



**City of Hermosa Beach,
California**

**Comprehensive
Annual
Financial
Report**

For the year ended June 30, 2006

City of Hermosa Beach

Hermosa Beach, California

Comprehensive Annual Financial Report

For the year ended June 30, 2006

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, 2006

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City of Hermosa Beach

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

November 22, 2006

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, 2006. 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 fourth 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.

The City is complying with a new reporting requirement effective with the 2005-06 fiscal year, GASB Statement No. 44 Economics Condition Reporting: The Statistical Section. This section was revamped to better show the City's economic condition, which is defined in the statement as "a composite of its financial health and its ability and willingness to meet its financial obligations and commitments to provide services." Where possible, ten years of data is shown.

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, 2006, 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, 2006, 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 19,435, 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 2005-06 fiscal year, beach attendance ranged from a low of 51,911 in October 2005 to a high of 1,968,700 in June 2006, 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 83-85. 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 twelfth highest percentage change in assessed valuation of the 88 cities in Los Angeles County for 2005-06. Since 2000, the assessed valuation (including exemptions) has risen steadily, averaging 9.5% per year for the past seven years, making property tax the number one revenue source in the General Fund. Median home prices in Hermosa Beach as of June 2006 were \$1,100,000, compared to \$520,000 for Los Angeles County. The average median home price for Hermosa Beach for fiscal year 2005-06 was \$1,203,250.

Hermosa Beach's three highest employment industries are food services, administrative and support and retail trade, however residents enjoy access to a much more diverse employment base with the close proximity of all of the other cities in Los Angeles County. The unemployment rate in Hermosa Beach is 1.9%, compared with 4.7% for Los Angeles County, and 4.9% for California.

Secured property taxes have increased on the average, 9% over the past five years, corresponding with the increase in assessed valuation mentioned above (and, the increase occurred in spite of the shift of property tax funds from local government to the State to balance their budget). The strength in this area helped offset the decline in the sales tax base due to the loss of several new auto dealerships: Audi/Porsche in 2002, Volkswagen in 2003 and BMW in 2004. The biggest impact was BMW, which was felt in full for the first time in 2005-06.

In the same five year period, transient occupancy taxes (the "hotel tax") increased 77%, with two new hotels (Holiday Inn Express and Hampton Inn) and one hotel expansion (Beach House) during that time. Average occupancy for 2005-06 was 79.1%.

Utility user taxes (UUT), grew a scant 2% over 2004-05. The impending repeal of the federal excise tax, which many UUT ordinances reference, is an area being closely watched by the City. This action, along with several other pending legal actions and changes in the telecommunication industry may have an adverse affect on utility user tax revenue, which is a concern since the UUT represents 11% of General Fund revenue.

The City updated all user fees in 2005-06 and outsourced the billing and collection for ambulance transport services, both of which had a positive impact on revenue.

California Public Employees Retirement System (CalPERS). City retirement rates continue the steep climb for 2005-06 which began in 2003-04, reflecting investment losses sustained by CalPERS beginning in 2001. With investment rates back in the black at 12.3% for 2005-06 and the effects from new employer rate smoothing policies implemented by CalPERS, the City's rates show a slight increase in 2006-07 and are projected to decline for 2007-08 and 2008-09. 2005-06 is the third year of double digit investment returns from CalPERS.

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. Therefore, this is supposed to be the last year of any reduction to local revenues. Hermosa Beach's loss for 2004-05 and 2005-06 was \$326,472. The City did receive this year 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, which was a pleasant surprise. The State's structural budget imbalance is still of great concern to local government.

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 net assets for claims reserves and catastrophic losses.

Equipment Replacement Fund—Goal of net assets 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 25% 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 2005-06, funds were transferred to the Contingency Fund, Capital Improvement Fund, Insurance Fund and Equipment Replacement 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 continuing upgrades to the Community Center and Fire Station, refurbishment of the Clark Field Community Building, and a major renovation of the Public Works City Yard. The City will use federal Community Development Block Grant 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 25 months, with an average yield on investments of 3.49%. 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. 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 2008-09.

The City intends to establish a trust with an outside party to administer these funds. In the meantime, the City is contributing the annual required contribution for all employees as determined by an actuarial study in the manner as is done for retirement contributions to CalPERS.

