



**City of Hermosa Beach,
California**

Comprehensive Annual Financial Report

For the year ended June 30, 2005

City of Hermosa Beach

Hermosa Beach, California

Comprehensive Annual Financial Report

For the year ended June 30, 2005

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, 2005

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City of Hermosa Beach

Civic Center, 1315 Valley Drive, Hermosa Beach, California 90254-3885

December 12, 2005

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, 2005. 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 third 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, 2005, 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, 2005, 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 19,608, 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 2004-05 fiscal year, beach attendance ranged from a low of 30,300 in December 2004 to a high of 488,200 in July 2005, 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, Loma Drive, Bayview Drive, and Beach 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 77-82. 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 thirteenth highest percentage change in assessed valuation of the 88 cities in Los Angeles County for 2004-05. The assessed valuation (including exemptions) has risen, on average, 9.8% 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 2005 were \$1,249,500, compared to \$512,890 for Los Angeles County. The average median home price for Hermosa Beach for fiscal year 2004-05 was \$952,357.

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 2.3%, compared with 5.6% for Los Angeles County, and 5.4% for California.

The revenue picture is changing somewhat in Hermosa Beach. Sales tax growth has ceased to exist with the exodus of new car dealerships in 2002 (Audi/Porsche), 2003 (Volkswagen) and 2004 (BMW). BMW stayed longer than originally planned so the biggest impact will be felt in 2005-06 fiscal year, rather than 2004-05. Fortunately for the City, property taxes have grown 26% over the same period due to increased assessed values and turnover of properties. Transient occupancy taxes (hotel tax) increased 14% with strong overall occupancy of 73% for the year. Utility user taxes (UUT), which grew 24% in 2003-04, were virtually flat in 2004-05. With all of the technology changes in the telecommunication industry, this is a trend the City will watch carefully since the UUT represents 14% of General Fund revenue.

California Public Employees Retirement System (CalPERS). City retirement rates are still high in 2004-05, reflecting investment losses sustained by CalPERS beginning in 2001. With investment rates back in the black at 12.7% for 2004-05 and the effects from new employer rate smoothing policies implemented by CalPERS this year, the City can expect rates to level out by 2006-07.

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. Hermosa Beach's loss for 2004-05 and 2005-06 is \$326,472. One positive sign was the early repayment of three months worth of vehicle license fees, which were "borrowed" by the State in 2003-04. The State scheduled repayment for August 2006 but actually paid the funds to local governments one year early in August 2005.

Long-term financial planning. Financial policies related to long-term financial planning for specific funds are:

Contingency Fund—Goal of fund balance equal to 15% of the General Fund 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.

Another of the City's financial policies is to set aside funds unspent in the General Fund at year-end for specific purposes. For 2004-05, funds were transferred to the Capital Improvement Fund, Insurance Fund and Retirement Stabilization Fund. Capital Improvement 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.

The City's long term financial planning focuses on the Capital Improvement Plan, which is produced as part of 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.

Primary projects coming up, (other than street and sewer improvements, which occur every year) are Community Center Theatre upgrades, completion of Phase III, the final phase of the Municipal Pier Upgrade, and renovation of the Public Works City Yard. The City will use federal Community Development Block Grant Funds and Los Angeles County Proposition A Park Bond Act funds for these projects, in addition to City funds.

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 19 months, with an average yield on investments of 2.03%. 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 9 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 post employment health care benefits for certain retirees. As of the end of the current fiscal year, there were 19 retirees receiving these benefits, which are financed on a pay-as-you-go basis. Generally Accepted Accounting Principles (GAAP) do not currently require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. However, Governmental Accounting Standards Board (GASB) Statements 43 and 45 will require different accounting and reporting for these types of "other post employment benefits" (OPEB). For our size City, the effective date will be fiscal year 2007-08.

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.

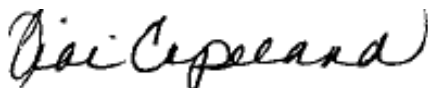
Awards and Acknowledgements

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 fifteenth 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 in preparation of the report. 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,

A handwritten signature in black ink, reading "Viki Copeland". The signature is written in a cursive, flowing style.

Viki Copeland
Finance Director

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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, 2004

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.



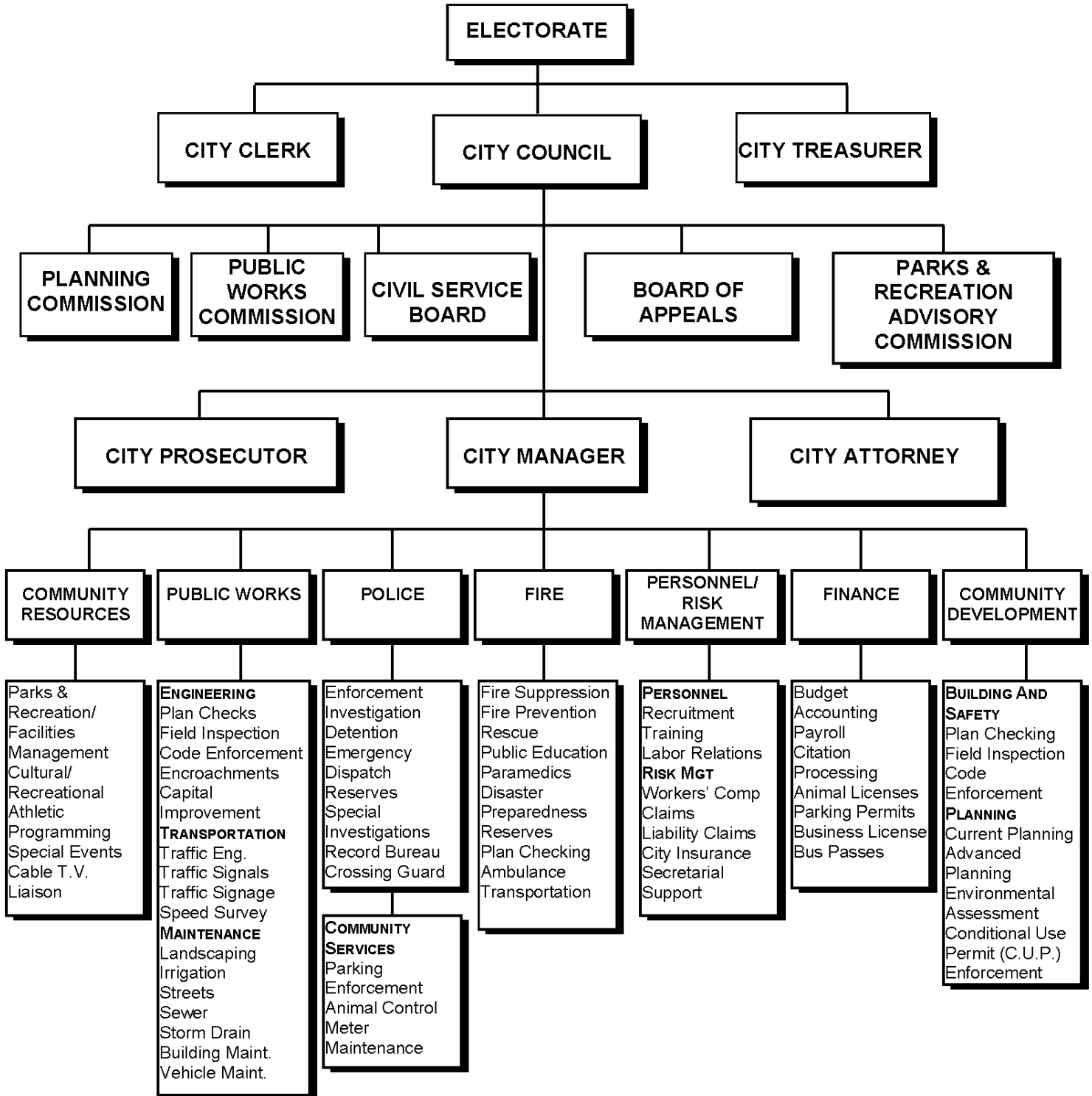
Nancy L. Ziehl

President

Jeffrey R. Enen

Executive Director

CITY OF HERMOSA BEACH ORGANIZATIONAL CHART



PRINCIPAL OFFICIALS OF THE CITY OF HERMOSA BEACH, CALIFORNIA

June 30, 2005

Elected and Administrative Officials

City Council

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

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

Lisa Lynn

Michael Earl

Michael Lavin
Richard Morgan
Russell Tingley

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

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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, 2005, 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. 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, 2005, 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.

As described in Note 1 to the basic financial statements, the City adopted Statement of the Governmental Accounting Standards Board No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*.

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 inquiries 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.

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

Oakland

180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County

3184-D Airway Avenue
Costa Mesa, California 92626

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

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 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 and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Capricci & Carlson

Costa Mesa, California
September 29, 2005

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, 2005. 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 v - ix 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 \$83,871,000 (*net assets*). Of this amount, \$15,435,000 (*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 \$4,611,000. 90%, or \$4.13 million, is attributable to capital asset additions. The City purchased property adjacent to City Hall for \$4.2 million.
- As of June 30, 2005, the City of Hermosa Beach's governmental funds reported combined ending fund balances of \$15,101,000, an increase of \$969,000 in comparison with the prior year. Approximately 28% of this amount is reserved to indicate that it is not available because it has been 1) committed for purchase orders or contracts for the prior period and will be reappropriated, 2) committed for advances between funds for the purchase of property adjacent to City Hall, 3) committed for other specific projects or 4) represents an advance to other funds for utility undergrounding startup costs. Another 2% is designated for specific uses, with the remainder available for a variety of purposes.
- As of June 30, 2005, the unreserved fund balance for the General Fund was \$0. 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 2004-05. The balance in the Contingency Fund (or "rainy day fund") is \$2.7 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 is 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 downtown enhancement funds.

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, Loma Drive, Bayview Drive and Beach 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 17-21 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-nine 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:

General Fund Capital Improvement Fund Retirement Stabilization Fund Contingency Fund

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.

Data from the other thirty-five 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 23-32 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 downtown enhancement and parking 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 33-38 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, Loma Drive, Bayview Drive, and Beach 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 when an outside administrator is hired by the City.

The basic fiduciary fund financial statements can be found on pages 39-42 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 43-76 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 page 77 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 85-98 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, 2005, assets exceeded liabilities by \$83,871,000.

By far the largest portion of the City of Hermosa Beach's net assets, \$65,130,000, (78%) 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, 2005 (dollars in thousands)</p> | | | | | | |
|--|----------------------------|-----------------|-----------------------------|----------------|-----------------|-----------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Current and Other Assets | \$28,185 | \$25,114 | \$(1,673) | \$1,322 | \$26,512 | \$26,436 |
| Capital Assets | 57,049 | 54,115 | 10,825 | 6,881 | 67,874 | 60,996 |
| Total Assets | 85,234 | 79,229 | 9,152 | 8,203 | 94,386 | 87,432 |
| Long-term Liabilities | | | | | | |
| Outstanding | 3,766 | 2,619 | -- | -- | 3,766 | 2,619 |
| Other Liabilities | 6,181 | 5,059 | 568 | 494 | 6,749 | 5,553 |
| Total Liabilities | 9,947 | 7,678 | 568 | 494 | 10,515 | 8,172 |
| Net Assets: | 75,287 | 71,551 | 8,584 | 7,709 | 83,871 | 79,260 |
| Invested in Capital Assets | 57,049 | 54,115 | 8,081 | 6,881 | 65,130 | 60,996 |
| Restricted | 3,306 | 2,218 | -- | -- | 3,306 | 2,218 |
| Unrestricted | 14,932 | 15,218 | 503 | 828 | 15,435 | 16,046 |
| Total Net Assets | \$75,287 | \$71,551 | \$8,584 | \$7,709 | \$83,871 | \$79,260 |

A portion of the City of Hermosa Beach's net assets (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$16,683,000) 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 position held true for the prior fiscal year.

The government's net assets increased by \$4,611,000 during the current fiscal year. As mentioned earlier, \$4,134,000, or 90% of this increase is attributable to capital asset additions, primarily the purchase of property adjacent to City Hall. The balance of the growth results from revenue increases which are discussed in more detail in the following report sections.

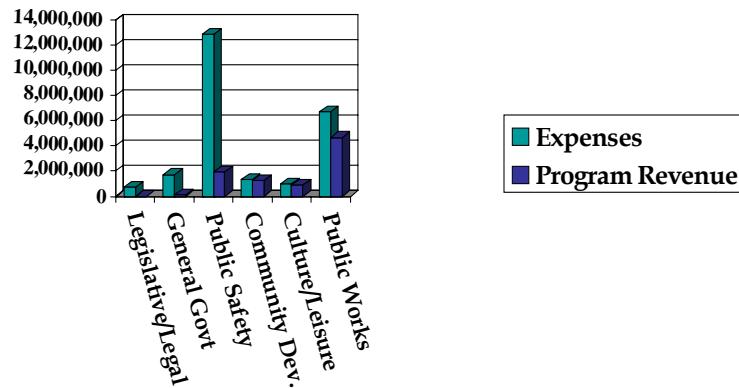
Governmental activities. Governmental activities increased the City of Hermosa Beach's net assets by \$3,736,000. Key elements of this increase are as follows:

Changes in Net Assets
June 30, 2005
(dollars in thousands)

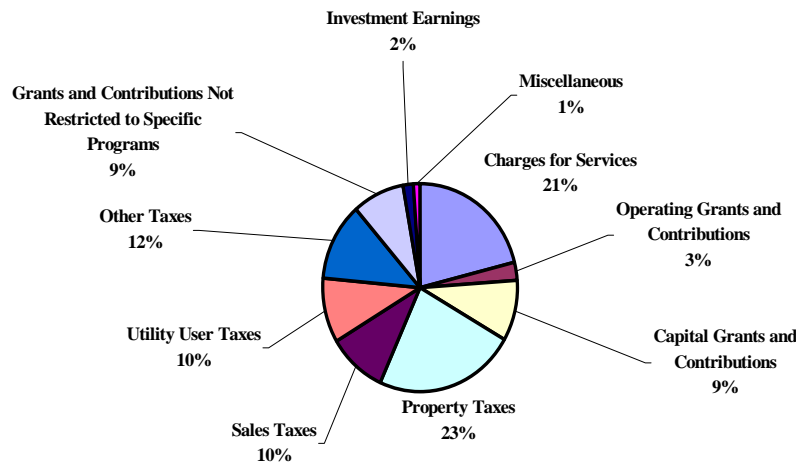
| | Governmental Activities | | Business-type Activities | | Total | |
|--|------------------------------------|-----------------|-------------------------------------|----------------|-----------------|-----------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges For Services | \$5,640 | \$3,412 | \$4,154 | \$3,789 | \$9,794 | \$7,201 |
| Operating Grants and Contributions | 721 | 675 | -- | -- | 721 | 675 |
| Capital Grants and Contributions | 2,466 | 666 | -- | -- | 2,466 | 666 |
| General Revenues: | | | | | | |
| Property Taxes | 6,221 | 5,885 | -- | -- | 6,221 | 5,885 |
| Other Taxes | 8,482 | 8,155 | -- | 531 | 8,482 | 8,686 |
| Grants and Contributions Not Restricted to Specific Programs | 2,318 | 1,230 | -- | -- | 2,318 | 1,230 |
| Other | 741 | 793 | 96 | 87 | 837 | 880 |
| Total Revenues | 26,589 | 20,816 | 4,250 | 4,407 | 30,839 | 25,223 |
| Expenses: | | | | | | |
| Legislative and Legal | 738 | 755 | | | 738 | 755 |
| General Government | 1,727 | 1,817 | | | 1,727 | 1,817 |
| Public Safety | 12,855 | 11,220 | | | 12,855 | 11,220 |
| Community Development | 1,356 | 1,116 | | | 1,356 | 1,116 |
| Culture and Recreation | 996 | 966 | | | 996 | 966 |
| Public Works | 6,688 | 4,592 | | | 6,688 | 4,592 |
| Downtown Enhancement | | | 166 | 940 | 166 | 940 |
| Parking | | | 1,702 | 1,632 | 1,702 | 1,632 |
| Proposition A Transit | | | -- | 310 | -- | 310 |
| Proposition C Transit | | | -- | 48 | -- | 48 |
| Total Expenses | 24,360 | 20,466 | 1,868 | 2,930 | 26,228 | 23,396 |
| Increase (Decrease) in Net Assets Before | | | | | | |
| Transfers | 2,229 | 350 | 2,382 | 1,477 | 4,611 | 1,827 |
| Transfers | 1,507 | 2,357 | (1,507) | (2,357) | -- | -- |
| Increase (Decrease) in Net Assets | 3,736 | 2,707 | 875 | (880) | 4,611 | 1,827 |
| Net Assets - 7/1/04 | 71,551 | 68,125 | 7,709 | 8,441 | 79,260 | 76,566 |
| Prior Period Inventory Adjustment | -- | 719 | -- | 148 | -- | 867 |
| Net Assets - 6/30/05 | \$75,287 | \$71,551 | \$8,584 | \$7,709 | \$83,871 | \$79,260 |

- The 65% increase in Charges to Services results primarily from fees related to two new undergrounding districts formed during the year.
- Capital Grants and Contributions increased due to County Proposition A Open Space funds for the Pier Renovation and a grant from the State Office of Traffic Safety.
- Property Taxes overall increased by \$336,000 or approximately 6%. Secured property tax revenue grew an average of 9.25% up to 2004-05. Due to the State's reduction of local property tax revenue as a budget balancing measure, Hermosa Beach lost over \$300,000. Without this loss, revenue would have grown by over 10%.
- Other Taxes increased 4% as a result of increased revenue from the utility user tax and transient occupancy tax (tax on hotel stays).
- Grants and Contributions Not Restricted to Specific Programs increased for the following reasons: motor vehicle license fees appear to have increased by \$288,000 but only because the State borrowed a portion of the fees in 2003-04 (\$328,378); a one-time payment of \$300,000, due on the first anniversary of the Tyco lease, was received; Proposition A and C Transit Funds were changed from enterprise to special revenue fund types in 2003-04, resulting in an increase of \$540,000 in this category.

Expenses and Program Revenues Governmental Activities



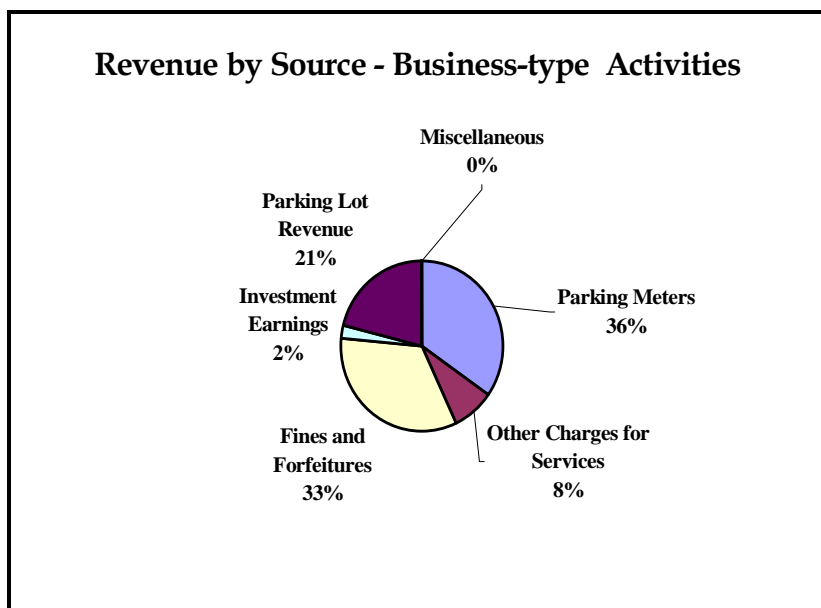
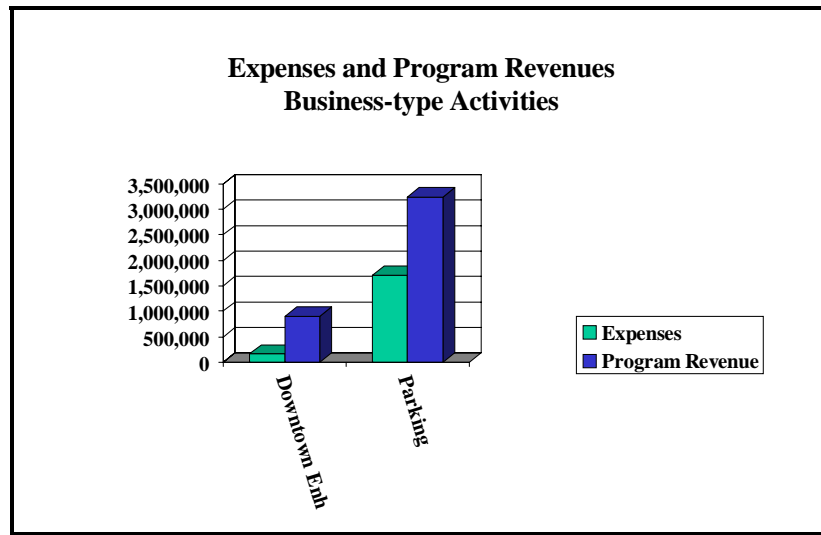
Revenue by Source - Governmental Activities



On the expense side, employee salary and benefit increases of approximately 5% affect all governmental categories. Of this amount, 3% is attributable to the increase in retirement costs for 2004-05. A large portion of the increase to the Public Safety category, \$522,000, is due to a ten-city grant administered by the City for a traffic management and ticket writing system. Capital improvement projects for maintenance, including \$1,230,000 for two new utility undergrounding districts which are included in the Public Works category, are largely responsible for higher spending in 2005.

Business-type activities. Business-type activities increased the net assets by \$875,000. The primary contributing factors to this increase were:

- Charges for Services increased 10% due to increased revenue for parking fines, parking meters and parking lots, and the addition of parking meters to the Upper Pier Avenue area of the City.
- The Downtown Enhancement operation shows a decrease in expenses primarily due to the sale of real property, which resulted in a gain of \$844,000. Adjusting for the gain, the operation would reflect an increase of \$70,000 or 7%, due to the following: depreciation expense increased because a storage lot facility was purchased during the year, the County of Los Angeles share of net income due for the parking structure increased because of higher parking structure revenue and capital improvement maintenance expense increased.



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 \$15,101,000, an increase of \$969,000, in comparison with the prior year. Approximately 72% of this total amount \$10,890,000 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 (\$3,136,000), 2) fund transportation development act projects (\$52,000), 3) to account for advances to two undergrounding district funds (\$277,000) and 4) to account for an advance to the Downtown Enhancement proprietary fund for the purchase of a storage lot facility (\$746,000).

Four funds qualify as major funds under the GASB Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*, reporting criteria: the General Fund, Retirement Stabilization 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 \$477,000, with \$103,000 reserved for re-appropriations and \$374,000 unreserved, but designated for certain purposes. The City's financial policies require that unspent funds in the General Fund transfer to meet specific funding targets at year end. As those targets or goals are met, transfers may be redirected where funds are needed. For 2004-05, the City Council redirected that funds left unspent in the General Fund at year end transfer equally to the Retirement Stabilization Fund, the Capital Improvement Fund and the Insurance Fund. The transfer to each fund was \$1,163,000. Key reasons funds were available at year end are as follows:

- Property taxes, while reduced by the \$300,000 the State took to balance their budget, were still 6% higher overall than last year.
- Motor vehicle license fee revenue shows an increase of 33% because the State borrowed a portion of City revenue in 2003-04.
- Transient occupancy tax revenue increased 14% with good overall hotel occupancy.
- Parking meter fees and fines increased 12% and 14% respectively, which translated to a higher transfer at year end to the General Fund, since all unspent funds in the Parking Fund transfer to the General Fund.
- Expenditures were 5% less than budgeted, namely due to a number of vacant positions which equates to salary and benefit savings.

The Retirement Stabilization Fund is used to account for funds set aside by the City Council for use during times of rate instability. Use of the funds has the effect of "rate smoothing."

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 \$2.7 million represents 15% of appropriations.

Proprietary funds. The City of Hermosa Beach's proprietary fund financial statements for the Downtown Enhancement Fund and the Parking Fund, provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Downtown Enhancement operation at the end of the year were \$492,000. The \$10,000 remaining in the Parking Fund is to be reappropriated. Other factors concerning the finances of these two funds have already been addressed earlier in the discussion of the City of Hermosa Beach's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were 5% for estimated revenue and 3% for appropriations. Actual revenue was higher than budgeted by 7% due to aforementioned revenue increases. Transfers In increased by 19% due to the increase in parking meter 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 between original and final appropriations other than Transfers Out equaled \$579,000 or about 3%. They are briefly summarized as follows:

- \$29,000 in increases in the Legislative/Legal category for property appraisal services, camera operator training, newly implemented fraud protection bank service charges and a new community e-newsletter.
- (\$32,000) decrease represents General Government funding from Prospective Expenditures for a Fire Department hazard mitigation program project.
- \$153,000 in Public Safety increases for a Fire Department hazard mitigation program project, a Fire Department retirement cash- out, an increase for Police mandated training and appropriation for various donations.
- \$5,000 to complete an upgrade of the Community Development software system.
- \$42,000 increase to the Culture/Leisure category - \$30,000 in donations appropriated for Sunset Concerts; \$12,000 in donations appropriated for recreation programs and community events.
- \$85,000 to complete building maintenance projects, including a remodel of the heating and air conditioning system at the Police department.
- \$297,000 in increases for capital outlay for the Municipal Pier renovation that was reappropriated from 2003-04.

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

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, 2005, amounts to \$67,874,000 (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 2004-05 fiscal year was 11% (a 5% increase for governmental activities and a 57% increase for business-type activities).

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

Governmental Activities

- Construction in progress on a variety of street (widening and expansion projects for existing streets) and sewer projects was \$2,055,000 at the end of the fiscal year.
- Construction in progress on Community Center Improvements was \$383,000 at the end of the fiscal year.
- Construction in progress on Municipal Pier Phase III Improvements was \$4,266,000 at the end of the current fiscal year.

Business type Activities

- The Downtown Enhancement Fund purchased a storage lot facility for a total cost of \$4,232,000. The purchase was funded in part by loans from the Contingency, Insurance and Equipment Replacement Funds.

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

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------------|------------------------------------|-----------------|-------------------------------------|----------------|-----------------|-----------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Land | \$18,052 | \$18,052 | \$5,188 | \$1,573 | \$23,240 | \$19,625 |
| Buildings and Structures | 2,046 | 2,062 | 5,406 | 5,068 | 7,452 | 7,130 |
| Improvements Other Than Buildings | 4,401 | 4,637 | 6 | -- | 4,407 | 4,637 |
| Machinery and Equipment | 1,147 | 1,266 | 12 | 15 | 1,159 | 1,281 |
| Vehicles | 1,444 | 1,467 | -- | -- | 1,444 | 1,467 |
| Infrastructure | 23,251 | 24,082 | 176 | 189 | 23,427 | 24,271 |
| Construction in Progress | 6,708 | 2,549 | 37 | 36 | 6,745 | 2,585 |
| Total | \$57,049 | \$54,115 | \$10,825 | \$6,881 | \$67,874 | \$60,996 |

Additional information on the City of Hermosa Beach's capital assets can be found in note 6 on pages 63-65 of this report.

Economic Factors and Next Year's Budgets and Rates

- Housing sales and prices remain strong in Hermosa Beach as do the accompanying increases in assessed value and property tax revenue. The assessed valuation in Hermosa Beach has risen approximately 10% for the last five years.
- Sales tax growth has flattened, with the loss of the BMW dealership. A portion of the site will still be used for a new Lotus auto dealership, however it remains to be seen whether the type of replacement business, yet to be proposed, will be a comparable revenue generator or not. Fortunately, transient occupancy taxes are up 14% for the same period, helping to offset the loss of revenue growth. Utility user taxes, which produce 14% of General Fund revenue, have flattened also due to reduced telecommunications revenue. With the advent of internet phone service and other changes in service delivery, this erosion of the tax base is a concern as the debate over taxation of the internet continues at the federal level.
- The Lighting/Landscaping Assessment District will not generate enough revenue from the property tax assessment to cover its costs in 2005-06. As such, the City Council approved a contract to proceed with a mailed ballot election to increase the assessment for 2006-07.
- Retirement contribution rates from the state retirement system, CalPERS, will continue to be high for 2005-06, but are expected to level off or decline in 2006-07 due to improved investment earnings and rate-smoothing policies adopted by CalPERS. The City set up its own Retirement Stabilization Fund to set aside funds for use in times of high retirement rates. A snapshot of CalPERS investment earnings is as follows: 2001, -7.2%; 2002, -5.9%; 2003, 3.9%; 2004, 16.7%; 2005, 12.7%.
- The State of California's fiscal outlook, while much improved, is still a source of concern for local government. Even with the protection of Proposition 1A (passed in November 2004), which prevents further raids on local government revenue, it is difficult for local government to feel "revenue-secure" until the State's house is in order. Even if the State takes no further action to reduce our revenue, actions taken to date with respect to property tax, sales tax, and vehicle license fees have made projecting our share of the revenue inordinately more complicated.

All of these factors were considered in preparing the City of Hermosa Beach's budget for the 2005-2006 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.

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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, 2005

| | Primary Government | | |
|--|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 21,378,473 | \$ 996,765 | \$ 22,375,238 |
| Reimbursable grants receivable | 1,829,087 | | 1,829,087 |
| Interest receivable on investments | 172,918 | 11,600 | 184,518 |
| Other accounts receivable | 1,259,321 | 62,073 | 1,321,394 |
| Property taxes receivable | 630,585 | | 630,585 |
| Internal balances | 2,743,658 | (2,743,658) | |
| Deposits | 80,000 | | 80,000 |
| Other assets | 91,105 | | 91,105 |
| Total current assets | 28,185,147 | (1,673,220) | 26,511,927 |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Non-depreciable | 24,760,718 | 5,224,729 | 29,985,447 |
| Depreciable, net | 32,288,766 | 5,600,009 | 37,888,775 |
| Total capital assets | 57,049,484 | 10,824,738 | 67,874,222 |
| Total noncurrent assets | 57,049,484 | 10,824,738 | 67,874,222 |
| Total assets | 85,234,631 | 9,151,518 | 94,386,149 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 2,333,277 | 332,875 | 2,666,152 |
| Accrued wages and compensated absences | 1,613,115 | 203,237 | 1,816,352 |
| Refundable deposits | 505,409 | 29,477 | 534,886 |
| Unearned revenue | 800,050 | 2,092 | 802,142 |
| Workers' compensation claims payable - due within one year | 690,000 | | 690,000 |
| General liability claims payable - due within one year | 202,000 | | 202,000 |
| Other liabilities | 37,691 | | 37,691 |
| Total current liabilities | 6,181,542 | 567,681 | 6,749,223 |
| Noncurrent liabilities - due in more than one year: | | | |
| Workers' compensation claims payable | 2,347,557 | | 2,347,557 |
| General liability claims payable | 415,933 | | 415,933 |
| Compensated absences | 1,002,151 | | 1,002,151 |
| Total noncurrent liabilities | 3,765,641 | - | 3,765,641 |
| Total liabilities | 9,947,183 | 567,681 | 10,514,864 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 57,049,484 | 8,081,080 | 65,130,564 |
| Restricted for: | | | |
| Capital projects | 394,195 | | 394,195 |
| Specific projects | 2,911,283 | | 2,911,283 |
| Total restricted assets | 3,305,478 | - | 3,305,478 |
| Unrestricted net assets | 14,932,486 | 502,758 | 15,435,244 |
| Total net assets | \$ 75,287,448 | \$ 8,583,838 | \$ 83,871,286 |

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, 2005

| 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 | \$ 737,903 | | | | |
| General government | 1,727,484 | \$ 88,375 | \$ 31,929 | | \$ 120,304 |
| Public safety | 12,855,036 | 1,063,594 | 267,986 | \$ 573,733 | 1,905,313 |
| Community development | 1,355,888 | 1,245,622 | 11,272 | | 1,256,894 |
| Culture and recreation | 996,021 | 874,111 | 2,262 | | 876,373 |
| Public works | 6,687,811 | 2,368,076 | 407,749 | 1,891,965 | 4,667,790 |
| Total governmental activities | 24,360,143 | 5,639,778 | 721,198 | 2,465,698 | 8,826,674 |
| Business-type activities: | | | | | |
| Downtown Enhancement | 166,732 | 906,857 | | | 906,857 |
| Parking | 1,701,775 | 3,247,478 | | | 3,247,478 |
| Total business-type activities | 1,868,507 | 4,154,335 | - | - | 4,154,335 |
| Total primary government | \$ 26,228,650 | \$ 9,794,113 | \$ 721,198 | \$ 2,465,698 | \$ 12,981,009 |

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

Net assets - end of year

See accompanying Notes to Basic Financial Statements.

| Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------------------|---------------|
| Governmental Activities | Business-type Activities | Total |
| \$ (737,903) | | \$ (737,903) |
| (1,607,180) | | (1,607,180) |
| (10,949,723) | | (10,949,723) |
| (98,994) | | (98,994) |
| (119,648) | | (119,648) |
| (2,020,021) | | (2,020,021) |
| (15,533,469) | \$ - | (15,533,469) |
| | 740,125 | 740,125 |
| | 1,545,703 | 1,545,703 |
| - | 2,285,828 | 2,285,828 |
| (15,533,469) | 2,285,828 | (13,247,641) |
| 6,221,535 | | 6,221,535 |
| 2,584,015 | | 2,584,015 |
| 5,897,908 | | 5,897,908 |
| 14,703,458 | - | 14,703,458 |
| 2,318,501 | | 2,318,501 |
| 467,923 | 96,365 | 564,288 |
| 272,664 | 243 | 272,907 |
| 1,507,304 | (1,507,304) | |
| 19,269,850 | (1,410,696) | 17,859,154 |
| 3,736,381 | 875,132 | 4,611,513 |
| 71,551,067 | 7,708,706 | 79,259,773 |
| \$ 75,287,448 | \$ 8,583,838 | \$ 83,871,286 |

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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.

Retirement Stabilization Special Revenue Fund - This fund is used to account for funds set aside by the City Council for use during times of rate instability. Use of the funds has the effect of "rate smoothing."

Contingency Special Revenue Fund - "Rainy day" funds set aside for unforeseen emergencies, unexpected economic events, etc. The 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, 2005

| | Major Funds | | | | | Total |
|--|---------------------|---|-----------------------------------|--|--------------------------------|----------------------|
| | General | Retirement Stabilization Special Revenue | Contingency Special Revenue | Capital Improvement Special Revenue | Other Governmental Funds | |
| ASSETS | | | | | | |
| Cash and investments | \$ 1,603,415 | \$ 2,052,354 | \$ 1,869,214 | \$ 3,083,640 | \$ 6,796,790 | \$ 15,405,413 |
| Reimbursable grants receivable | | | | | 1,829,087 | 1,829,087 |
| Interest receivable on investments | 50,518 | 8,887 | 18,804 | 31,246 | 63,463 | 172,918 |
| Other accounts receivable | 1,187,393 | | | | 68,342 | 1,255,735 |
| Property taxes receivable | 616,093 | | | | 14,492 | 630,585 |
| Due from other funds | | | 85,520 | 1,219,782 | 146,431 | 1,451,733 |
| Advances to other funds | | | 745,886 | 276,931 | | 1,022,817 |
| Other assets | 71,436 | | | | | 71,436 |
| Total assets and other debits | \$ 3,528,855 | \$ 2,061,241 | \$ 2,719,424 | \$ 4,611,599 | \$ 8,918,605 | \$ 21,839,724 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable and accrued liabilities | \$ 337,394 | | | \$ 120,045 | \$ 1,667,364 | \$ 2,124,803 |
| Wages and benefits payable | 1,465,202 | | | 4,599 | 72,101 | 1,541,902 |
| Due to other funds | | | | | 1,451,733 | 1,451,733 |
| Refundable deposits | 505,409 | | | | | 505,409 |
| Deferred revenue | 706,328 | | | 4,000 | 89,722 | 800,050 |
| Advances from other funds | | | | | 276,931 | 276,931 |
| Other liabilities | 37,691 | | | | | 37,691 |
| Total liabilities | 3,052,024 | \$ - | \$ - | 128,644 | 3,557,851 | 6,738,519 |
| Fund Balances: | | | | | | |
| Reserved for: | | | | | | |
| Re-appropriations | 103,014 | | | 1,189,555 | 1,843,289 | 3,135,858 |
| Bike paths | | | | | 48,954 | 48,954 |
| Strand walkways | | | | | 3,147 | 3,147 |
| Advances to other funds | | | | 276,931 | | 276,931 |
| Storage Lot Purchase Loan | | | 745,886 | | | 745,886 |
| Unreserved, designated for: | | | | | | |
| Sales tax in-lieu | 137,703 | | | | | 137,703 |
| Sunset Concerts | 79,000 | | | | | 79,000 |
| Affordable housing | 111,831 | | | | | 111,831 |
| Pier phase III | 45,283 | | | | | 45,283 |
| Unreserved, undesignated: | | | | | | |
| Special revenue | | 2,061,241 | 1,973,538 | 3,016,469 | 3,465,364 | 10,516,612 |
| Total fund balances | 476,831 | 2,061,241 | 2,719,424 | 4,482,955 | 5,360,754 | 15,101,205 |
| Total liabilities and fund balances | \$ 3,528,855 | \$ 2,061,241 | \$ 2,719,424 | \$ 4,611,599 | \$ 8,918,605 | \$ 21,839,724 |

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, 2005

| | |
|---|----------------------|
| Total Fund Balances - Total Governmental Funds | \$ 15,101,205 |
|---|----------------------|

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

| | Government- Wide Statement of Net Assets | Internal Service Funds | |
|---|--|---------------------------|-------------------|
| Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. | | | |
| Non-depreciable | \$ 24,760,718 | \$ (375,693) | 24,385,025 |
| Depreciable, net | 32,288,766 | (1,826,064) | 30,462,702 |
| Total capital assets | <u>\$ 57,049,484</u> | <u>\$ (2,201,757)</u> | <u>54,847,727</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 | 2,000,429 |
| Equipment Replacement Fund | <u>4,340,238</u> |
| Total internal service funds | <u>6,340,667</u> |

Compensated absences were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.

| | |
|--|--------------------|
| | <u>(1,002,151)</u> |
|--|--------------------|

| | |
|--|----------------------|
| Net Assets of Governmental Activities | \$ 75,287,448 |
|--|----------------------|

City of Hermosa Beach
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2005

| | Major Funds | | | | | Total |
|---|--------------------|---|-----------------------------------|--|--------------------------------|-------------------|
| | General | Retirement Stabilization Special Revenue | Contingency Special Revenue | Capital Improvement Special Revenue | Other Governmental Funds | |
| REVENUES: | | | | | | |
| Property taxes | \$ 6,221,536 | | | | \$ 446,979 | \$ 6,668,515 |
| Other taxes | 8,435,233 | | | | 650,071 | 9,085,304 |
| Licenses and permits | 701,468 | | | | | 701,468 |
| Fines and forfeitures | 443,317 | | | | 15,789 | 459,106 |
| Use of money and property | 346,782 | | | | 525,000 | 871,782 |
| Intergovernmental | 1,259,467 | | | | 3,074,482 | 4,333,949 |
| Charges for services | 1,712,006 | | | | 140,720 | 1,852,726 |
| Miscellaneous | 224,216 | | | | 1,829,034 | 2,053,250 |
| Interest earned on investments | 83,778 | \$ 29,121 | \$ 73,768 | \$ 81,963 | 199,295 | 467,925 |
| Total revenues | 19,427,803 | 29,121 | 73,768 | 81,963 | 6,881,370 | 26,494,025 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Legislative and legal | 727,026 | | | | | 727,026 |
| General government | 1,198,413 | | | | 142,022 | 1,340,435 |
| Public safety | 11,466,114 | | | | 673,019 | 12,139,133 |
| Community development | 1,051,691 | | | | 273,528 | 1,325,219 |
| Culture and recreation | 940,158 | | | | | 940,158 |
| Public works | 2,125,564 | | | | 1,248,799 | 3,374,363 |
| Capital outlay | 241,632 | | | 565,489 | 5,618,774 | 6,425,895 |
| Total expenditures | 17,750,598 | - | - | 565,489 | 7,956,142 | 26,272,229 |
| REVENUES OVER (UNDER) EXPENDITURES | 1,677,205 | 29,121 | 73,768 | (483,526) | (1,074,772) | 221,796 |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Transfers in | 2,391,314 | 1,162,891 | 65,909 | 2,247,608 | 1,500,480 | 7,368,202 |
| Transfers out | (4,225,670) | (260,000) | (32,457) | | (2,103,022) | (6,621,149) |
| Total other financing sources (uses) | (1,834,356) | 902,891 | 33,452 | 2,247,608 | (602,542) | 747,053 |
| Net change in fund balances | (157,151) | 932,012 | 107,220 | 1,764,082 | (1,677,314) | 968,849 |
| FUND BALANCES: | | | | | | |
| Beginning of year | 633,982 | 1,129,229 | 2,612,204 | 2,718,873 | 7,038,068 | 14,132,356 |
| End of year | \$ 476,831 | \$ 2,061,241 | \$ 2,719,424 | \$ 4,482,955 | \$ 5,360,754 | \$ 15,101,205 |

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, 2005

| | |
|--|---------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 968,849 |
| 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. | |
| Total capital outlay expenditures reported in governmental funds | 6,425,895 |
| Less repair and maintenance expenditures reported in public works | (1,698,971) |
| Total | 4,726,924 |
| 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 \$401,735 which are reported below. | |
| Total depreciation reported in Government-Wide Statement of Activities | (1,950,208) |
| Less depreciation reported in Internal Service Funds | 401,735 |
| Total | (1,548,473) |
| The net sale involving various capital assets to decrease net assets | (249,537) |
| 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. | |
| | 99,942 |
| 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. | |
| | (261,324) |
| Change in Net Assets of Governmental Activities | \$ 3,736,381 |

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PROPRIETARY FUND FINANCIAL STATEMENTS

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PROPRIETARY FUND FINANCIAL STATEMENTS

Downtown Enhancement Fund - All unmetered parking lot and parking structure 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.