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, 2005. This was the sixteenth 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,



Viki Copeland
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hermosa Beach
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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



President

Executive Director

CITY OF HERMOSA BEACH ORGANIZATIONAL CHART

ELECTORATE

CITY CLERK
CITY COUNCIL
CITY TREASURER

PLANNING COMMISSION
PUBLIC WORKS COMMISSION
CIVIL SERVICE BOARD
BOARD OF APPEALS
PARKS & RECREATION ADVISORY COMMISSION

CITY PROSECUTOR
CITY MANAGER
CITY ATTORNEY

COMMUNITY RESOURCES
PUBLIC WORKS
POLICE
FIRE
PERSONNEL/ RISK MANAGEMENT
FINANCE
COMMUNITY DEVELOPMENT

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

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

Enforcement
 Investigation
 Detention
 Emergency Dispatch
 Reserves
 Special Investigations
 Record Bureau
 Crossing Guard
COMMUNITY SERVICES
 Parking
 Enforcement
 Animal Control
 Meter
 Maintenance

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

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

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

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

PRINCIPAL OFFICIALS OF THE CITY OF HERMOSA BEACH, CALIFORNIA

June 30, 2006

Elected and Administrative Officials

City Council

Pete Tucker
Sam Y. Edgerton
Michael Keegan
J. R. Reviczky
Vacant

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

David Barr
Richard Morgan
Russell Tingley

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hermosa Beach, California (City), as of and for the year ended June 30, 2006, 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 opinion.

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, 2006, 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 the Governmental Accounting Standards Board Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, No. 44, *Economic Condition Reporting: The Statistical Section* (an amendment of NCGA Statement 1), No. 46, *Net Assets Restricted by Enabling Legislation*, and No. 47, *Accounting for Termination Benefits*.

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, is not a required part of the basic financial statements but is 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.

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 & Carson

Irvine, California
September 27, 2006

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, 2006. 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 \$84,015,000 (*net assets*). Of this amount, \$15,459,000 (*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 \$144,000. The increase is attributable to increases to user fees enacted in 2005-06 and increased revenues for taxes which were offset by increased costs for salaries and benefits due to changes in employee memoranda of understanding and the addition of other post employment benefits for all employees.
- As of June 30, 2006, the City of Hermosa Beach's governmental funds reported combined ending fund balances of \$15,115,000, an increase of \$14,000 in comparison with the prior year. Approximately 26% 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, 2006, the unreserved, undesignated 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 2005-06. The unreserved balance in the Contingency Fund (or "rainy day fund") is \$3.6 million or 15% of General Fund appropriations and serves as the City's cushion against economic uncertainties.
- The City of Hermosa Beach currently has no debt.

Overview of the Financial Statements

This discussion and analysis 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 downtown enhancement funds. The Parking Fund was combined with the General Fund in 2005-06. Parking lot operations are still maintained in an enterprise fund.

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 Contingency Fund Capital Improvement 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-six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 25-32 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 an enterprise fund to account for its downtown enhancement operations. The Parking Fund, as previously stated was combined with the General Fund in 2005-06. *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 which is considered to be a major fund 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) are held as fiduciary funds by the City. 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 43-78 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 79 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 87-100 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, 2006, assets exceeded liabilities by \$84,015,000.

By far the largest portion of the City of Hermosa Beach's net assets, \$64,966,000, (77%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). The City of Hermosa Beach uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Net Assets						
June 30, 2006						
(dollars in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	\$28,490	\$28,185	\$(1,544)	\$(1,673)	\$26,946	\$26,512
Capital Assets	56,668	57,049	10,443	10,825	67,111	67,874
Total Assets	85,158	85,234	8,899	9,152	94,057	94,386
Long-term Liabilities						
Outstanding	3,057	3,766	--	--	3,057	3,766
Other Liabilities	6,622	6,181	363	568	6,985	6,749
Total Liabilities	9,679	9,947	363	568	10,042	10,515
Net Assets:	75,479	75,287	8,536	8,584	84,015	83,871
Invested in Capital Assets	56,668	57,049	8,298	8,081	64,966	65,130
Restricted	3,590	3,306	--	--	3,590	3,306
Unrestricted	15,221	14,932	238	503	15,459	15,435
Total Net Assets	\$75,479	\$75,287	\$8,536	\$8,584	\$84,015	\$83,871

A portion of the City of Hermosa Beach's net assets (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$15,459,000) 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.

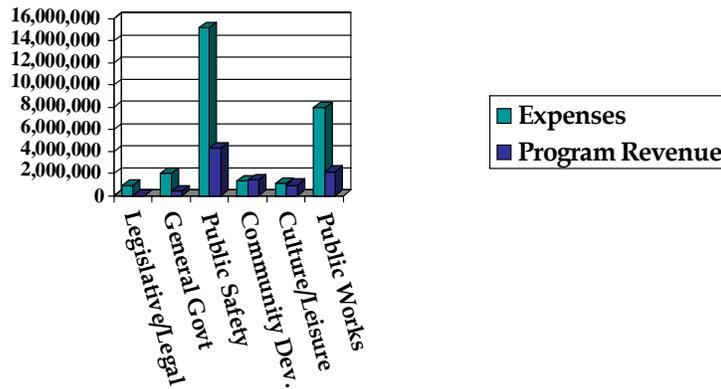
The government's net assets increased by \$144,000 during the current fiscal year. As mentioned earlier, this growth is attributable to increases to user fees enacted in 2005-06 and increased revenues for taxes that were offset by increased costs for salaries and benefits due to changes in employee memoranda of understanding and the addition of other post employment benefits for all employees. Both revenue and expense increases are discussed in more detail in the following report sections.