City of Hermosa Beach
Statement of Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

| | Major Enterprise Funds | | Total | Governmental |
|--|------------------------|-------------------|---------------------|---------------------------|
| | Downtown | Parking | Enterprise | Activities |
| | Enhancement | | Funds | Internal Service Funds |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 795,722 | \$ 201,043 | \$ 996,765 | \$ 5,973,060 |
| Interest receivable on investments | 7,989 | 3,611 | 11,600 | |
| Other accounts receivable | 11,568 | 50,505 | 62,073 | 3,586 |
| Advances to other funds | | | | 1,997,772 |
| Deposits | | | | 80,000 |
| Other assets | | | | 19,669 |
| Total current assets | 815,279 | 255,159 | 1,070,438 | 8,074,087 |
| Noncurrent assets: | | | | |
| Property and equipment, net of accumulated depreciation | 10,640,710 | 184,028 | 10,824,738 | 2,201,757 |
| Total noncurrent assets | 10,640,710 | 184,028 | 10,824,738 | 2,201,757 |
| Total assets | 11,455,989 | 439,187 | 11,895,176 | 10,275,844 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Current portion of long-term liabilities | | | | 892,000 |
| Accounts payable | 285,280 | 47,595 | 332,875 | 208,474 |
| Accrued wages and compensated absences | 8,523 | 194,714 | 203,237 | 71,213 |
| Refundable deposit | 27,012 | 2,465 | 29,477 | |
| Advances from other funds | 2,743,658 | | 2,743,658 | |
| Deferred revenue | 2,092 | | 2,092 | |
| Total current liabilities | 3,066,565 | 244,774 | 3,311,339 | 1,171,687 |
| Long-term liabilities: | | | | |
| Workers' compensation claims payable | | | | 3,037,557 |
| General liability claims payable | | | | 617,933 |
| Less current portion above | | | | (892,000) |
| Total long-term liabilities | - | - | - | 2,763,490 |
| Total liabilities | 3,066,565 | 244,774 | 3,311,339 | 3,935,177 |
| NET ASSETS | | | | |
| Investment in capital assets, net of related debt | 7,897,052 | 184,028 | 8,081,080 | 2,201,757 |
| Unrestricted | 492,372 | 10,386 | 502,758 | 4,138,910 |
| Total net assets | \$ 8,389,424 | \$ 194,414 | \$ 8,583,838 | \$ 6,340,667 |

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, 2005

| | Major Enterprise Funds | | Total | Governmental |
|---|------------------------|--------------------|--------------------|--------------------|
| | Downtown | Parking | Enterprise | Activities |
| | Enhancement | | Funds | Internal |
| | | | | Service Funds |
| OPERATING REVENUES: | | | | |
| Fines and forfeitures | | \$ 1,422,721 | \$ 1,422,721 | |
| Use of money and property | \$ 61,660 | | 61,660 | |
| Charges for services | 906,857 | 1,824,757 | 2,731,614 | \$ 2,550,438 |
| Miscellaneous | 243 | | 243 | 95,195 |
| Total operating revenues | 968,760 | 3,247,478 | 4,216,238 | 2,645,633 |
| OPERATING EXPENSES: | | | | |
| Salaries and wages | 65,968 | 1,254,815 | 1,320,783 | 382,846 |
| Contractor services | 769,370 | 75,408 | 844,778 | 765,576 |
| Supplies | 46,679 | 356,707 | 403,386 | 246,231 |
| Claims expenses | | | | 1,833,498 |
| Depreciation | 128,262 | 14,845 | 143,107 | 401,735 |
| Total operating expenses | 1,010,279 | 1,701,775 | 2,712,054 | 3,629,886 |
| OPERATING INCOME (LOSS) | (41,519) | 1,545,703 | 1,504,184 | (984,253) |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Interest earned on investments | 25,553 | 9,152 | 34,705 | |
| Gain (loss) on sale of assets | 844,500 | (953) | 843,547 | (37,322) |
| Total nonoperating revenues (expenses) | 870,053 | 8,199 | 878,252 | (37,322) |
| INCOME (LOSS) BEFORE TRANSFERS | 828,534 | 1,553,902 | 2,382,436 | (1,021,575) |
| TRANSFERS: | | | | |
| Transfers in | 250,348 | | 250,348 | 1,179,086 |
| Transfers out | (4,045) | (1,753,607) | (1,757,652) | (418,835) |
| Total operating transfers | 246,303 | (1,753,607) | (1,507,304) | 760,251 |
| Changes in net assets | 1,074,837 | (199,705) | 875,132 | (261,324) |
| NET ASSETS: | | | | |
| Beginning of the year | 7,314,587 | 394,119 | 7,708,706 | 6,601,991 |
| End of the year | \$ 8,389,424 | \$ 194,414 | \$ 8,583,838 | \$ 6,340,667 |

See accompanying Notes to Basic Financial Statements.

City of Hermosa Beach
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2005

| | Major Enterprise Funds | | Total Enterprise Funds | Governmental Activities Internal Service Funds |
|---|------------------------|---------------------|------------------------|--|
| | Downtown Enhancement | Parking | Funds | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash received from customers | \$ 1,147,657 | \$ 3,211,716 | \$ 4,359,373 | \$ (1,019,276) |
| Cash received for services from other funds | 2,743,658 | | 2,743,658 | 1,551,552 |
| Cash payments to suppliers for goods and services | (773,929) | (443,250) | (1,217,179) | (936,482) |
| Cash payments to employees for services | (65,364) | (1,241,090) | (1,306,454) | (373,100) |
| Insurance premiums and settlements | | | | (1,112,649) |
| Other operating revenues | 243 | | 243 | 95,195 |
| Net cash provided by (used for) operating activities | 3,052,265 | 1,527,376 | 4,579,641 | (1,794,760) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Transfers in | 250,348 | | 250,348 | 1,179,086 |
| Transfers out | (4,045) | (1,753,607) | (1,757,652) | (418,835) |
| Net cash provided by (used for) noncapital financing activities | 246,303 | (1,753,607) | (1,507,304) | 760,251 |
| CASH FLOWS CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Gain (loss) on sale of capital assets | 844,500 | | 844,500 | (37,322) |
| Transfer of capital assets | (178,000) | 178,000 | - | |
| Acquisition of capital assets | (4,087,874) | | (4,087,874) | (407,100) |
| Net cash provided by (used for) capital and related financing activities | (3,421,374) | 178,000 | (3,243,374) | (444,422) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Interest earned on investments | 25,553 | 9,152 | 34,705 | |
| Net cash provided (used) by investing activities | 25,553 | 9,152 | 34,705 | - |
| Net increase (decrease) in cash and cash equivalents | (97,253) | (39,079) | (136,332) | (1,478,931) |
| CASH AND CASH EQUIVALENTS: | | | | |
| Beginning of year | 892,975 | 240,122 | 1,133,097 | 7,451,991 |
| Ending of year | <u>\$ 795,722</u> | <u>\$ 201,043</u> | <u>\$ 996,765</u> | <u>\$ 5,973,060</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | \$ (41,519) | \$ 1,545,703 | \$ 1,504,184 | \$ (984,253) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation | 128,262 | 14,845 | 143,107 | 401,735 |
| Changes in operating assets and liabilities: | | | | |
| Interest receivable on investments | (3,327) | (1,925) | (5,252) | |
| Other accounts receivable | (1,340) | (34,980) | (36,320) | (3,586) |
| Notes Receivable | 156,143 | | 156,143 | |
| Other assets | 560 | 128 | 688 | (16,804) |
| Worker's compensation claims payable | | | | 473,591 |
| General liability claims payable | | | | 247,258 |
| Accounts payable | 42,120 | (11,135) | 30,985 | 75,325 |
| Accrued wages and compensated absences | 604 | 13,725 | 14,329 | 9,746 |
| Refundable deposits | 27,012 | 1,015 | 28,027 | |
| Advances from (to) other funds | 2,743,658 | | 2,743,658 | (1,997,772) |
| Deferred revenue | 92 | | 92 | |
| Total adjustments | 3,093,784 | (18,327) | 3,075,457 | (810,507) |
| Net cash provided (used) by operating activities | \$ 3,052,265 | \$ 1,527,376 | \$ 4,579,641 | \$ (1,794,760) |

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 on behalf of or as 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, 2005

| | Agency Funds |
|-----------------------------|-------------------------------|
| | <hr/> |
| ASSETS | |
| Cash and investments | \$ 531,502 |
| Interest receivable | 2,582 |
| Other accounts receivable | <hr/> 13,876 |
| Total assets | <hr/> \$ 547,960 <hr/> |
| LIABILITIES | |
| Assessment: | |
| Installment account | \$ 260,527 |
| Reserve Requirement | 13,253 |
| OPEB contribution from City | <hr/> 274,180 |
| Total liabilities | <hr/> \$ 547,960 <hr/> |

See accompanying Notes to Basic Financial Statements.

City of Hermosa Beach
Index to Notes to Basic Financial Statements
For the year ended June 30, 2005

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City of Hermosa Beach
Notes to Basic Financial Statements
For the year ended June 30, 2005

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 in November 1997 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 utility underground assessment district, which was created in October 1999 pursuant to Street and Highway Code 10000.

Loma Underground Utility District Improvement Fund

This fund is used to account for the funds of the utility underground assessment district, which was created in October 1999 pursuant to Street and Highway Code 10000.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Financial Reporting Entity, Continued

Bayview Drive Underground District Improvement Fund

This fund is used to account for the funds of the utility underground assessment district, which was created in February 2005 pursuant to Street and Highway Code 10000.

Beach Drive Assessment District Improvement Fund

This fund is used to account for the funds of the utility underground assessment district, which was created in July 2004 pursuant to Street and Highway Code 10000.

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:

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

- 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.

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.

Retirement Stabilization Fund. This fund is used to account for funds set aside by the City Council for use during times of rate instability. Use of the funds has the effect of "rate smoothing."

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 presents increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

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. The exception to that rule is sales tax. The State took sales tax revenue (Sales Tax In Lieu) from cities and counties in fiscal year 2004-05, in order to use the source of funds as a guarantee for state issued debt to finance budget deficits. Sales tax is received on a monthly basis. Funds will be repaid according to the property tax schedule, with the bulk of payments occurring only twice a year. As such, the City has adopted an accrual policy of 7 to 12 months for recording this revenue. The revenue was earned by June 30, however the payment will not be received until January 2006. A designation in this amount has been set up to reflect that these funds are not available for appropriation. 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.

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 fund 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 unmetered 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.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements, Continued

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.

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.

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 four utility undergrounding districts, two reserve funds for utility 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 intends to establish 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.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash and Investments, Continued

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.

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

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

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 government-wide financial statements as "internal balances."

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 \$5,000 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, 2005 into the 2004-2005 Basic Financial Statements.

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.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. The long-term amount is included as a liability in the governmental activities of the Government-Wide Financial Statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. 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.

J. Unearned and Deferred 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 cell phone site license lease payments received in advance, prepaid charges for services and facility rentals paid in advance.

In the Fund Financial Statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records deferred revenue for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which deferred revenue is recorded are lease payments, quarterly encroachment fees and advance registration for recreation classes which were not yet earned or available.

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.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, net of related debt- 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, net of related debt" 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.

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.

O. Implementation of New GASB Pronouncements

The City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statement:

Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*

GASB Statement No. 40 updates the custodial credit risk disclosure requirements of GASB Statement No. 3, *deposits with financial institutions, investments, including repurchase agreements, and reverse repurchase agreements*, and establishes more comprehensive disclosure requirements addressing other common risks of deposits and investments of state and local governments, such as interest rate risk, credit risk, concentration of credit risk and foreign currency risk.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

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 \$360,820 at June 30, 2005. Bank balances at June 30, 2005, were \$605,519 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.

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

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

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, 2005, amounted to an unrealized decrease of \$24,623.

The City's investments with the Local Agency Investment Fund (LAIF), the State of California's investment pool, at June 30, 2005, included a portion of the pooled 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, 2005, the City had \$20,072,015 invested in LAIF. 2.406% of pool investment funds were invested in Structured Notes and Asset-Backed Securities.

The City valued its investments in LAIF as of June 30, 2005 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 .997747553.

C. Risk Disclosures

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits investments to a maximum maturity of five years. At June 30, 2005, the City had the following investment maturities:

| Investment Type | Fair Value | Less than 1 | 1 to 2 |
|--|----------------------|-------------------|----------------------|
| Federal Home Loan Bank | \$ 1,979,530 | \$ 495,940 | \$ 1,483,590 |
| Federal Home Loan Mortgage Corporation | 494,375 | | 494,375 |
| Local Agency Investment Fund | 20,072,015 | | 20,072,015 |
| Total | \$ 22,545,920 | \$ 495,940 | \$ 22,049,980 |

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

2. CASH AND INVESTMENTS, Continued

C. Risk Disclosures, Continued

Credit Risk - The City's investments are rated by the nationally recognized statistical rating organizations as follows:

| | <u>Moody's</u> | <u>Standard & Poor's</u> |
|--|----------------|----------------------------------|
| U.S. Agencies | | |
| Federal Home Loan Bank | Aaa | AAA |
| Federal Home Loan Mortgage Corporation | Aaa | AAA |
| External Pool | | |
| State of California - Local Agency Investment Fund | Not Rated | Not Rated |

Concentration of credit risk - The City's investment policy does not allow for an investment in any one institution that is in excess of 5% of the government's total portfolio.

D. Summary of Cash and Investments

The following is a summary of cash and investment at June 30, 2005:

| | <u>Government-Wide Statement of Net Assets</u> | | | <u>Funds Financial</u> | |
|----------------------|--|----------------------|---------------|------------------------|---------------|
| | | | | <u>Fiduciary Funds</u> | |
| | <u>Governmental</u> | <u>Business-Type</u> | | <u>Statement of</u> | |
| | <u>Activities</u> | <u>Activities</u> | <u>Total</u> | <u>Net Assets</u> | <u>Total</u> |
| Cash and Investments | \$ 21,378,473 | \$ 996,765 | \$ 22,375,238 | \$ 531,502 | \$ 22,906,740 |

Cash deposits and investments at June 30, 2005 were as follows:

| | <u>Fair Value</u> |
|-----------------------------------|----------------------|
| City Treasury: | |
| <i>Cash Deposits:</i> | |
| Demand accounts | \$ 605,519 |
| Less items in transit | (244,699) |
| Total cash deposits | <u>360,820</u> |
| <i>Investments:</i> | |
| Local Agency Investment Fund | 20,072,015 |
| U.S. government notes | 2,473,905 |
| Total investments | <u>22,545,920</u> |
| Total cash and investments | <u>\$ 22,906,740</u> |

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

3. RECEIVABLES

Government-Wide Financial Statements

At June 30, 2005, 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 Activities | Business-Type Activities | Statement of Net Assets | Total |
| Accounts | \$ 1,259,321 | \$ 62,073 | \$ 13,876 | \$ 1,335,270 |
| Taxes | 630,585 | | | 630,585 |
| Interest | 172,918 | 11,600 | 2,582 | 187,100 |
| Grants | 1,829,087 | | | 1,829,087 |
| Total | \$ 3,891,911 | \$ 73,673 | \$ 16,458 | \$ 3,982,042 |

Fund Financial Statements

At June 30, 2005, 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 funds in the aggregate as of June 30, 2005, were as follows:

| | |
|---------------------------------|---------------------|
| <i>Governmental Funds:</i> | |
| General Fund | \$ 1,187,393 |
| Non-major Funds | 68,342 |
| Total governmental funds | 1,255,735 |
| <i>Proprietary Funds:</i> | |
| Downtown Enhancement Fund | 11,568 |
| Parking Fund | 50,505 |
| Total proprietary funds | 62,073 |
| <i>Internal Service Funds</i> | 3,586 |
| <i>Agency Funds</i> | 13,876 |
| Total | \$ 1,335,270 |

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

3. RECEIVABLES, Continued

B. Taxes Receivable

At June 30, 2005, 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 | \$ 616,093 |
| Non-major Funds | 14,492 |
| Total | \$ 630,585 |

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, 2005, was as follows:

| | City Pooled Investments |
|----------------------------------|----------------------------|
| <i>Governmental Funds:</i> | |
| General fund | \$ 50,518 |
| Retirement Stabilization fund | 8,887 |
| Contingency fund | 18,804 |
| Capital Improvement | 31,246 |
| Non-major funds | 63,463 |
| Total governmental funds | 172,918 |
| <i>Proprietary Funds:</i> | |
| Downtown Enhancement fund | 7,989 |
| Parking fund | 3,611 |
| Total proprietary funds | 11,600 |
| Total | 184,518 |
| <i>Agency Funds</i> | 2,582 |
| Total interest receivable | \$ 187,100 |

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

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 funds in the aggregate as of June 30, 2005 were as follows:

| | |
|---------------------------------|-----------------------------------|
| <i>Governmental Funds:</i> | |
| Non-major Funds | <u>\$ 1,829,087</u> |
| Total governmental funds | <u><u>\$ 1,829,087</u></u> |

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 2004-2005 is \$214,710.

In February 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 \$2,092.

In June 2005, the City purchased property adjacent to City Hall that includes a self-storage facility. The existing lease for the storage facility was transferred to the City as a condition of the sale. The monthly lease payment increases in February of each year based on the consumer price index up to a maximum of 3% per year. The City receives a monthly lease payment in the amount of \$14,319.

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, 2005

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, | |
|-------------------------|---------------------|
| 2006 | \$ 233,572 |
| 2007 | 225,302 |
| 2008 | 230,678 |
| 2009 | 145,173 |
| 2010 | 21,000 |
| 2011-2015 | 105,000 |
| 2016-2020 | 105,000 |
| 2021-2025 | 105,000 |
| 2026-2030 | 105,000 |
| 2031-2035 | 105,000 |
| 2036-2040 | 105,000 |
| 2041-2045 | 105,000 |
| 2046-2050 | 105,000 |
| 2051-2055 | 12,250 |
| Total | \$ 1,707,975 |

Lease revenue for fiscal year 2005 was \$115,379 with \$69,274 reflected in the General Fund and \$46,105 in the Downtown Enhancement Fund, an enterprise fund.

5. INTERFUND TRANSACTIONS

A. Government-Wide Financial Statements

Transfers

At June 30, 2005, the City had the following operating transfers:

| | Transfers Out |
|--------------------------------------|-----------------------------|
| | Business-Type Activities |
| Transfers In Governmental Activities | \$ 1,507,304 |
| Total | \$ 1,507,304 |

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements

Due To/From Other Funds

The composition of due to/from other funds at June 30, 2005 is as follows:

| | | Due to Other Funds |
|----------------------|--------------------------|------------------------------|
| | | Non-major Governmental Funds |
| Due From Other Funds | Contingency Fund | \$ 85,520 |
| | Capital Improvement Fund | 1,219,782 |
| | Non-major funds | 146,431 |
| | Total | \$ 1,451,733 |

The balance of \$85,520 due to the Contingency fund from non-major governmental funds resulted from loans for the start up of two utility undergrounding districts. The remaining balance of \$1,366,213 in the Capital Improvement Fund and in non-major funds resulted from the time lag between the dates that reimbursable expenditures occur and payments are received from other agencies. All balances are scheduled to be collected in the subsequent year.

Advances From/To Other Funds

At June 30, 2005, the composition of advances to other funds is as follows:

| | | Advances From Other Funds | |
|-------------------------|--------------------------|---------------------------|------------------------------|
| | | Downtown Enhancement Fund | Non-major Governmental Funds |
| | | Fund | Funds |
| Advances to Other Funds | Contingency Fund | \$ 745,886 | \$ 745,886 |
| | Capital Improvement Fund | | \$ 276,931 |
| | Internal Service funds | 1,997,772 | 1,997,772 |
| | Total | \$ 2,743,658 | \$ 3,020,589 |

The balance of \$276,931 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. The balance of \$2,743,658 from the Contingency Fund and Internal Service funds to the Downtown Enhancement Fund, represents the balance owed to these funds for the purchase of real property. The advances will be repaid from lease proceeds from a storage facility located on the property and any available excess retained earnings at year end.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Transfers

At June 30, 2005, the City had the following transfers:

| | | Transfers Out | | | | | | | |
|-----------------------|--------------------|---------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | Retirement | | Non-major | Downtown | Internal | | | |
| | | Stabilization | Contingency | Governmental | Enhancement | Parking | Service | | |
| | | General | Fund | Fund | Funds | Fund | Fund | Fund | Total |
| Transfer In | General Fund | \$ 260,000 | | \$ 552,142 | \$ 3,565 | \$ 1,575,607 | | \$ 2,391,314 | |
| | Retirement | | | | | | | | |
| | Stabilization Fund | \$ 1,162,891 | | | | | | 1,162,891 | |
| | Contingency Fund | | | 65,909 | | | | 65,909 | |
| | Capital | | | | | | | | |
| | Improvement Fund | 1,194,763 | \$ 32,457 | 601,553 | | | \$ 418,835 | 2,247,608 | |
| | Non-major | | | | | | | | |
| | Governmental Funds | 700,000 | | 800,000 | 480 | | | 1,500,480 | |
| | Downtown | | | | | | | | |
| | Enhancement Fund | | | 72,348 | | 178,000 | | 250,348 | |
| Internal Service Fund | 1,168,016 | | | 11,070 | | | | 1,179,086 | |
| Total | | \$ 4,225,670 | \$ 260,000 | \$ 32,457 | \$ 2,103,022 | \$ 4,045 | \$ 1,753,607 | \$ 418,835 | \$ 8,797,636 |

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, 2005, the following one-time transfers were made:

- The General Fund made a transfer of \$2,400 to the Equipment Replacement Fund to finance the purchase of a satellite dish for training in the City Council chambers;
- The General Fund made a transfer of \$2,725 to the Equipment Replacement Fund to finance the purchase of a coin change machine located in a business where new parking meters were installed;
- Excess funds in the Compensated Absences Fund in the amount of \$326,553 were transferred to the Capital Improvement Fund to finance future projects;
- Excess funds in the Compensated Absences Fund in the amount of \$65,909 were transferred to the Contingency Fund to assist in reaching the goal established by the City's financial policies of 15% of General Fund operating budget appropriations at year end;
- The Equipment Replacement Fund made a transfer of \$418,835 to the Capital Improvement Fund to finance future projects. The Equipment Replacement Fund had excess funds according to the City's financial policy.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

6. CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City reports 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. The basic approach records accumulated depreciation and depreciation expense.

A. Government-Wide Financial Statements

At June 30, 2005, the City’s capital assets consisted of the following:

| | Government Activities | Business-Type Activities | Total |
|------------------------------------|--------------------------|-----------------------------|----------------------|
| <i>Non-Depreciable Assets:</i> | | | |
| Land | \$ 18,052,495 | \$ 5,188,092 | \$ 23,240,587 |
| Construction in progress | 6,708,223 | 36,637 | 6,744,860 |
| Total non-depreciable assets | 24,760,718 | 5,224,729 | 29,985,447 |
| <i>Depreciable Assets:</i> | | | |
| Buildings and structures | 3,548,424 | 6,025,516 | 9,573,940 |
| Improvements other than buildings | 6,906,525 | 14,447 | 6,920,972 |
| Machinery and equipment | 2,375,797 | 38,649 | 2,414,446 |
| Vehicles | 2,777,489 | | 2,777,489 |
| Infrastructure | 36,637,731 | 235,942 | 36,873,673 |
| Total depreciable assets | 52,245,966 | 6,314,554 | 58,560,520 |
| Less accumulated depreciation for: | | | |
| Buildings and structures | (1,501,764) | (619,129) | (2,120,893) |
| Improvements other than Buildings | (2,505,730) | (8,837) | (2,514,567) |
| Machinery and equipment | (1,229,069) | (26,901) | (1,255,970) |
| Vehicles | (1,333,595) | | (1,333,595) |
| Infrastructure | (13,387,042) | (59,678) | (13,446,720) |
| Total accumulated depreciation | (19,957,200) | (714,545) | (20,671,745) |
| Total depreciable assets, net | 32,288,766 | 5,600,009 | 37,888,775 |
| Total capital assets | \$ 57,049,484 | \$ 10,824,738 | \$ 67,874,222 |

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

6. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of capital assets for governmental activities for the year ended June 30, 2005:

| | Balance July 1, 2004 | Additions | Deletions | Adjustments | Balance June 30, 2005 |
|--|-------------------------|---------------------|---------------------|--------------------|--------------------------|
| <i>Capital assets not being depreciated:</i> | | | | | |
| Land | \$ 18,052,495 | | | | \$ 18,052,495 |
| Construction in progress | 2,548,970 | \$ 4,192,354 | | \$ (33,101) | 6,708,223 |
| Total capital assets not being depreciated | 20,601,465 | 4,192,354 | \$ - | (33,101) | 24,760,718 |
| <i>Capital assets being depreciated:</i> | | | | | |
| Buildings and structures | 3,491,998 | 57,816 | | (1,390) | 3,548,424 |
| Improvements other than buildings | 6,861,043 | 61,918 | (18,074) | 1,638 | 6,906,525 |
| Machinery and equipment | 2,647,173 | 238,860 | (494,813) | (15,423) | 2,375,797 |
| Vehicles | 2,833,232 | 346,074 | (401,817) | | 2,777,489 |
| Infrastructure | 36,487,235 | 383,756 | (233,260) | | 36,637,731 |
| Total capital assets being depreciated | 52,320,681 | 1,088,424 | (1,147,964) | (15,175) | 52,245,966 |
| <i>Less accumulated depreciation for:</i> | | | | | |
| Buildings and structures | (1,430,398) | (71,366) | | | (1,501,764) |
| Improvements other than buildings | (2,224,328) | (290,757) | 9,355 | | (2,505,730) |
| Machinery and equipment | (1,380,993) | (199,263) | 351,187 | | (1,229,069) |
| Vehicles | (1,366,399) | (282,104) | 314,908 | | (1,333,595) |
| Infrastructure | (12,404,822) | (1,106,718) | 124,498 | | (13,387,042) |
| Total accumulated depreciation | (18,806,940) | (1,950,208) | 799,948 | - | (19,957,200) |
| Total capital assets being depreciated, net | 33,513,741 | (861,784) | (348,016) | (15,175) | 32,288,766 |
| Total governmental activities | \$ 54,115,206 | \$ 3,330,570 | \$ (348,016) | \$ (48,276) | \$ 57,049,484 |

The City allocated the depreciation expenses to departments/functions of the government as follows:

| | |
|---|---------------------|
| General Government | \$ 61,880 |
| Public Safety | 86,802 |
| Community Development | 7,511 |
| Culture and Recreation | 21,749 |
| Public Works | 263,813 |
| Infrastructure | 1,106,718 |
| Capital Assets held by the governments internal service funds are charged to the various functions based on their usage of the assets | 401,735 |
| Total Depreciation Expenses | \$ 1,950,208 |

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

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, 2004 | Additions | Deletions | Adjustments | Balance June 30, 2005 |
|--|-------------------------|---------------------|---------------------|--------------|--------------------------|
| <i>Capital assets not being depreciated:</i> | | | | | |
| Land | \$ 1,572,740 | \$ 3,899,157 | \$ (155,500) | \$ (128,305) | \$ 5,188,092 |
| Construction in progress | 36,637 | | | | 36,637 |
| Total capital assets not being depreciated | 1,609,377 | 3,899,157 | (155,500) | (128,305) | 5,224,729 |
| <i>Capital assets being depreciated:</i> | | | | | |
| Buildings and structures | 5,558,605 | 338,606 | | 128,305 | 6,025,516 |
| Improvements other than buildings | 13,141 | 5,610 | (4,304) | | 14,447 |
| Machinery and equipment | 44,074 | | (5,425) | | 38,649 |
| Infrastructure | 235,942 | | | | 235,942 |
| Total capital assets, being depreciated | 5,851,762 | 344,216 | (9,729) | 128,305 | 6,314,554 |
| Less accumulated depreciation for: | | | | | |
| Buildings and structures | (490,587) | (128,542) | | | (619,129) |
| Improvements other than buildings | (13,141) | | 4,304 | | (8,837) |
| Machinery and equipment | (29,381) | (1,992) | 4,472 | | (26,901) |
| Infrastructure | (47,105) | (12,573) | | | (59,678) |
| Total accumulated depreciation | (580,214) | (143,107) | 8,776 | - | (714,545) |
| Total capital assets being depreciated, net | 5,271,548 | 201,109 | (953) | 128,305 | 5,600,009 |
| Total business-type activities | \$ 6,880,925 | \$ 4,100,266 | \$ (156,453) | \$ - | \$ 10,824,738 |

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2005 are as follows:

| | |
|-----------------------------------|-------------------|
| Downtown enhancement | \$ 128,262 |
| Parking | 14,845 |
| Total depreciation expense | \$ 143,107 |

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, 2005

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, 2005:

| | Balance July 1, 2004 | Additions | Retirements | Balance June 30, 2005 | Classification | |
|---------------------------------|-------------------------|---------------------|-----------------------|--------------------------|--------------------|------------------------------|
| | | | | | Due in One Year | Due in more than One Year |
| <i>Governmental Activities:</i> | | | | | | |
| Compensated absences | \$ 1,102,093 | \$ 1,112,384 | \$ (1,212,326) | \$ 1,002,151 | \$ - | \$ 1,002,151 |
| Total | <u>\$ 1,102,093</u> | <u>\$ 1,112,384</u> | <u>\$ (1,212,326)</u> | <u>\$ 1,002,151</u> | <u>\$ -</u> | <u>\$ 1,002,151</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, 2005, was \$1,002,151.

B. Long-Term Debt without City Commitment

At June 30, 2005, 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 |
|-------------------------|-------------------|-------------------|-------------------|
| 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 | 20,000 | 15,275 | 35,275 |
| 2011-2015 | 125,000 | 54,112 | 179,112 |
| 2016-2018 | 100,000 | 10,075 | 110,075 |
| Total | <u>\$ 320,000</u> | <u>\$ 153,399</u> | <u>\$ 473,399</u> |

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

7. LONG-TERM DEBT, Continued

B. Long-Term Debt without City Commitment, Continued

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 |
|-------------------------|-------------------|-------------------|---------------------|
| 2006 | \$ 45,000 | \$ 47,645 | \$ 92,645 |
| 2007 | 45,000 | 45,552 | 90,552 |
| 2008 | 45,000 | 43,393 | 88,393 |
| 2009 | 45,000 | 41,165 | 86,165 |
| 2010 | 50,000 | 38,765 | 88,765 |
| 2011-2015 | 285,000 | 151,353 | 436,353 |
| 2016-2020 | 385,000 | 57,282 | 442,282 |
| Total | \$ 900,000 | \$ 425,155 | \$ 1,325,155 |

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 |
|-------------------------|---------------------|-------------------|---------------------|
| 2006 | \$ 50,000 | \$ 55,115 | \$ 105,115 |
| 2007 | 50,000 | 52,790 | 102,790 |
| 2008 | 55,000 | 50,268 | 105,268 |
| 2009 | 55,000 | 47,545 | 102,545 |
| 2010 | 55,000 | 44,767 | 99,767 |
| 2011-2015 | 330,000 | 175,005 | 505,005 |
| 2016-2020 | 445,000 | 66,760 | 511,760 |
| Total | \$ 1,040,000 | \$ 492,250 | \$ 1,532,250 |

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

7. LONG-TERM DEBT, Continued

B. Long-Term Debt without City Commitment, Continued

2004 Beach Drive Utility Underground Assessment District Special Assessment Bonds

In July 2004, limited obligation improvement bonds in the amount of \$404,341 were issued for the Beach 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 |
|-------------------------|-------------------|-------------------|-------------------|
| 2006 | \$ 11,492 | \$ 19,133 | \$ 30,625 |
| 2007 | 13,122 | 18,542 | 31,664 |
| 2008 | 13,752 | 17,897 | 31,649 |
| 2009 | 14,412 | 17,221 | 31,633 |
| 2010 | 15,104 | 16,513 | 31,617 |
| 2011-2015 | 87,114 | 70,688 | 157,802 |
| 2016-2020 | 110,126 | 47,123 | 157,249 |
| 2021-2025 | 139,219 | 17,332 | 156,551 |
| Total | \$ 404,341 | \$ 224,449 | \$ 628,790 |

2005 Bayview Drive Utility Underground Assessment District Improvement Bonds

In February 2005, limited obligation improvement bonds in the amount of \$951,667 were issued for the Bayview 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 |
|-------------------------|-------------------|-------------------|---------------------|
| 2006 | | \$ 40,446 | \$ 40,446 |
| 2007 | \$ 31,138 | 39,784 | 70,922 |
| 2008 | 32,462 | 38,433 | 70,895 |
| 2009 | 33,841 | 37,024 | 70,865 |
| 2010 | 35,280 | 35,555 | 70,835 |
| 2011-2015 | 200,205 | 153,462 | 353,667 |
| 2016-2020 | 246,522 | 106,161 | 352,683 |
| 2021-2025 | 303,553 | 47,917 | 351,470 |
| 2026 | 68,666 | 1,459 | 70,125 |
| Total | \$ 951,667 | \$ 500,241 | \$ 1,451,908 |

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

8. OTHER REQUIRED FUND DISCLOSURES

A. Deficit Fund Balances

At June 30, 2005, the following funds had deficit fund equity:

| | |
|---------------------------------------|---------------------|
| Beach Drive 2 Underground District | <u>\$ (65,520)</u> |
| Bonnie Brae Underground District | <u>\$ (76,931)</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.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2005, expenditures exceeded budget in the Special Revenue Taskforce for Regional Autotheft Prevention (TRAP) Fund in the amount of \$8,456 because an increase in the number of cases worked by the police officer assigned to the taskforce resulted in unexpected overtime costs. The expenditures were offset by revenue received as the City is reimbursed for all costs incurred for the police officer assigned to the taskforce.

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.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

9. RISK MANAGEMENT, Continued

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:

2.76% weighted risk sharing percentage for July 1, 2004 to July 1, 2005
 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

The City's premiums to ICRMA in the amount of \$384,439 for the fiscal year 2004-2005 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 \$3,655,490 reported at June 30, 2005, 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> | | | | | |
| 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 |
| 2004-2005 | 2,563,966 | 1,566,804 | (1,093,213) | 3,037,557 | 690,000 |
| <u>General Liability</u> | | | | | |
| 2002-2003 | 332,382 | 596,841 | (355,721) | 573,502 | 250,000 |
| 2003-2004 | 573,502 | (110,046) | (92,781) | 370,675 | 184,000 |
| 2004-2005 | 370,675 | 983,340 | (736,082) | 617,933 | 202,000 |

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, 2005

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 \$774,514 for the year ended June 30, 2005. The City, as the employer, is required to contribute for fiscal year 2004-2005 at actuarially determined rates; which are applied to annual covered payroll. The 2004-2005 rate is 3.643% for miscellaneous employees, 36.915% for police employees and 30.714% for fire employees. The contribution requirements of City employees and the City employer are established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2004-2005, the City's annual pension cost of \$1,884,239 for CalPERS was equal to the City's required and actual contributions, of which \$174,915 is for the miscellaneous plan, \$1,123,987 for the police plan and \$585,337 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, 2005

10. RETIREMENT PLANS, Continued

A. Public Employee Retirement System, Continued

THREE-YEAR TREND INFORMATION FOR PERS

Miscellaneous Plan

| <u>Fiscal Year</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------|--|--|-----------------------------------|
| 6/30/2003 | | 100% | |
| 6/30/2004 | | 100% | |
| 6/30/2005 | \$ 174,915 | 100% | |

Police Plan

| <u>Fiscal Year</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------|--|--|-----------------------------------|
| 6/30/2003 | \$ 635,079 | 100% | |
| 6/30/2004 | 827,733 | 100% | |
| 6/30/2005 | 1,123,987 | 100% | |

Fire Plan

| <u>Fiscal Year</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------|--|--|-----------------------------------|
| 6/30/2003 | \$ 154,110 | 100% | |
| 6/30/2004 | 351,984 | 100% | |
| 6/30/2005 | 585,337 | 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, 2005

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, 2005

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 2004-2005, two retirees received benefits at a total cost of \$6,786.

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 2004-2005, 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, 2005

11. COMMITMENTS AND CONTINGENCIES

A. Commitments

The City had several outstanding or planned construction projects as of June 30, 2005. These projects are evidenced by contractual commitments with contractors and include:

| <u>Project</u> | <u>Spent to Date</u> | <u>Commitment</u> |
|-------------------------|----------------------|-------------------|
| | | <u>Remaining</u> |
| Infrastructure | \$ 305,448 | \$ 310,328 |
| Municipal Pier Upgrades | 4,226,132 | 1,604,727 |

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, the Tyco Fund, the Tyco Tidelands Fund, the Capital Improvement Fund, the Sewer Fund and the Artesia Boulevard Relinquishment Fund, with remaining funding provided by a County Open Space Grant and a State Wildlife Conservation Grant.

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 Appeals, 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 Appeals 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, 2005

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 appeals, and in an unpublished decision issued in November 2005, the Court of Appeals reversed, rejecting many of the City's defenses and remanding the case back to the trial court for trial. The City's petition to the Supreme Court for review of this decision was denied. The case will return to the trial court in early 2006 where the trial court will be asked to determine whether MacPherson bore the risk of a change in the law such as Proposition E. If the trial court determines as a factual matter that it did, then the City will prevail. If the trial court determines that MacPherson did not bear that risk, then it will be necessary to try the case for damages. At that point, the court will be asked to determine, as a matter of law, whether MacPherson is entitled only to restitution or whether it may seek lost profits. It is possible that the Court's ruling on that issue could be subject to appeal before a trial on damages is conducted. The City continues to vigorously defend the case; no new settlement discussions have occurred as of the Court of Appeals' latest ruling. Both the cost of defense and a potential adverse judgment in this case could have a material effect on the financial position of the City.

REQUIRED SUPPLEMENTARY INFORMATION

City of Hermosa Beach
Required Supplementary Information
For the year ended June 30, 2005

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 2004-2005, the City Council deferred the transfer to the Equipment Replacement Fund, the Compensated Absences Fund and to the Contingency Fund since goals had been met. In 2003-04, 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 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, 2005

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 schedules 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 | \$ 125,731 | \$ 633,982 | \$ 633,982 | \$ - |
| Resources (inflows): | | | | |
| Property taxes | 5,794,536 | 6,001,421 | 6,221,536 | 220,115 |
| Other taxes | 7,287,448 | 8,014,352 | 8,435,233 | 420,881 |
| Licenses and permits | 544,794 | 546,608 | 701,468 | 154,860 |
| Fines and forfeitures | 300,000 | 425,000 | 443,317 | 18,317 |
| Use of money and property | 231,250 | 265,070 | 346,782 | 81,712 |
| Intergovernmental | 1,254,663 | 1,227,112 | 1,259,467 | 32,355 |
| Charges for services | 1,254,480 | 1,387,131 | 1,712,006 | 324,875 |
| Miscellaneous | 34,708 | 195,827 | 224,216 | 28,389 |
| Interest earned on investments | 41,655 | 43,861 | 83,778 | 39,917 |
| Transfers in | 2,009,762 | 2,391,315 | 2,391,314 | (1) |
| Total resources | 18,753,296 | 20,497,697 | 21,819,117 | 1,321,420 |
| Charges to appropriations (outflows): | | | | |
| Legislative and legal | 747,950 | 776,585 | 727,026 | 49,559 |
| General government | 1,274,417 | 1,241,958 | 1,198,413 | 43,545 |
| Public safety | 11,603,584 | 11,756,893 | 11,466,114 | 290,779 |
| Community development | 1,198,025 | 1,203,395 | 1,051,691 | 151,704 |
| Culture and recreation | 993,593 | 1,036,250 | 940,158 | 96,092 |
| Public works | 2,207,754 | 2,292,333 | 2,125,564 | 166,769 |
| Capital outlay | 10,000 | 307,347 | 241,632 | 65,715 |
| Transfers out | 731,873 | 4,225,670 | 4,225,670 | - |
| Total charges to appropriations | 18,767,196 | 22,840,431 | 21,976,268 | 864,163 |
| Excess of resources over (under) charges to appropriations | (13,900) | (2,342,734) | (157,151) | 2,185,583 |
| Fund Balances, June 30 | \$ 111,831 | \$ (1,708,752) | \$ 476,831 | \$ 2,185,583 |

City of Hermosa Beach
Required Supplementary Information, Continued
For the year ended June 30, 2005

2. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule -Retirement Stabilization Fund

| | Budgeted Amounts | | Actual | Positive (Negative) Variance with Final Budget |
|---|------------------|--------------|--------------|---|
| | Original | Final | Amounts | |
| Fund Balance, July 1 | \$ 701,081 | \$ 1,129,229 | \$ 1,129,229 | \$ - |
| Resources (inflows): | | | | |
| Interest earned on investments | 7,555 | 27,601 | 29,121 | 1,520 |
| Transfers in | - | 1,162,890 | 1,162,891 | 1 |
| Total resources | 7,555 | 1,190,491 | 1,192,012 | 1,521 |
| Charges to appropriations (outflows): | | | | |
| Transfers out | 260,000 | 260,000 | 260,000 | - |
| Total charges to appropriations | 260,000 | 260,000 | 260,000 | - |
| Excess of resources over (under) charges to appropriations | (252,445) | 930,491 | 932,012 | 1,521 |
| Fund Balances, June 30 | \$ 448,636 | \$ 2,059,720 | \$ 2,061,241 | \$ 1,521 |

Budgetary Comparison Schedule - Contingency Fund

| | Budgeted Amounts | | Actual | Positive (Negative) Variance with Final Budget |
|---|------------------|--------------|--------------|---|
| | Original | Final | Amounts | |
| Fund Balance, July 1 | \$ 2,635,626 | \$ 2,612,204 | \$ 2,612,204 | \$ - |
| Resources (inflows): | | | | |
| Interest earned on investments | 54,098 | 81,473 | 73,768 | (7,705) |
| Transfers In | - | 65,909 | 65,909 | - |
| Total resources | 54,098 | 147,382 | 139,677 | (7,705) |
| Charges to appropriations (outflows): | | | | |
| Transfers out | 32,457 | 32,457 | 32,457 | - |
| Total charges to appropriations | 32,457 | 32,457 | 32,457 | - |
| Excess of resources over (under) charges to appropriations | 21,641 | 114,925 | 107,220 | (7,705) |
| Fund Balances, June 30 | \$ 2,657,267 | \$ 2,727,129 | \$ 2,719,424 | \$ (7,705) |

City of Hermosa Beach
Required Supplementary Information, Continued
For the year ended June 30, 2005

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 | \$ 1,836,388 | \$ 2,718,873 | \$ 2,718,873 | \$ - |
| Resources (inflows): | | | | |
| Interest earned on investments | 39,989 | 71,747 | 81,963 | 10,216 |
| Transfers in | 588,763 | 2,247,608 | 2,247,608 | - |
| Total resources | 628,752 | 2,319,355 | 2,329,571 | 10,216 |
| Charges to appropriations (outflows): | | | | |
| Capital outlay | 2,173,877 | 1,877,851 | 565,489 | 1,312,362 |
| Total charges to appropriations | 2,173,877 | 1,877,851 | 565,489 | 1,312,362 |
| Excess of resources over (under) charges to appropriations | (1,545,125) | 441,504 | 1,764,082 | 1,322,578 |
| Fund Balances, June 30 | \$ 291,263 | \$ 3,160,377 | \$ 4,482,955 | \$ 1,322,578 |

City of Hermosa Beach
Required Supplementary Information, Continued
For the year ended June 30, 2005

PUBLIC EMPLOYEE RETIREMENT SYSTEMS (PERS)
SCHEDULE OF FUNDING PROGRESS

| <u>Miscellaneous Plan</u> | | | | | | |
|--------------------------------|-----------------------------|--|--|--------------------------|--------------------|---|
| (A) | (B) | (C) | (D) | (E) | (F) | |
| | | | Unfunded (Overfunded) | | | Unfunded (Overfunded) |
| Actuarial Valuation Date | Actuarial Asset Value | Entry Age Actuarial Accrued Liability | Actuarial Accrued Liability (B-A) | Funded Ratio (A/B) | Covered Payroll | Actuarial Liability as Percentage of 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) |
| Actuarial Valuation Date | Actuarial Asset Value | Entry Age Actuarial Accrued Liability | Actuarial Accrued Liability (B-A) | Funded Ratio (A/B) | Covered Payroll | Actuarial Liability as Percentage of 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) |
| Actuarial Value Date | Actuarial Asset Value | Entry Age Actuarial Accrued Liability | Actuarial Accrued Liability (B-A) | Funded Ratio (A/B) | Covered Payroll | Actuarial Liability as Percentage of 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.

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.

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

Tyco Tidelands Fund - This fund is used to account for the portion of the funds specific to the tidelands and submerged lands received from an easement granted for construction of a transpacific, submarine fiber optic cable system originating in Japan with a landing in Hermosa Beach that were set aside to build one new restroom and rehabilitate three existing restrooms at the beach.

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.

NON-MAJOR GOVERNMENTAL FUNDS, Continued

Special Revenue Funds, Continued:

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.

Beach Drive Assessment 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.

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 enforcement.

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.

NON-MAJOR GOVERNMENTAL FUNDS, Continued

Special Revenue Funds, Continued:

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.

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.

Beach Drive 2 Underground District Fund - 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.

Lower Pier Avenue Assessment District Improvement Fund - This fund is used to account for proceeds from the sale of bonds in November 1997 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 in October 1999 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 in October 1999 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 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 in February 2005 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.

Bonnie Brae Underground District Fund - 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 Assessment District 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 in July 2004 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.

Prospect Utility Underground District Fund - 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, 2005

| Special Revenue Funds | | | | | | |
|--|---|------------------|-------------------|-------------------------|-------------------------|-------------------|
| | Lighting and Landscaping District | State Gas Tax | AB 939 | Compensated Absences | Prop A Open Space | Tyco |
| ASSETS | | | | | | |
| Cash and investments | \$ 132,765 | \$ 64,943 | \$ 301,698 | \$ 551,047 | | \$ 973,261 |
| Reimbursable grants receivable | | | | | \$ 1,571,949 | |
| Interest receivable on investments | 1,328 | 636 | 3,012 | | | 9,842 |
| Other accounts receivable | 7,177 | | 4,878 | | | |
| Property taxes receivable | 14,492 | | | | | |
| Due from other funds | | | | | | |
| Advances to other funds | | | | | | |
| Other assets | | | | | | |
| Total assets | <u>\$ 155,762</u> | <u>\$ 65,579</u> | <u>\$ 309,588</u> | <u>\$ 551,047</u> | <u>\$ 1,571,949</u> | <u>\$ 983,103</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 20,596 | | \$ 1,862 | | \$ 352,164 | \$ 234,517 |
| Wages and benefits payable | 22,313 | | 4,549 | | | 1,422 |
| Due to other funds | | | | | 1,219,782 | |
| Deferred revenue | 14,722 | | | | | 75,000 |
| Advances from other funds | | | | | | |
| Other liabilities | | | | | | |
| Total liabilities | <u>57,631</u> | <u>\$ -</u> | <u>6,411</u> | <u>\$ -</u> | <u>1,571,946</u> | <u>310,939</u> |
| Fund Balances: | | | | | | |
| Reserved: | | | | | | |
| Bike paths | | 48,954 | | | | |
| Strand walkways | | 3,147 | | | | |
| Re-appropriations | 34,500 | | | | | 650,007 |
| Unreserved, designated | | | | | | |
| Unreserved, undesignated | | | | | | |
| Special revenue | 63,631 | 13,478 | 303,177 | 551,047 | 3 | 22,157 |
| Total fund balances | <u>98,131</u> | <u>65,579</u> | <u>303,177</u> | <u>551,047</u> | <u>3</u> | <u>672,164</u> |
| Total liabilities and fund balances | <u>\$ 155,762</u> | <u>\$ 65,579</u> | <u>\$ 309,588</u> | <u>\$ 551,047</u> | <u>\$ 1,571,949</u> | <u>\$ 983,103</u> |

| Special Revenue Funds | | | | | | | | |
|-----------------------|---------------------------------------|-------------------------|-------------------------|--------------------------------|---------------------------------|-------------------------------|--|--|
| Tyco Tidelands | Parks and Recreation Facilities | 4% Utility Users Tax | Building Improvement | Lower Pier Admin Expense | Myrtle Dist Admin Expense | Loma Dist Admin Expense | Beach Drive Assessment Dist Admin Expense | Community Development Block Grant |
| \$ 462,442 | \$ 220,789 | \$ 28,634 | \$ 4,723 | \$ 1,083 | \$ 7,466 | \$ 10,464 | \$ 373 | |
| 4,603 | 2,152 | 299 | 37 | | 75 | 112 | | \$ 1,402 |
| <u>\$ 467,045</u> | <u>\$ 222,941</u> | <u>\$ 28,933</u> | <u>\$ 4,760</u> | <u>\$ 1,083</u> | <u>\$ 7,541</u> | <u>\$ 10,576</u> | <u>\$ 373</u> | <u>\$ 1,402</u> |
| \$ 147,779 | \$ 19,735 | | | \$ 309 | \$ 414 | \$ 502 | \$ 348 | \$ 383 |
| | | | | | | | | 1,018 |
| <u>147,779</u> | <u>19,735</u> | <u>\$ -</u> | <u>\$ -</u> | <u>309</u> | <u>414</u> | <u>502</u> | <u>348</u> | <u>1,401</u> |
| 67,972 | 150,255 | | | | | | | |
| <u>251,294</u> | <u>52,951</u> | <u>28,933</u> | <u>4,760</u> | <u>774</u> | <u>7,127</u> | <u>10,074</u> | <u>25</u> | <u>1</u> |
| <u>319,266</u> | <u>203,206</u> | <u>28,933</u> | <u>4,760</u> | <u>774</u> | <u>7,127</u> | <u>10,074</u> | <u>25</u> | <u>1</u> |
| <u>\$ 467,045</u> | <u>\$ 222,941</u> | <u>\$ 28,933</u> | <u>\$ 4,760</u> | <u>\$ 1,083</u> | <u>\$ 7,541</u> | <u>\$ 10,576</u> | <u>\$ 373</u> | <u>\$ 1,402</u> |

(Continued)

City of Hermosa Beach
Combining Balance Sheet, Continued
Non-Major Governmental Funds, Continued
June 30, 2005

| | Special Revenue Funds | | | | | |
|--|----------------------------|----------------------------|-------------------|---|--|--|
| | Proposition "A" Transit | Proposition "C" Transit | Grants | Office of Traffic Safety Grant | Air Quality Management District | Supplemental Law Enforcement Services |
| ASSETS | | | | | | |
| Cash and investments | \$ 354,234 | \$ 1,166,887 | | | \$ 39,928 | \$ 121,277 |
| Reimbursable grants receivable | | | \$ 255,736 | | | |
| Interest receivable on investments | 3,536 | 11,638 | | | 393 | 1,197 |
| Other accounts receivable | 1,669 | | | | 6,494 | |
| Property taxes receivable | | | | | | |
| Due from other funds | | | | | | |
| Advances to other funds | | | | | | |
| Other assets | | | | | | |
| Total assets | \$ 359,439 | \$ 1,178,525 | \$ 255,736 | \$ - | \$ 46,815 | \$ 122,474 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 132,914 | | \$ 127,918 | | | \$ 20,458 |
| Wages and benefits payable | 1,641 | \$ 1 | (3) | | \$ 3 | |
| Due to other funds | | | 119,426 | | | |
| Deferred revenue | | | | | | |
| Advances from other funds | | | | | | |
| Other liabilities | | | | | | |
| Total liabilities | 134,555 | 1 | 247,341 | \$ - | 3 | 20,458 |
| Fund Balances: | | | | | | |
| Reserved: | | | | | | |
| Bike paths | | | | | | |
| Strand walkways | | | | | | |
| Re-appropriations | | 60,000 | 8,315 | | | 14,200 |
| Unreserved, designated | | | | | | |
| Unreserved, undesignated | | | | | | |
| Special revenue | 224,884 | 1,118,524 | 80 | | 46,812 | 87,816 |
| Total fund balances | 224,884 | 1,178,524 | 8,395 | - | 46,812 | 102,016 |
| Total liabilities and fund balances | \$ 359,439 | \$ 1,178,525 | \$ 255,736 | \$ - | \$ 46,815 | \$ 122,474 |

| Special Revenue Funds | | | | | | | | |
|--|---|---------------------|------------------------------------|--------------------|---|--|---|--|
| California Law Enforcement Equipment Program (CLEEP) | Taskforce for Regional Auto Theft Prevention | Sewer | Asset Seizure and Forfeiture | Fire Protection | Artesia Blvd. Relinquish- ment | Beach Drive 2 Underground District | Lower Pier Ave Assessment District | Myrtle Utility Underground Improvement |
| \$ 29,949 | | \$ 1,136,747 | \$ 21,297 | \$ 230,218 | \$ 526,243 | | | \$ 7,884 |
| 299 | | 12,667 | 206 | 2,283 | 5,276 | | | 75 |
| | \$ 31,618 | 6,923 | 9,583 | | | | | |
| | | 146,431 | | | | | | |
| <u>\$ 30,248</u> | <u>\$ 31,618</u> | <u>\$ 1,302,768</u> | <u>\$ 31,086</u> | <u>\$ 232,501</u> | <u>\$ 531,519</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,959</u> |
| \$ 23,427 | | \$ 419,732 | | \$ 7,142 | \$ 157,164 | | | |
| | \$ 5,631 | 31,088 | \$ 5,456 | | | | | |
| | 25,987 | | | | | \$ 65,520 | | |
| <u>23,427</u> | <u>31,618</u> | <u>450,820</u> | <u>5,456</u> | <u>7,142</u> | <u>157,164</u> | <u>65,520</u> | <u>\$ -</u> | <u>\$ -</u> |
| 5,483 | | 483,520 | | 91,425 | | | | |
| 1,338 | | 368,428 | 25,630 | 133,934 | 374,355 | (65,520) | | 7,959 |
| 6,821 | - | 851,948 | 25,630 | 225,359 | 374,355 | (65,520) | - | 7,959 |
| <u>\$ 30,248</u> | <u>\$ 31,618</u> | <u>\$ 1,302,768</u> | <u>\$ 31,086</u> | <u>\$ 232,501</u> | <u>\$ 531,519</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,959</u> |

(Continued)

City of Hermosa Beach
Combining Balance Sheet, Continued
Non-Major Governmental Funds, Continued
June 30, 2005

| | Special Revenue Funds | | | | | |
|--|--|---|--|--|--|--------------------------------------|
| | Loma Utility Underground Improvement | Bayview Drive Underground District Improvement | Bonnie Brae Underground District | Beach Drive Assessment District Improvement | Prospect Utility Underground District | Total Other Governmental Funds |
| ASSETS | | | | | | |
| Cash and investments | \$ 101,882 | \$ 205,156 | \$ 20,000 | \$ 75,400 | | \$ 6,796,790 |
| Reimbursable grants receivable | | | | | | 1,829,087 |
| Interest receivable on investments | 1,010 | 2,039 | | 748 | | 63,463 |
| Other accounts receivable | | | | | | 68,342 |
| Property taxes receivable | | | | | | 14,492 |
| Due from other funds | | | | | | 146,431 |
| Advances to other funds | | | | | | |
| Other assets | | | | | | |
| Total assets | <u>\$ 102,892</u> | <u>\$ 207,195</u> | <u>\$ 20,000</u> | <u>\$ 76,148</u> | <u>\$ -</u> | <u>\$ 8,918,605</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | | | | | | \$ 1,667,364 |
| Wages and benefits payable | | | | | | 72,101 |
| Due to other funds | | | \$ 20,000 | | | 1,451,733 |
| Deferred revenue | | | | | | 89,722 |
| Advances from other funds | | | 76,931 | | \$ 200,000 | 276,931 |
| Other liabilities | | | | | | - |
| Total liabilities | <u>\$ -</u> | <u>\$ -</u> | <u>96,931</u> | <u>\$ -</u> | <u>200,000</u> | <u>3,557,851</u> |
| Fund Balances: | | | | | | |
| Reserved: | | | | | | |
| Bike paths | | | | | | 48,954 |
| Strand walkways | | | | | | 3,147 |
| Re-appropriations | | 202,793 | | 74,819 | | 1,843,289 |
| Unreserved, designated | | | | | | |
| Unreserved, undesignated | | | | | | |
| Special revenue | 102,892 | 4,402 | (76,931) | 1,329 | (200,000) | 3,465,364 |
| Total fund balances | <u>102,892</u> | <u>207,195</u> | <u>(76,931)</u> | <u>76,148</u> | <u>(200,000)</u> | <u>5,360,754</u> |
| Total liabilities and fund balances | <u>\$ 102,892</u> | <u>\$ 207,195</u> | <u>\$ 20,000</u> | <u>\$ 76,148</u> | <u>\$ -</u> | <u>\$ 8,918,605</u> |

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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, 2005

| | Special Revenue Funds | | | | | |
|--|---|------------------|-------------------|-------------------------|-------------------------|--------------------|
| | Lighting and Landscaping District | State Gas Tax | AB 939 | Compensated Absences | Prop A Open Space | Tyco |
| REVENUES: | | | | | | |
| Property taxes | \$ 446,979 | | | | | |
| Other taxes | | | | | | |
| Fines and forfeitures | | | | | | |
| Use of money and property | | | | | | \$ 525,000 |
| Intergovernmental | | \$ 411,145 | \$ 5,000 | | \$ 1,592,507 | |
| Charges for services | | | 59,418 | | | |
| Miscellaneous | | | | | | |
| Interest earned on investments | 3,877 | 1,752 | 10,193 | | | 49,890 |
| Total revenues | <u>450,856</u> | <u>412,897</u> | <u>74,611</u> | <u>\$ -</u> | <u>1,592,507</u> | <u>574,890</u> |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| General government | | | 123,960 | | | |
| Public safety | | | | | | |
| Community development | | | | | | |
| Public works | 538,910 | | | | | |
| Capital outlay | | | | | 1,571,950 | 730,763 |
| Total expenditures | <u>538,910</u> | <u>-</u> | <u>123,960</u> | <u>-</u> | <u>1,571,950</u> | <u>730,763</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(88,054)</u> | <u>412,897</u> | <u>(49,349)</u> | <u>-</u> | <u>20,557</u> | <u>(155,873)</u> |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Transfers in | | | | | | |
| Transfers out | (17,198) | (357,151) | | (392,462) | (20,557) | (1,075,000) |
| Total other financing sources (uses) | <u>(17,198)</u> | <u>(357,151)</u> | <u>-</u> | <u>(392,462)</u> | <u>(20,557)</u> | <u>(1,075,000)</u> |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>(105,252)</u> | <u>55,746</u> | <u>(49,349)</u> | <u>(392,462)</u> | | <u>(1,230,873)</u> |
| FUND BALANCES: | | | | | | |
| Beginning of year | 203,383 | 9,833 | 352,526 | 943,509 | 3 | 1,903,037 |
| End of year | <u>\$ 98,131</u> | <u>\$ 65,579</u> | <u>\$ 303,177</u> | <u>\$ 551,047</u> | <u>\$ 3</u> | <u>\$ 672,164</u> |

| Special Revenue Funds | | | | | | | | |
|-----------------------|---------------------------------------|-------------------------|-------------------------|--------------------------------|---------------------------------|-------------------------------|---|--|
| Tyco Tidelands | Parks and Recreation Facilities | 4% Utility Users Tax | Building Improvement | Lower Pier Admin Expense | Myrtle Dist Admin Expense | Loma Dist Admin Expense | Beach Drive Assessment Admin Expense | Community Development Block Grant |
| | \$ 3,500 | | | | | | | |
| | | | | | | | | \$ 54,621 |
| | 99,605 | | | \$ 2,890 | \$ 8,903 | \$ 9,665 | \$ 3,016 | |
| \$ 3,997 | 6,417 | \$ 907 | \$ 122 | | 263 | 361 | 23 | |
| 3,997 | 109,522 | 907 | 122 | 2,890 | 9,166 | 10,026 | 3,039 | 54,621 |
| | | | | 1,363 | 7,284 | 7,340 | 1,515 | |
| | | | | | | | | 11,271 |
| 484,731 | 104,744 | | | | | | | 43,350 |
| 484,731 | 104,744 | - | - | 1,363 | 7,284 | 7,340 | 1,515 | 54,621 |
| (480,734) | 4,778 | 907 | 122 | 1,527 | 1,882 | 2,686 | 1,524 | - |
| 800,000 | | | | (1,039) | (3,011) | (3,441) | (1,499) | |
| 800,000 | - | - | - | (1,039) | (3,011) | (3,441) | (1,499) | - |
| 319,266 | 4,778 | 907 | 122 | 488 | (1,129) | (755) | 25 | |
| - | 198,428 | 28,026 | 4,638 | 286 | 8,256 | 10,829 | - | 1 |
| \$ 319,266 | \$ 203,206 | \$ 28,933 | \$ 4,760 | \$ 774 | \$ 7,127 | \$ 10,074 | \$ 25 | \$ 1 |

(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, 2005

| | Special Revenue Funds | | | | | |
|--|----------------------------|----------------------------|----------------|---|--|------------------------------------|
| | Proposition "A" Transit | Proposition "C" Transit | Grants | Office of Traffic Safety Grant | Air Quality Management District | Supplemental Law Enforcement |
| REVENUES: | | | | | | |
| Property taxes | | | | | | |
| Other taxes | \$ 312,627 | \$ 233,944 | | | | \$ 100,000 |
| Fines and forfeitures | | | | | | |
| Use of money & property | | | | | | |
| Intergovernmental | | | \$ 302,610 | \$ 537,491 | \$ 23,679 | |
| Charges for services | 13,133 | | | | | |
| Miscellaneous | | | | | | |
| Interest earned on investments | 9,013 | 32,361 | | | 963 | 4,091 |
| Total revenues | 334,773 | 266,305 | 302,610 | 537,491 | 24,642 | 104,091 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| General government | | | | | 560 | |
| Public safety | | | 34,569 | 367,491 | | 13,785 |
| Community development | 262,257 | | | | | |
| Public works | | | 4,402 | | | |
| Capital outlay | | | 271,667 | 170,000 | | 77,491 |
| Total expenditures | 262,257 | - | 310,638 | 537,491 | 560 | 91,276 |
| REVENUES OVER (UNDER) EXPENDITURES | 72,516 | 266,305 | (8,028) | - | 24,082 | 12,815 |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Transfers in | | | | | | |
| Transfers out | | | | | | |
| Total other financing sources (uses) | - | - | - | - | - | - |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 72,516 | 266,305 | (8,028) | - | 24,082 | 12,815 |
| FUND BALANCES: | | | | | | |
| Beginning of year | 152,368 | 912,219 | 16,423 | - | 22,730 | 89,201 |
| End of year | \$ 224,884 | \$ 1,178,524 | \$ 8,395 | \$ - | \$ 46,812 | \$ 102,016 |

Special Revenue Funds

| California Law Enforcement Equipment Program (CLEEP) | Taskforce for Regional Auto Theft Prevention | Sewer | Asset Seizure and Forfeiture | Fire Protection | Artesia Blvd. Relinquish-ment | Beach Drive 2 Underground | Lower Pier Ave Assessment District | Myrtle Utility Underground Improvement |
|--|--|-------------|------------------------------|-----------------|-------------------------------|---------------------------|------------------------------------|--|
| | | | \$ 15,789 | | | | | |
| | \$ 131,749 | \$ 15,680 | | | | | | |
| | | 68,169 | | | | | | |
| | | 6,682 | | \$ 117,657 | | | | \$ 3,224 |
| \$ 958 | | 39,360 | 1,812 | 8,154 | \$ 14,275 | | \$ 1,542 | 190 |
| 958 | 131,749 | 129,891 | 17,601 | 125,811 | 14,275 | \$ - | 1,542 | 3,414 |
| 428 | 131,749 | | 123,380 | 1,617 | | | | |
| | | 702,511 | | | 2,976 | | | |
| 29,572 | | 543,399 | | 113,672 | 155,205 | 65,520 | | |
| 30,000 | 131,749 | 1,245,910 | 123,380 | 115,289 | 158,181 | 65,520 | - | - |
| (29,042) | - | (1,116,019) | (105,779) | 10,522 | (143,906) | (65,520) | 1,542 | 3,414 |
| | | 700,000 | | | | | 480 | |
| | | | | (154,316) | | | (72,348) | |
| - | - | 700,000 | - | (154,316) | - | - | (71,868) | - |
| (29,042) | - | (416,019) | (105,779) | (143,794) | (143,906) | (65,520) | (70,326) | 3,414 |
| 35,863 | - | 1,267,967 | 131,409 | 369,153 | 518,261 | - | 70,326 | 4,545 |
| \$ 6,821 | \$ - | \$ 851,948 | \$ 25,630 | \$ 225,359 | \$ 374,355 | \$ (65,520) | \$ - | \$ 7,959 |

(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, 2005

| | Special Revenue Funds | | | | | |
|---|--|---|--|--|---|--------------------------------------|
| | Loma Utility Underground Improvement | Bayview Drive Underground District Improvement | Bonnie Brae Underground District | Beach Drive Assessment District Improvement | Prospect Utility Underground District | Total Other Governmental Funds |
| REVENUES: | | | | | | |
| Property taxes | | | | | | \$ 446,979 |
| Other taxes | | | | | | 650,071 |
| Fines and forfeitures | | | | | | 15,789 |
| Use of money and property | | | | | | 525,000 |
| Intergovernmental | | | | | | 3,074,482 |
| Charges for services | | | | | | 140,720 |
| Miscellaneous | | \$ 1,087,022 | | \$ 490,370 | | 1,829,034 |
| Interest earned on investments | \$ 3,044 | 4,402 | | 1,328 | | 199,295 |
| Total revenues | 3,044 | 1,091,424 | \$ - | 491,698 | \$ - | 6,881,370 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| General government | | | | | | 142,022 |
| Public safety | | | | | | 673,019 |
| Community development | | | | | | 273,528 |
| Public works | | | | | | 1,248,799 |
| Capital outlay | | 843,729 | 26,931 | 386,050 | | 5,618,774 |
| Total expenditures | - | 843,729 | 26,931 | 386,050 | - | 7,956,142 |
| REVENUES OVER (UNDER) EXPENDITURES | 3,044 | 247,695 | (26,931) | 105,648 | - | (1,074,772) |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Transfers in | | | | | | 1,500,480 |
| Transfers out | | (2,500) | | (2,500) | | (2,103,022) |
| Total other financing sources (uses) | - | (2,500) | - | (2,500) | - | (602,542) |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 3,044 | 245,195 | (26,931) | 103,148 | - | (1,677,314) |
| FUND BALANCES: | | | | | | |
| Beginning of year | 99,848 | (38,000) | (50,000) | (27,000) | (200,000) | 7,038,068 |
| End of year | \$ 102,892 | \$ 207,195 | \$ (76,931) | \$ 76,148 | \$ (200,000) | \$ 5,360,754 |

(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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|-------------------|---|
| Fund balance, July 1, 2004 | \$ 203,383 | \$ 203,383 | \$ - |
| Resources (inflows): | | | |
| Property taxes | 454,631 | 446,979 | (7,652) |
| Interest earned on investments | 3,135 | 3,877 | 742 |
| Amount available for appropriation | 457,766 | 450,856 | (6,910) |
| Charges to appropriations (outflows): | | | |
| Public works | 586,255 | 538,910 | 47,345 |
| Transfers out | 17,198 | 17,198 | - |
| Total charges to appropriations | 603,453 | 556,108 | 47,345 |
| Excess of resources over (under) charges to appropriations | (145,687) | (105,252) | 40,435 |
| Fund balance, June 30, 2005 | \$ 57,696 | \$ 98,131 | \$ 40,435 |

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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|-------------------|---|
| Fund balance, July 1, 2004 | \$ 9,833 | \$ 9,833 | \$ - |
| Resources (inflows): | | | |
| Intergovernmental | 403,850 | 411,145 | 7,295 |
| Interest earned on investments | 1,487 | 1,752 | 265 |
| Amount available for appropriation | 405,337 | 412,897 | 7,560 |
| Charges to appropriations (outflows): | | | |
| Transfers out | 357,151 | 357,151 | - |
| Total charges to appropriations | 357,151 | 357,151 | - |
| Excess of resources over (under) charges to appropriations | 48,186 | 55,746 | 7,560 |
| Fund balance, June 30, 2005 | \$ 58,019 | \$ 65,579 | \$ 7,560 |

City of Hermosa Beach

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

AB 939

For the year ended June 30, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|-------------------|---|
| Fund balance, July 1, 2004 | \$ 352,526 | \$ 352,526 | \$ - |
| Resources (inflows): | | | |
| Intergovernmental | 5,000 | 5,000 | - |
| Charges for services | 59,020 | 59,418 | 398 |
| Interest earned on investments | 10,928 | 10,193 | (735) |
| Amount available for appropriation | 74,948 | 74,611 | (337) |
| Charges to appropriations (outflows): | | | |
| General government | 130,253 | 123,960 | 6,293 |
| Total charges to appropriations | 130,253 | 123,960 | 6,293 |
| Excess of resources over (under) charges to appropriations | (55,305) | (49,349) | 5,956 |
| Fund balance, June 30, 2005 | \$ 297,221 | \$ 303,177 | \$ 5,956 |

City of Hermosa Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Compensated Absences For the year ended June 30, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|-------------------|---|
| Fund balance, July 1, 2004 | \$ 943,509 | \$ 943,509 | \$ - |
| Charges to appropriations (outflows): | | | |
| Transfers out | 392,462 | 392,462 | - |
| Total charges to appropriations | 392,462 | 392,462 | - |
| Excess of resources over (under) charges to appropriations | (392,462) | (392,462) | - |
| Fund balance, June 30, 2005 | \$ 551,047 | \$ 551,047 | \$ - |

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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|--------------------|---|
| Fund balance, July 1, 2004 | <u>\$ 3</u> | <u>\$ 3</u> | <u>\$ -</u> |
| Resources (inflows): | | | |
| Intergovernmental | <u>242,300</u> | <u>1,592,507</u> | <u>1,350,207</u> |
| Amount available for appropriation | <u>242,300</u> | <u>1,592,507</u> | <u>1,350,207</u> |
| Charges to appropriations (outflows): | | | |
| Capital outlay | <u>1,605,753</u> | <u>1,571,950</u> | <u>33,803</u> |
| Transfers out | <u>20,557</u> | <u>20,557</u> | <u>-</u> |
| Total charges to appropriations | <u>1,626,310</u> | <u>1,592,507</u> | <u>33,803</u> |
| Excess of resources over (under) charges to appropriations | <u>(1,384,010)</u> | <u>-</u> | <u>1,384,010</u> |
| Fund balance, June 30, 2005 | <u><u>\$ (1,384,007)</u></u> | <u><u>\$ 3</u></u> | <u><u>\$ 1,384,010</u></u> |

City of Hermosa Beach

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

Tyco

For the year ended June 30, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|---------------------|---|
| Fund balance, July 1, 2004 | \$ 1,903,037 | \$ 1,903,037 | \$ - |
| Resources (inflows): | | | |
| Use of money and property | 600,000 | 525,000 | (75,000) |
| Interest earned on investments | 66,178 | 49,890 | (16,288) |
| Amount available for appropriation | 666,178 | 574,890 | (91,288) |
| Charges to appropriations (outflows): | | | |
| Capital outlay | 1,480,770 | 730,763 | 750,007 |
| Transfers out | 1,075,000 | 1,075,000 | - |
| Total charges to appropriations | 2,555,770 | 1,805,763 | 750,007 |
| Excess of resources over (under) charges to appropriations | (1,889,592) | (1,230,873) | 658,719 |
| Fund balance, June 30, 2005 | \$ 13,445 | \$ 672,164 | \$ 658,719 |

City of Hermosa Beach

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

Tyco Tidelands

For the year ended June 30, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|-------------------|---|
| Fund balance, July 1, 2004 | \$ - | \$ - | \$ - |
| Resources (inflows): | | | |
| Interest earned on investment | | 3,997 | 3,997 |
| Transfer in | 800,000 | 800,000 | - |
| Amount available for appropriation | 800,000 | 803,997 | 3,997 |
| Charges to appropriations (outflows): | | | |
| Capital outlay | 552,704 | 484,731 | 67,973 |
| Total charges to appropriations | 552,704 | 484,731 | 67,973 |
| Excess of resources over (under) charges to appropriations | 247,296 | 319,266 | 71,970 |
| Fund balance, June 30, 2005 | \$ 247,296 | \$ 319,266 | \$ 71,970 |

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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|-------------------|---|
| Fund balance, July 1, 2004 | \$ 198,428 | \$ 198,428 | \$ - |
| Resources (inflows): | | | |
| Other taxes | 7,000 | 3,500 | (3,500) |
| Miscellaneous | 67,104 | 99,605 | 32,501 |
| Interest earned on investments | 6,800 | 6,417 | (383) |
| Amount available for appropriation | 80,904 | 109,522 | 28,618 |
| Charges to appropriations (outflows): | | | |
| Capital outlay | 255,000 | 104,744 | 150,256 |
| Total charges to appropriations | 255,000 | 104,744 | 150,256 |
| Excess of resources over (under) charges to appropriations | (174,096) | 4,778 | 178,874 |
| Fund balance, June 30, 2005 | \$ 24,332 | \$ 203,206 | \$ 178,874 |

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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|------------------------------------|------------------------------|-------------------------|---|
| Fund balance, July 1, 2004 | <u>\$ 28,026</u> | <u>\$ 28,026</u> | <u>\$ -</u> |
| Resources (inflows): | | | |
| Interest earned on investments | <u>935</u> | <u>907</u> | <u>(28)</u> |
| Amount available for appropriation | <u>935</u> | <u>907</u> | <u>(28)</u> |
| Fund balance, June 30, 2005 | <u><u>\$ 28,961</u></u> | <u><u>\$ 28,933</u></u> | <u><u>\$ (28)</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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|------------------------------------|------------------------------|------------------------|---|
| Fund balance, July 1, 2004 | <u>\$ 4,638</u> | <u>\$ 4,638</u> | <u>\$ -</u> |
| Resources (inflows): | | | |
| Interest earned on investments | <u>137</u> | <u>122</u> | <u>(15)</u> |
| Amount available for appropriation | <u>137</u> | <u>122</u> | <u>(15)</u> |
| Fund balance, June 30, 2005 | <u><u>\$ 4,775</u></u> | <u><u>\$ 4,760</u></u> | <u><u>\$ (15)</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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|----------------------|---|
| Fund balance, July 1, 2004 | <u>\$ 286</u> | <u>\$ 286</u> | <u>\$ -</u> |
| Resources (inflows): | | | |
| Miscellaneous | <u>2,889</u> | <u>2,890</u> | <u>1</u> |
| Amount available for appropriation | <u>2,889</u> | <u>2,890</u> | <u>1</u> |
| Charges to appropriations (outflows): | | | |
| General government | <u>1,851</u> | <u>1,363</u> | <u>488</u> |
| Transfers out | <u>1,039</u> | <u>1,039</u> | <u>-</u> |
| Total charges to appropriations | <u>2,890</u> | <u>2,402</u> | <u>488</u> |
| Excess of resources over (under) charges to appropriations | <u>(1)</u> | <u>488</u> | <u>489</u> |
| Fund balance, June 30, 2005 | <u><u>\$ 285</u></u> | <u><u>\$ 774</u></u> | <u><u>\$ 489</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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|-------------------|---|
| Fund balance, July 1, 2004 | \$ 8,256 | \$ 8,256 | \$ - |
| Resources (inflows): | | | |
| Miscellaneous | 8,903 | 8,903 | - |
| Interest earned on investments | 227 | 263 | 36 |
| Amount available for appropriation | 9,130 | 9,166 | 36 |
| Charges to appropriations (outflows): | | | |
| General government | 7,400 | 7,284 | 116 |
| Transfers out | 3,011 | 3,011 | - |
| Total charges to appropriations | 10,411 | 10,295 | 116 |
| Excess of resources over (under) charges to appropriations | (1,281) | (1,129) | 152 |
| Fund balance, June 30, 2005 | \$ 6,975 | \$ 7,127 | \$ 152 |

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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|-------------------|---|
| Fund balance, July 1, 2004 | \$ 10,829 | \$ 10,829 | \$ - |
| Resources (inflows): | | | |
| Miscellaneous | 9,802 | 9,665 | (137) |
| Interest earned on investments | 185 | 361 | 176 |
| Amount available for appropriation | 9,987 | 10,026 | 39 |
| Charges to appropriations (outflows): | | | |
| General government | 7,855 | 7,340 | 515 |
| Transfers out | 3,441 | 3,441 | - |
| Total charges to appropriations | 11,296 | 10,781 | 515 |
| Excess of resources over (under) charges to appropriations | (1,309) | (755) | 554 |
| Fund balance, June 30, 2005 | \$ 9,520 | \$ 10,074 | \$ 554 |

City of Hermosa Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Beach Drive Assessment District Administrative Expense For the year ended June 30, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|-------------------|---|
| Fund balance, July 1, 2004 | \$ - | \$ - | \$ - |
| Resources (inflows): | | | |
| Miscellaneous | 2,856 | 3,016 | 160 |
| Interest earned on investments | 14 | 23 | 9 |
| Amount available for appropriation | 2,870 | 3,039 | 169 |
| Charges to appropriations (outflows): | | | |
| General government | 1,517 | 1,515 | 2 |
| Transfers out | 1,499 | 1,499 | - |
| Total charges to appropriations | 3,016 | 3,014 | 2 |
| Excess of resources over (under) charges to appropriations | (146) | 25 | 171 |
| Fund balance, June 30, 2005 | \$ (146) | \$ 25 | \$ 171 |

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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|--------------------|---|
| Fund balance, July 1, 2004 | <u>\$ 1</u> | <u>\$ 1</u> | <u>\$ -</u> |
| Resources (inflows): | | | |
| Intergovernmental | <u>159,522</u> | <u>54,621</u> | <u>(104,901)</u> |
| Amount available for appropriation | <u>159,522</u> | <u>54,621</u> | <u>(104,901)</u> |
| Charges to appropriations (outflows): | | | |
| Community development | <u>11,300</u> | <u>11,271</u> | <u>29</u> |
| Capital Outlay | <u>148,222</u> | <u>43,350</u> | <u>104,872</u> |
| Total charges to appropriations | <u>159,522</u> | <u>54,621</u> | <u>104,901</u> |
| Excess of resources over (under) charges to appropriations | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance, June 30, 2005 | <u><u>\$ 1</u></u> | <u><u>\$ 1</u></u> | <u><u>\$ -</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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|-------------------|---|
| Fund balance, July 1, 2004 | \$ 152,368 | \$ 152,368 | \$ - |
| Resources (inflows): | | | |
| Other taxes | 310,204 | 312,627 | 2,423 |
| Charges for services | 11,294 | 13,133 | 1,839 |
| Interest earned on investments | 7,439 | 9,013 | 1,574 |
| Amount available for appropriation | 328,937 | 334,773 | 5,836 |
| Charges to appropriations (outflows) | | | |
| Community Development | 390,179 | 262,257 | 127,922 |
| Amount available for appropriation | 390,179 | 262,257 | 127,922 |
| Excess of resources over (under) charges to appropriations | (61,242) | 72,516 | 133,758 |
| Fund balance, June 30, 2005 | \$ 91,126 | \$ 224,884 | \$ 133,758 |

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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|---------------------|---|
| Fund balance, July 1, 2004 | \$ 912,219 | \$ 912,219 | \$ - |
| Resources (inflows): | | | |
| Other taxes | 226,492 | 233,944 | 7,452 |
| Interest earned on investments | 30,137 | 32,361 | 2,224 |
| Amount available for appropriation | 256,629 | 266,305 | 9,676 |
| Charges to appropriations (outflows): | | | |
| Capital outlay | 60,000 | | 60,000 |
| Total charges to appropriations | 60,000 | - | 60,000 |
| Excess of resources over (under) changes to appropriations | 196,629 | 266,305 | 69,676 |
| Fund balance, June 30, 2005 | \$ 1,108,848 | \$ 1,178,524 | \$ 69,676 |

City of Hermosa Beach

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

For the year ended June 30, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|-------------------|---|
| Fund balance, July 1, 2004 | \$ 16,423 | \$ 16,423 | \$ - |
| Resources (inflows): | | | |
| Intergovernmental | 635,469 | 302,610 | (332,859) |
| Amount available for appropriation | 635,469 | 302,610 | (332,859) |
| Charges to appropriations (outflows): | | | |
| Public safety | 43,372 | 34,569 | 8,803 |
| Public works | 12,449 | 4,402 | 8,047 |
| Capital outlay | 595,991 | 271,667 | 324,324 |
| Total charges to appropriations | 651,812 | 310,638 | 341,174 |
| Excess of resources over (under) charges to appropriations | (16,343) | (8,028) | 8,315 |
| Fund balance, June 30, 2005 | \$ 80 | \$ 8,395 | \$ 8,315 |

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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|--------------------|---|
| Fund balance, July 1, 2004 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Resources (inflows): | | | |
| Intergovernmental | <u>711,845</u> | <u>537,491</u> | <u>(174,354)</u> |
| Amount available for appropriation | <u>711,845</u> | <u>537,491</u> | <u>(174,354)</u> |
| Charges to appropriations (outflows): | | | |
| Public safety | <u>541,845</u> | <u>367,491</u> | <u>174,354</u> |
| Capital outlay | <u>170,000</u> | <u>170,000</u> | <u>-</u> |
| Total charges to appropriations | <u>711,845</u> | <u>537,491</u> | <u>174,354</u> |
| Excess of resources over (under) charges to appropriations | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance, June 30, 2005 | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|-------------------|---|
| Fund balance, July 1, 2004 | \$ 22,730 | \$ 22,730 | \$ - |
| Resources (inflows): | | | |
| Intergovernmental | 22,000 | 23,679 | 1,679 |
| Interest earned on investments | 741 | 963 | 222 |
| Amount available for appropriation | 22,741 | 24,642 | 1,901 |
| Charges to appropriations (outflows): | | | |
| General government | 1,000 | 560 | 440 |
| Total charges to appropriations | 1,000 | 560 | 440 |
| Excess of resources over (under) charges to appropriations | 21,741 | 24,082 | 2,341 |
| Fund balance, June 30, 2005 | \$ 44,471 | \$ 46,812 | \$ 2,341 |

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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|--------------------------|---|
| Fund balance, July 1, 2004 | <u>\$ 89,201</u> | <u>\$ 89,201</u> | <u>\$ -</u> |
| Resources (inflows): | | | |
| Other taxes | 100,000 | 100,000 | - |
| Interest earned on investments | <u>3,949</u> | <u>4,091</u> | <u>142</u> |
| Amount available for appropriation | <u>103,949</u> | <u>104,091</u> | <u>142</u> |
| Charges to appropriations (outflows): | | | |
| Public safety | 15,000 | 13,785 | 1,215 |
| Capital outlay | <u>159,147</u> | <u>77,491</u> | <u>81,656</u> |
| Total charges to appropriations | <u>174,147</u> | <u>91,276</u> | <u>82,871</u> |
| Excess of resources over (under) charges to appropriations | <u>(70,198)</u> | <u>12,815</u> | <u>83,013</u> |
| Fund balance, June 30, 2005 | <u><u>\$ 19,003</u></u> | <u><u>\$ 102,016</u></u> | <u><u>\$ 83,013</u></u> |

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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|------------------------|---|
| Fund balance, July 1, 2004 | <u>\$ 35,863</u> | <u>\$ 35,863</u> | <u>\$ -</u> |
| Resources (inflows): | | | |
| Interest earned on investments | <u>1,212</u> | <u>958</u> | <u>(254)</u> |
| Amount available for appropriation | <u>1,212</u> | <u>958</u> | <u>(254)</u> |
| Charges to appropriations (outflows): | | | |
| Public safety | <u>5,910</u> | <u>428</u> | <u>5,482</u> |
| Capital outlay | <u>29,952</u> | <u>29,572</u> | <u>380</u> |
| Total charges to appropriations | <u>35,862</u> | <u>30,000</u> | <u>5,862</u> |
| Excess of resources over (under) charges to appropriations | <u>(34,650)</u> | <u>(29,042)</u> | <u>5,608</u> |
| Fund balance, June 30, 2005 | <u><u>\$ 1,213</u></u> | <u><u>\$ 6,821</u></u> | <u><u>\$ 5,608</u></u> |

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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|--------------------|---|
| Fund balance, July 1, 2004 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Resources (inflows): | | | |
| Intergovernmental | <u>123,293</u> | <u>131,749</u> | <u>8,456</u> |
| Amount available for appropriation | <u>123,293</u> | <u>131,749</u> | <u>8,456</u> |
| Charges to appropriations (outflows): | | | |
| Public safety | <u>123,293</u> | <u>131,749</u> | <u>(8,456)</u> |
| Total charges to appropriations | <u>123,293</u> | <u>131,749</u> | <u>(8,456)</u> |
| Excess of resources over (under) charges to appropriations | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance, June 30, 2005 | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

City of Hermosa Beach

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

Sewer

For the year ended June 30, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|---------------------|---|
| Fund balance, July 1, 2004 | \$ 1,267,967 | \$ 1,267,967 | \$ - |
| Resources (inflows): | | | |
| Intergovernmental | 8,400 | 15,680 | 7,280 |
| Charges for services | 61,312 | 68,169 | 6,857 |
| Miscellaneous | 9,536 | 6,682 | (2,854) |
| Interest earned on investments | 41,278 | 39,360 | (1,918) |
| Transfers in | 700,000 | 700,000 | - |
| Amount available for appropriation | 820,526 | 829,891 | 9,365 |
| Charges to appropriations (outflows): | | | |
| Public works | 764,138 | 702,511 | 61,627 |
| Capital Outlay | 1,025,301 | 543,399 | 481,902 |
| Total charges to appropriations | 1,789,439 | 1,245,910 | 543,529 |
| Excess of resources over (under) charges to appropriations | (968,913) | (416,019) | 552,894 |
| Fund balance, June 30, 2005 | \$ 299,054 | \$ 851,948 | \$ 552,894 |

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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|-------------------------|---|
| Fund balance, July 1, 2004 | <u>\$ 131,409</u> | <u>\$ 131,409</u> | <u>\$ -</u> |
| Resources (inflows): | | | |
| Fines and forfeitures | 3,400 | 15,789 | 12,389 |
| Interest earned on investments | <u>2,981</u> | <u>1,812</u> | <u>(1,169)</u> |
| Amount available for appropriation | <u>6,381</u> | <u>17,601</u> | <u>11,220</u> |
| Charges to appropriations (outflows): | | | |
| Public safety | <u>125,415</u> | <u>123,380</u> | <u>2,035</u> |
| Total charges to appropriations | <u>125,415</u> | <u>123,380</u> | <u>2,035</u> |
| Excess of resources over (under) charges to appropriations | <u>(119,034)</u> | <u>(105,779)</u> | <u>13,255</u> |
| Fund balance, June 30, 2005 | <u><u>\$ 12,375</u></u> | <u><u>\$ 25,630</u></u> | <u><u>\$ 11,220</u></u> |

City of Hermosa Beach

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

Fire Protection

For the year ended June 30, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|-------------------|---|
| Fund balance, July 1, 2004 | \$ 369,153 | \$ 369,153 | \$ - |
| Resources (inflows): | | | |
| Miscellaneous | 83,009 | 117,657 | 34,648 |
| Interest earned on investments | 9,885 | 8,154 | (1,731) |
| Amount available for appropriation | 92,894 | 125,811 | 32,917 |
| Charges to appropriations (outflows): | | | |
| Public safety | 1,668 | 1,617 | 51 |
| Capital outlay | 212,068 | 113,672 | 98,396 |
| Transfers out | 154,316 | 154,316 | - |
| Total charges to appropriations | 368,052 | 269,605 | 98,447 |
| Excess of resources over (under) charges to appropriations | (275,158) | (143,794) | 131,364 |
| Fund balance, June 30, 2005 | \$ 93,995 | \$ 225,359 | \$ 131,364 |

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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|-------------------|---|
| Fund balance, July 1, 2004 | \$ 518,261 | \$ 518,261 | \$ - |
| Resources (inflows): | | | |
| Interest earned on investments | 15,706 | 14,275 | (1,431) |
| Amount available for appropriation | 15,706 | 14,275 | (1,431) |
| Charges to appropriations (outflows): | | | |
| Public works | 9,000 | 2,976 | 6,024 |
| Capital outlay | 155,205 | 155,205 | - |
| Total charges to appropriations | 164,205 | 158,181 | 6,024 |
| Excess of resources over (under) charges to appropriations | (148,499) | (143,906) | 4,593 |
| Fund balance, June 30, 2005 | \$ 369,762 | \$ 374,355 | \$ 4,593 |

City of Hermosa Beach

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Beach Drive 2 Underground District For the year ended June 30, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|---------------------------|---|
| Fund balance, July 1, 2004 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Charges to appropriations (outflows): | | | |
| Capital outlay | <u>65,520</u> | <u>65,520</u> | <u>-</u> |
| Total charges to appropriations | <u>65,520</u> | <u>65,520</u> | <u>-</u> |
| Excess of resources over (under) charges to appropriations | <u>(65,520)</u> | <u>(65,520)</u> | <u>-</u> |
| Fund balance, June 30, 2005 | <u><u>\$ (65,520)</u></u> | <u><u>\$ (65,520)</u></u> | <u><u>\$ -</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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|--------------------|---|
| Fund balance, July 1, 2004 | <u>\$ 70,326</u> | <u>\$ 70,326</u> | <u>\$ -</u> |
| Resources (inflows): | | | |
| Interest earned on investments | 2,207 | 1,542 | (665) |
| Transfer in | | 480 | 480 |
| Amount available for appropriation | <u>2,207</u> | <u>2,022</u> | <u>(185)</u> |
| Charges to appropriations (outflows): | | | |
| Transfer out | <u>72,348</u> | <u>72,348</u> | <u>-</u> |
| Total charges to appropriations | <u>72,348</u> | <u>72,348</u> | <u>-</u> |
| Excess of resources over (under) charges of appropriations | <u>(70,141)</u> | <u>(70,326)</u> | <u>(185)</u> |
| Fund balance, June 30, 2005 | <u><u>\$ 185</u></u> | <u><u>\$ -</u></u> | <u><u>\$ (185)</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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|------------------------|---|
| Fund balance, July 1, 2004 | <u>\$ 4,545</u> | <u>\$ 4,545</u> | <u>\$ -</u> |
| Resources (inflows): | | | |
| Miscellaneous | | 3,224 | 3,224 |
| Interest earned on investments | <u>142</u> | <u>190</u> | <u>48</u> |
| Amount available for appropriation | <u>142</u> | <u>3,414</u> | <u>3,272</u> |
| Excess of resources over (under) charges to appropriations | <u>142</u> | <u>3,414</u> | <u>3,272</u> |
| Fund balance, June 30, 2005 | <u><u>\$ 4,687</u></u> | <u><u>\$ 7,959</u></u> | <u><u>\$ 3,272</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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|-------------------|---|
| Fund balance, July 1, 2004 | \$ 99,848 | \$ 99,848 | \$ - |
| Resources (inflows): | | | |
| Interest earned on investments | 3,098 | 3,044 | (54) |
| Amount available for appropriation | 3,098 | 3,044 | (54) |
| Excess of resources over (under) charges to appropriations | 3,098 | 3,044 | (54) |
| Fund balance, June 30, 2005 | \$ 102,946 | \$ 102,892 | \$ (54) |

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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|-------------------|---|
| Fund balance, July 1, 2004 | \$ (38,000) | \$ (38,000) | \$ - |
| Resources (inflows): | | | |
| Miscellaneous | | 1,087,022 | 1,087,022 |
| Interest earned on investments | | 4,402 | 4,402 |
| Amount available for appropriation | - | 1,091,424 | 1,091,424 |
| Charges to appropriations (outflows): | | | |
| Capital outlay | 1,046,522 | 843,729 | 202,793 |
| Transfer out | 2,500 | 2,500 | - |
| Total charges to appropriations | 1,049,022 | 846,229 | 202,793 |
| Excess of resources over (under) charges to appropriations | (1,049,022) | 245,195 | 1,294,217 |
| Fund balance, June 30, 2005 | \$ (1,087,022) | \$ 207,195 | \$ 1,294,217 |

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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|--------------------|---|
| Fund balance, July 1, 2004 | \$ (50,000) | \$ (50,000) | \$ - |
| Charges to appropriations (outflows): | | | |
| Capital outlay | 46,931 | 26,931 | 20,000 |
| Total charges to appropriations | 46,931 | 26,931 | 20,000 |
| Excess of resources over (under) charges to appropriations | (46,931) | (26,931) | 20,000 |
| Fund balance, June 30, 2005 | \$ (96,931) | \$ (76,931) | \$ 20,000 |

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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|-------------------------|---|
| Fund balance, July 1, 2004 | <u>\$ (27,000)</u> | <u>\$ (27,000)</u> | <u>\$ -</u> |
| Resources (inflows): | | | |
| Miscellaneous | 490,370 | 490,370 | - |
| Interest earned on investments | | 1,328 | 1,328 |
| Amount available for appropriation | <u>490,370</u> | <u>491,698</u> | <u>1,328</u> |
| Charges to appropriations (outflows): | | | |
| Capital outlay | 460,869 | 386,050 | 74,819 |
| Transfer out | <u>2,500</u> | <u>2,500</u> | <u>-</u> |
| Total charges to appropriations | <u>463,369</u> | <u>388,550</u> | <u>74,819</u> |
| Excess of resources over (under) charges to appropriations | <u>27,001</u> | <u>103,148</u> | <u>76,147</u> |
| Fund balance, June 30, 2005 | <u><u>\$ 1</u></u> | <u><u>\$ 76,148</u></u> | <u><u>\$ 76,147</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, 2005

| | Budgeted Amounts Final | Actual Amounts | Positive (Negative) Variance with Final Budget |
|---|------------------------------|----------------------------|---|
| Fund balance, July 1, 2004 | <u>\$ (200,000)</u> | <u>\$ (200,000)</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, 2005 | <u><u>\$ (200,000)</u></u> | <u><u>\$ (200,000)</u></u> | <u><u>\$ -</u></u> |

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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, 2005

| | Insurance Fund | Equipment Replacement Fund | Total |
|--|-------------------|----------------------------------|--------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 4,711,908 | \$ 1,261,152 | \$ 5,973,060 |
| Other accounts receivable | | 3,586 | 3,586 |
| Deposits | 80,000 | | 80,000 |
| Advances to other funds | 998,886 | 998,886 | 1,997,772 |
| Other assets | 1,821 | 17,848 | 19,669 |
| Total current assets | 5,792,615 | 2,281,472 | 8,074,087 |
| Property and equipment, net of accumulated depreciation | | 2,201,757 | 2,201,757 |
| Total assets | 5,792,615 | 4,483,229 | 10,275,844 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Current portion of long-term liabilities | 892,000 | | 892,000 |
| Accounts payable | 112,568 | 95,906 | 208,474 |
| Wages and benefits payable | 24,128 | 47,085 | 71,213 |
| Total current liabilities | 1,028,696 | 142,991 | 1,171,687 |
| Long-term liabilities: | | | |
| Workers' compensation claims payable | 3,037,557 | | 3,037,557 |
| General liability claims payable | 617,933 | | 617,933 |
| Less current portion above | (892,000) | | (892,000) |
| Total long-term liabilities | 2,763,490 | - | 2,763,490 |
| Total liabilities | 3,792,186 | 142,991 | 3,935,177 |
| NET ASSETS | | | |
| Invested in capital assets | | 2,201,757 | 2,201,757 |
| Unrestricted | 2,000,429 | 2,138,481 | 4,138,910 |
| Total net assets | \$ 2,000,429 | \$ 4,340,238 | \$ 6,340,667 |

City of Hermosa Beach

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

All Internal Service Funds

For the year ended June 30, 2005

| | Insurance Fund | Equipment Replacement Fund | Total |
|---|-------------------|----------------------------------|--------------------|
| OPERATING REVENUES: | | | |
| Charges for services | \$ 1,450,152 | \$ 1,100,286 | \$ 2,550,438 |
| Miscellaneous | 70,638 | 24,557 | 95,195 |
| Total operating revenues | 1,520,790 | 1,124,843 | 2,645,633 |
| OPERATING EXPENSES: | | | |
| Salaries and wages | 112,124 | 270,722 | 382,846 |
| Contractor services | 535,079 | 230,497 | 765,576 |
| Supplies | 1,266 | 244,965 | 246,231 |
| Claims expense | 1,833,498 | | 1,833,498 |
| Depreciation | | 401,735 | 401,735 |
| Total operating expenses | 2,481,967 | 1,147,919 | 3,629,886 |
| OPERATING INCOME (LOSS) | (961,177) | (23,076) | (984,253) |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Loss on sale of assets | | (37,322) | (37,322) |
| Total nonoperating revenues (expenses) | - | (37,322) | (37,322) |
| INCOME (LOSS) BEFORE TRANSFERS | (961,177) | (60,398) | (1,021,575) |
| Transfers in | 1,162,891 | 16,195 | 1,179,086 |
| Transfers out | | (418,835) | (418,835) |
| NET INCOME (LOSS) | 201,714 | (463,038) | (261,324) |
| NET ASSETS | | | |
| Beginning of the year | 1,798,715 | 4,803,276 | 6,601,991 |
| End of the year | \$ 2,000,429 | \$ 4,340,238 | \$ 6,340,667 |

City of Hermosa Beach
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2005

| | Insurance Fund | Equipment Replacement Fund | Total |
|--|-----------------------|----------------------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received from customers | \$ (999,880) | \$ (19,396) | \$ (1,019,276) |
| Cash received for services from other funds | 1,450,152 | 101,400 | 1,551,552 |
| Cash payments to suppliers of goods and services | (530,125) | (406,357) | (936,482) |
| Cash payments to employees for services | (106,653) | (266,447) | (373,100) |
| Insurance premiums and settlements | (1,112,649) | | (1,112,649) |
| Cash received from (payments to) others | 70,638 | 24,557 | 95,195 |
| Net cash provided by (used for) operating activities | (1,228,517) | (566,243) | (1,794,760) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Transfers in | 1,162,891 | 16,195 | 1,179,086 |
| Transfers out | | (418,835) | (418,835) |
| Net cash provided by (used for) noncapital financing activities | 1,162,891 | (402,640) | 760,251 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Loss on sale of capital assets | | (37,322) | (37,322) |
| Acquisition of capital assets | | (407,100) | (407,100) |
| Net cash provided (used for) by capital and related financing activities | | (444,422) | (444,422) |
| Net increase (decrease) in cash and cash equivalents | (65,626) | (1,413,305) | (1,478,931) |
| CASH AND CASH EQUIVALENTS: | | | |
| Beginning of year | 4,777,534 | 2,674,457 | 7,451,991 |
| End of year | <u>\$ 4,711,908</u> | <u>\$ 1,261,152</u> | <u>\$ 5,973,060</u> |
| RECONCILIATION OF OPERATING INCOME TO NET | | | |
| CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | |
| Operating income (loss) | \$ (961,177) | \$ (23,076) | \$ (984,253) |
| Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | | 401,735 | 401,735 |
| Changes in current assets and liabilities: | | | |
| Other accounts receivable | | (3,586) | (3,586) |
| Advances to other funds | (998,886) | (998,886) | (1,997,772) |
| Other assets | (994) | (15,810) | (16,804) |
| Worker's compensation claims payable | 473,591 | | 473,591 |
| General liability claims payable | 247,258 | | 247,258 |
| Accounts payable | 6,220 | 69,105 | 75,325 |
| Accrued wages and compensated absences | 5,471 | 4,275 | 9,746 |
| Total adjustments | (267,340) | (543,167) | (810,507) |
| Net cash provided (used) by operating activities | \$ (1,228,517) | \$ (566,243) | \$ (1,794,760) |

FIDUCIARY FUNDS

The Agency Fund of the City was established to account for transactions related to payments for limited obligation bonds for the Bayview Drive Underground District, Lower Pier Avenue Assessment District, the Myrtle Avenue Utility Undergrounding Assessment District, the Loma Drive Utility Undergrounding Assessment District, Beach Drive 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, 2005

| | Bayview Drive Redemption | Lower Pier District Redemption | Beach Drive Assessment District Redemption | Beach Drive Assessment Reserve | Myrtle Avenue Assessment | Loma Drive Assessment | Bayview Drive Reserve | Other Post Employment Benefits - Police | Total |
|-----------------------------|--------------------------------|--------------------------------------|---|--------------------------------------|-----------------------------|--------------------------|-----------------------------|---|-------------------|
| ASSETS | | | | | | | | | |
| Cash and investments | \$ 25,958 | \$ 30,224 | \$ 18,500 | \$ 3,060 | \$ 84,277 | \$ 85,241 | \$ 10,062 | \$ 274,180 | \$ 531,502 |
| Interest receivable | 262 | 299 | 187 | 37 | 842 | 861 | 94 | | 2,582 |
| Other accounts receivable | | 2,857 | 2,671 | | 5,837 | 2,511 | | | 13,876 |
| Total assets | \$ 26,220 | \$ 33,380 | \$ 21,358 | \$ 3,097 | \$ 90,956 | \$ 88,613 | \$ 10,156 | \$ 274,180 | \$ 547,960 |
| LIABILITIES | | | | | | | | | |
| Assessment: | | | | | | | | | |
| Installment account | \$ 26,220 | \$ 33,380 | \$ 21,358 | | \$ 90,956 | \$ 88,613 | | | \$ 260,527 |
| Reserve requirement | | | | \$ 3,097 | | | \$ 10,156 | | 13,253 |
| OPEB contribution from City | | | | | | | | \$ 274,180 | 274,180 |
| Total liabilities | \$ 26,220 | \$ 33,380 | \$ 21,358 | \$ 3,097 | \$ 90,956 | \$ 88,613 | \$ 10,156 | \$ 274,180 | \$ 547,960 |

City of Hermosa Beach
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the year ended June 30, 2005

| | Balance July 1, 2004 | Additions | Deletions | Balance June 30, 2005 |
|---|-------------------------|-------------------|---------------------|--------------------------|
| ASSETS | | | | |
| Bayview Drive Redemption Fund: | | | | |
| Cash and investments | | \$ 26,323 | \$ (365) | \$ 25,958 |
| Interest receivable | | 262 | | 262 |
| Lower Pier District Redemption Fund: | | | | |
| Cash and investments | \$ 30,375 | 40,853 | (41,004) | 30,224 |
| Interest receivable | 162 | 309 | (172) | 299 |
| Other accounts receivable | 2,737 | 2,857 | (2,737) | 2,857 |
| Beach Drive Assessment District Redemption Fund: | | | | |
| Cash and investments | | 32,376 | (13,876) | 18,500 |
| Interest receivable | | 187 | | 187 |
| Other accounts receivable | | 2,671 | | 2,671 |
| Beach Drive Assessment District Reserve Fund: | | | | |
| Cash and investments | | 3,114 | (54) | 3,060 |
| Interest receivable | | 37 | | 37 |
| Myrtle Avenue Assessment Fund: | | | | |
| Cash and investments | 93,773 | 104,866 | (114,362) | 84,277 |
| Interest receivable | 487 | 870 | (515) | 842 |
| Other accounts receivable | 4,313 | 5,837 | (4,313) | 5,837 |
| Loma Drive Assessment Fund: | | | | |
| Cash and investments | 106,993 | 112,950 | (134,702) | 85,241 |
| Interest receivable | 559 | 893 | (591) | 861 |
| Other accounts receivable | 3,001 | 2,511 | (3,001) | 2,511 |
| Bayview Drive Reserve Fund | | | | |
| Cash and investments | | 10,192 | (130) | 10,062 |
| Interest receivable | | 94 | | 94 |
| Other Post Employment Benefits - Police: | | | | |
| Cash and investments | 121,270 | 159,696 | (6,786) | 274,180 |
| Total assets | <u>\$ 363,670</u> | <u>\$ 506,898</u> | <u>\$ (322,608)</u> | <u>\$ 547,960</u> |
| LIABILITIES | | | | |
| Bayview Drive Redemption Fund: | | | | |
| Assessment installment account | | \$ 26,585 | \$ (365) | \$ 26,220 |
| Lower Pier District Redemption Fund: | | | | |
| Assessment installment account | \$ 33,274 | 44,019 | (43,913) | 33,380 |
| Beach Drive Assessment District Redemption Fund: | | | | |
| Assessment installment account | | 35,234 | (13,876) | 21,358 |
| Beach Drive Assessment District Reserve Fund: | | | | |
| Assessment installment account | | 3,151 | (54) | 3,097 |
| Myrtle Avenue Assessment Funds: | | | | |
| Assessment installment account | 98,573 | 111,573 | (119,190) | 90,956 |
| Loma Drive Assessment Fund: | | | | |
| Assessment installment account | 110,553 | 116,354 | (138,294) | 88,613 |
| Bayview Drive Reserve Fund | | | | |
| Assessment installment account | | 10,286 | (130) | 10,156 |
| Other Post Employment Benefits - Police: | | | | |
| OPEB contribution from City | 121,270 | 159,696 | (6,786) | 274,180 |
| Total liabilities | <u>\$ 363,670</u> | <u>\$ 506,898</u> | <u>\$ (322,608)</u> | <u>\$ 547,960</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, 2005

GOVERNMENTAL FUNDS CAPITAL ASSETS:

| | |
|---|----------------------|
| Land | \$ 17,676,802 |
| Buildings and improvements | 3,548,424 |
| Improvements other than buildings | 6,901,980 |
| Machinery and equipment | 1,478,078 |
| Vehicles | 25,996 |
| Construction in progress | 6,708,223 |
| Infrastructure | 36,637,731 |
| Total governmental funds capital assets | 72,977,234 |
| Accumulated depreciation | (18,129,507) |
| Total governmental funds capital assets, net | \$ 54,847,727 |

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

| | |
|---|----------------------|
| State grants | \$ 89,427 |
| General fund revenues | 31,184,325 |
| Special revenue funds revenues | 41,388,344 |
| Donated assets | 315,138 |
| Total governmental funds capital assets | 72,977,234 |
| Accumulated depreciation | (18,129,507) |
| Total governmental funds capital assets, net | \$ 54,847,727 |

* 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, 2005

| | 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 | \$ 307,431 | | | | \$ 2,719,332 |
| Public safety | | 252,671 | 742,458 | 865,131 | \$ 25,996 | | | 1,886,256 |
| Community development | | | 99,858 | 12,755 | | | | 112,613 |
| Culture and recreation | 650,000 | 572,169 | 203,154 | 113,438 | | | | 1,538,761 |
| Public works | 16,966,802 | 469,411 | 5,758,782 | 179,323 | | \$ 36,637,731 | \$ 6,708,223 | 66,720,272 |
| Total governmental funds capital assets | 17,676,802 | 3,548,424 | 6,901,980 | 1,478,078 | 25,996 | 36,637,731 | 6,708,223 | 72,977,234 |
| Accumulated depreciation | | (1,501,764) | (2,505,390) | (731,303) | (4,007) | (13,387,043) | | (18,129,507) |
| Total governmental funds capital assets | \$ 17,676,802 | \$ 2,046,660 | \$ 4,396,590 | \$ 746,775 | \$ 21,989 | \$ 23,250,688 | \$ 6,708,223 | \$ 54,847,727 |

* 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, 2005

| | Capital Assets July 1, 2004 | Additions | Deletions | Inventory Adjustment | Capital Assets June 30, 2005 |
|---|-----------------------------------|---------------------|---------------------|-------------------------|------------------------------------|
| Function and Activity: | | | | | |
| General government | \$ 2,745,254 | \$ 4,913 | \$ (30,835) | | \$ 2,719,332 |
| Public safety | 1,966,523 | 186,909 | (252,002) | \$ (15,174) | 1,886,256 |
| Community development | 116,349 | | (3,736) | | 112,613 |
| Culture and recreation | 1,552,644 | 800 | (14,683) | | 1,538,761 |
| Public works | 62,530,179 | 4,582,577 | (359,383) | (33,101) | 66,720,272 |
| Total governmental funds capital assets | 68,910,949 | 4,775,199 | (660,639) | (48,275) | 72,977,234 |
| Accumulated depreciation | (16,992,135) | (1,548,472) | 411,100 | | (18,129,507) |
| Total governmental funds capital assets, net | \$ 51,918,814 | \$ 3,226,727 | \$ (249,539) | \$ (48,275) | \$ 54,847,727 |

* 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, 2005
Last Four 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 |
| 2004-2005 | 9,794,113 | 721,198 | 2,465,698 | 14,703,458 | 2,318,501 | 564,288 | 272,907 | 30,840,163 |

Source : City of Hermosa Beach - Finance Department
GASB Statement 34 implemented fiscal year 2004

City of Hermosa Beach
Government-wide Expense by Function
June 30, 2005
Last Four Fiscal Years
(Unaudited)

| | Fiscal Year | | | |
|------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2001-2002 | 2002-2003 | 2003-2004 | 2004-2005 |
| Legislative and Legal | \$ 823,736 | \$ 810,589 | \$ 754,169 | \$ 737,903 |
| General Government | 1,748,183 | 1,415,000 | 1,800,769 | 1,727,484 |
| Public Safety | 9,686,652 | 10,415,112 | 10,868,420 | 12,855,036 |
| Community Development | 907,709 | 968,000 | 1,086,608 | 1,355,888 |
| Culture and Recreation | 921,851 | 1,045,567 | 965,924 | 996,021 |
| Public Works | 6,109,734 | 4,136,564 | 4,578,896 | 6,687,811 |
| Downtown Enhancement | 933,796 | 909,137 | 939,576 | 166,732 |
| Parking | 1,577,320 | 1,525,371 | 1,632,093 | 1,701,775 |
| 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 | \$ 26,228,650 |

Source : City of Hermosa Beach - Finance Department
GASB Statement 34 implemented fiscal year 2004

City of Hermosa Beach
General Governmental Revenues by Source
June 30, 2005
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 |
|-------------|--------------------------------|-------------------------|--------------------------|---|------------------------|----------------------------|------------|---------------|
| 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 |
| 2004-2005 | 15,753,819 | 701,468 | 459,106 | 1,339,707 | 4,333,949 | 1,852,726 | 2,053,250 | 26,494,025 |

Source : City of Hermosa Beach - Finance Department

City of Hermosa Beach
General Governmental Expenditures by Function
June 30, 2005
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | General Government | Public Safety | Community Development | Culture and Recreation | Public Works | Debt Service | Capital Outlay | Total |
|-------------|-----------------------|------------------|--------------------------|------------------------------|-----------------|-----------------|-------------------|---------------|
| 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 |
| 2004-2005 | 2,067,461 | 12,139,133 | 1,325,219 | 940,158 | 3,374,363 | | 6,425,895 | 26,272,229 |

Source : City of Hermosa Beach - Finance Department

City of Hermosa Beach
Assessed and Estimated Actual Value of Taxable Property
June 30, 2005
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 (%) |
|-------------|---------------------|-----------------------|--------------------|-----------------------|------------------------|------------------------|---|
| 1995-1996 | \$ 1,682,602,183 | \$ 17,400,969 | \$ 29,395,303 | \$ 1,670,607,849 | \$ 1,700,003,152 | | 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% |
| 2004-2005 | 3,113,396,139 | 28,473,921 | 31,158,359 | 3,110,711,701 | 3,141,870,060 | 9.31% | 99.01% |

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, 2005 - Last Ten Fiscal Years

(Unaudited)

| Fiscal Year | General | Los Angeles County | Elementary Schools | Community College | Flood Control | Metropolitan Water District | Total |
|-------------|----------|-----------------------|-----------------------|----------------------|------------------|-----------------------------------|----------|
| 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 |
| 2004-2005 | 1.000000 | 0.000923 | 0.016685 | 0.016558 | 0.000245 | 0.005800 | 1.040211 |

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, 2005
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> |
|--------------------|-----------------------------------|---|---|
| 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% |
| 2004-2005 | 5,907,698 | 5,688,036 | 96.28% |

Source : County of Los Angeles Auditor-Controller

City of Hermosa Beach
Computation of Legal Debt Margin
June 30, 2005
(Unaudited)

| | | | |
|--|----|---------------|-----|
| Total assessed value of all real and personal property | \$ | 3,141,870,060 | |
| Legal debt limit - 15% of total assessed valuation | \$ | 471,280,509 | (a) |
| Amount of debt applicable to limit | | None | (b) |
| Legal debt margin | \$ | 471,280,509 | |
| 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, 2005
(Unaudited)

2003-2004 Assessed Valuation :

| | Gross Bonded Debt Balance | Percent Applicable to City | Net Bonded Debt |
|--|--------------------------------------|---|--------------------------------|
| DIRECT DEBT : | | | |
| Hermosa Beach Elementary School District 2002 | \$ 9,414,401 | 100.000% | \$ 9,414,401 |
| TOTAL DIRECT DEBT: | <u>\$ 9,414,401</u> | | <u>\$ 9,414,401</u> |
| OVERLAPPING DEBT: | | | |
| Los Angeles County Detention Facilities 1987 Debt Service | \$ 16,205,000 | 0.462% | \$ 74,832 |
| Los Angeles County Flood Control Storm Drain Debt Service | 1,990,000 | 0.468% | 9,321 |
| Los Angeles County Flood Control Refunding Bonds 1993 Debt Service | 275,000 | 0.468% | 1,288 |
| West Basin Water District Debt Service* | 419,390,000 | 0.443% | 1,856,074 |
| El Camino Community College District 2002 Debt Service | 56,580,000 | 5.616% | 3,177,604 |
| TOTAL OVERLAPPING DEBT | | | <u><u>\$ 5,119,119</u></u> |
| TOTAL DIRECT AND OVERLAPPING DEBT | | | \$ 14,533,520 |

2004/05 Net Assessed Valuation : \$ 3,110,711,701

| | | |
|-------------------------------------|------------------|-------|
| Debt to Assessed Valuation Ratios : | Direct Debt | 0.30% |
| | Overlapping Debt | 0.16% |
| | Total Debt | 0.47% |

* 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 2004/2005 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, 2005
Last Ten Fiscal Years
(Unaudited)

| | (a) | (b) | (c) | (d) | (e) |
|-------------|------------|----------------------|--------------------------|--------------------------|----------------------|
| Fiscal Year | Population | Per Capita Income | Persons per Household | Unemployment Rate (%) | School Enrollment |
| 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 |
| 2004-2005 | 19,608 | | 2.050 | 2.3 | 1,475 |

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, 2005
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Residential | | Commercial | | Total Assessed | Bank Deposits (in thousands) |
|-------------|----------------------|--------------|----------------------|--------------|-------------------|---------------------------------|
| | Number of Permits | Valuation | Number of Permits | Valuation | | |
| 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 |
| 2004-2005 | 610 | 33,433,982 | 74 | 4,388,664 | 3,141,870,060 | 316,423 |

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, 2005
(Unaudited)

| <u>Company & Policy Number</u> | <u>Policy Period</u> | <u>Limits & Coverages</u> | <u>Annual Premium</u> |
|---|---------------------------|--|-----------------------------|
| Independent Cities Risk Management Authority | 7-1-04 through 6-30-05 | Self-insured workers' compensation to \$1,000,000. CPEIA excess insurance to \$100 million \$500,000 S.I.R. | \$ 152,091 |
| Independent Cities Risk Management Authority | 7-1-04 through 6-30-05 | Excess Liability Insurance \$250,000 S.I.R. \$20 million limit for bodily injury, property damage, personal injury, or Public Officials' E&O. | \$ 232,348 |
| Travelers Indemnity Co. of Ill. QT6603526A232TIL04 | 7-1-04 through 6-30-05 | Auto Physical damage including Comprehensive & Collision coverage with \$10,000 deductible for high dollar value vehicles. | \$ 10,783 |
| Lloyd's of London DC440204 | 7-1-04 through 6-30-05 | " 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. | \$ 24,435 |
| Travelers Property Casualty | 7-1-04 through 6-30-05 | Boiler and Machinery Insurance | \$ 1,751 |
| Essex Insurance ESX354185Z | 7-1-04 through 6-30-05 | Supplemental policy for earthquake, flood and loss of income on the parking structure. | \$ 17,611 |
| The Hartford | 11-7-04 through 11-7-05 | \$100,000 public official bond for Finance Director. | \$ 400 |
| The Hartford | 11-24-04 through 11-24-05 | \$100,000 public official bond for City Treasurer. | \$ 400 |
| Fidelity & Deposit | 11-12-03 through 11-12-06 | \$10,000 public official bond for City Clerk. | \$ 355 (3 year period) |
| Fidelity & Deposit | 7-1-04 through 7-1-07 | \$25,000 public employee dishonesty bond with \$2,500 deductible. | \$ 1,770 (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, 2005

(Unaudited)

| Owner (Number of Parcels) | Assessed Value | % of Total Assessed Valuation |
|--|----------------|----------------------------------|
| International Church of The Four Square (43) | \$ 17,119,475 | 0.54% |
| Regency Centers Limited Partnership (7) | 12,956,008 | 0.41% |
| Playa Pacifica Limited (2) | 12,022,424 | 0.38% |
| Beta Group (2) | 11,189,565 | 0.36% |
| Robert J. & Ranae R. Desantis Trust (1) | 10,810,206 | 0.34% |
| Barbara K. Robinson (1) | 8,100,000 | 0.25% |
| Century TCI California (4) | 7,648,607 | 0.24% |
| Cheng Yi & Ying Yin Chang (1) | 7,496,291 | 0.24% |
| Formosa Hotel, Inc (1) | 7,406,972 | 0.24% |
| SII Trust Schuler Investment Corporation (1) | 6,222,014 | 0.20% |

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

City of Hermosa Beach
Top 25 Sales Tax Producers *
June 30, 2005
(Unaudited)

| Business Name | Business Category |
|-------------------------------------|--------------------------------|
| Albertson's | Grocery Stores with Liquor |
| Aloha Sharkeez | Restaurants with Beer and Wine |
| 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 |
| Comedy & Magic Club | Restaurants with Liquor |
| E T Surfboards | Sporting Goods/Bike Stores |
| Efram's Mobil | Service Stations |
| Hennessey's Tavern | Restaurants with Liquor |
| Import Auto Sales | Used Automotive Dealers |
| Jama Auto House | Used Automotive Dealers |
| Learned Lumber | Lumber/Building Materials |
| Lotus of South Bay | New Motor Vehicle Dealers |
| May Mohit Gas Station & Mini Market | Service Stations |
| Okell's Fireplace | Home Furnishings |
| Patrick Molloy's | Restaurants with Liquor |
| Ralph's | Grocery Stores with Liquor |
| Rocky Cola Café | Fast Food |
| Sangria | Restaurants with Liquor |
| Sav On Drugs | Drug Stores |
| 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 2004 through March 2005

City of Hermosa Beach

Major Employers*

June 30, 2005

(Unaudited)

| <u>Name</u> | <u>Type of Business</u> |
|--------------------------|---------------------------|
| Club Sushi | 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 |
| Larry Moore & Associates | Real Estate |
| 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, 2005
Last Ten Calendar Years
(Unaudited)

| Sales | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Retail Stores : | | | | | | | | | | |
| Apparel Stores | \$ 3,074 | \$ 4,179 | \$ 2,351 | \$ 6,269 | \$ 3,360 | \$ 2,892 | \$ 3,114 | \$ 2,781 | \$ 2,685 | \$ 2,899 |
| Automobile Dealers and Supplies | 25,532 | 30,914 | 41,852 | 41,005 | 60,655 | 83,096 | 91,434 | 74,953 | 77,871 | 77,623 |
| Building Materials and Farm Tools | 8,799 | 9,051 | 9,704 | 13,197 | 12,580 | 12,403 | 12,406 | 15,284 | 16,266 | 18,956 |
| Eating and Drinking Places | 32,631 | 35,252 | 40,371 | 43,981 | 48,815 | 52,866 | 55,921 | 58,192 | 60,861 | 64,536 |
| Food Stores | 17,955 | 18,662 | 19,496 | 19,953 | 19,342 | 20,076 | 19,874 | 19,494 | 18,472 | 17,703 |
| Home Furnishing and Appliances | 2,145 | 3,122 | 3,589 | 3,452 | 4,620 | 6,109 | 5,235 | 5,662 | 6,319 | 6,045 |
| General Merchandise | | | | | | | | | | 218 |
| Other Retail Stores | 23,646 | 24,614 | 21,577 | 26,886 | 27,270 | 33,522 | 30,705 | 21,270 | 31,677 | 40,095 |
| Packaged Liquor Stores | 1,610 | 1,531 | 2,213 | 2,169 | 2,348 | 2,731 | 2,416 | 2,104 | 1,647 | 2,004 |
| Service Stations | (a) | (a) | (a) | (a) | (a) | (a) | (a) | (a) | (a) | (a) |
| Total retail stores | 115,392 | 127,325 | 141,153 | 156,912 | 178,990 | 213,695 | 221,105 | 199,738 | 215,798 | 230,079 |
| All Other Outlets | 18,283 | 18,633 | 27,903 | 27,850 | 23,357 | 23,309 | 23,659 | 28,058 | 16,987 | 15,881 |
| Total all outlets | <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> | <u>\$ 245,960</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, 2005

(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 | 80 |
| Part-time (excluding police and fire reserves) | 20 |
| <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 | 1,330 |
| Traffic violations | 3,421 |
| Parking violations | 54,051 |
| Sewerage System: | |
| Miles of sanitary sewers | 34 |
| Linear feet of storm drains | 6,011 |
| <i>Land Use Statistics:</i> | |
| Parcels ¹ | 6,848 |
| Housing Units ² | 9,877 |
| Building permits issued | 684 |
| <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