Governmental activities. Governmental activities increased the City of Hermosa Beach's net assets by \$192,000. Key elements of this increase are as follows:

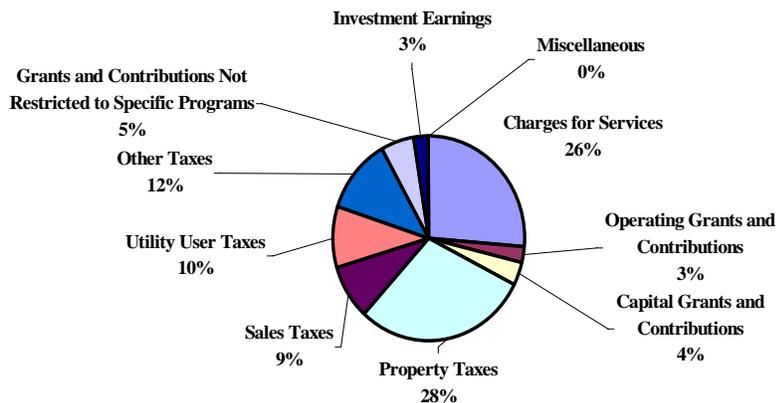
	Changes in Net Assets June 30, 2006 (dollars in thousands)					
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges For Services	\$7,538	\$5,640	\$1,187	\$4,154	\$8,725	\$9,794
Operating Grants and Contributions	725	721	--	--	725	721
Capital Grants and Contributions	1,043	2,466	--	--	1,043	2,466
General Revenues:						
Property Taxes	8,362	6,221	--	--	8,362	6,221
Other Taxes	8,698	8,482	--	--	8,698	8,482
Grants and Contributions Not Restricted to Specific Programs	1,537	2,318	--	--	1,537	2,318
Other	753	741	40	96	793	837
Total Revenues	28,656	26,589	1,227	4,250	29,883	30,839
Expenses:						
Legislative and Legal	962	738			962	738
General Government	1,999	1,727			1,999	1,727
Public Safety	15,168	12,855			15,168	12,855
Community Development	1,350	1,356			1,350	1,356
Culture and Recreation	1,149	996			1,149	996
Public Works	7,981	6,688			7,981	6,688
Downtown Enhancement			1,130	166	1,130	166
Parking			--	1,702	--	1,702
Total Expenses	28,609	24,360	1,130	1,868	29,739	26,228
Increase (Decrease) in Net Assets Before Transfers	47	2,229	97	2,382	144	4,611
Transfers	145	1,507	(145)	(1,507)	--	--
Increase (Decrease) in Net Assets	192	3,736	(48)	875	144	4,611
Net Assets - 7/1/05	75,287	71,551	8,584	7,709	83,871	79,260
Net Assets - 6/30/06	\$75,479	\$75,287	\$8,536	\$8,584	\$84,015	\$83,871

- The 34% increase in Charges to Services results primarily from fees related to the combining of the Parking Fund with the General Fund which increased service fees by \$3.2 million. This is not an actual increase but simply increases the governmental activities and decreases the business-type activities due to moving parking activities to the General Fund. Service charges in 2005-06 were less by \$1.3 million due to one-time fees that were received in 2004-05 for two undergrounding districts.
- Capital Grants and Contributions decreased due to reductions in County Proposition A Open Space funds for the Pier Renovation which was completed in 2005-06 and a grant from the State Office of Traffic Safety which is near completion.
- Property Taxes overall increased by \$2,141,000 with \$1,306,000 of the increase attributable to the reclassification of motor vehicle license revenue to this category in 2005-06 since these fees are now distributed via property tax collections. Adjusting for these fees, property tax revenue increased by \$835,000 or approximately 13%. Secured property tax revenue grew an average of 9% per year for the past five years. Property tax has been reduced by the state for the past two years by over \$300,000 as a budget balancing measure. Fortunately, this is the last year of that reduction.
- Other Taxes increased 3% 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 decreased for the following reasons: motor vehicle license fees, as previously stated, were reclassified as property tax in 2005-06 resulting in a reduction of \$1,045,000 in this category; the State repaid \$328,000 that was borrowed from motor vehicle license fees in 2003-04; \$87,000 in traffic congestion relief funding was received; Tyco lease revenues decreased by \$225,000 due to a one-time payment due on the first anniversary of the lease in the amount of \$300,000 that was received in 2004-05 that was partially offset by an additional \$75,000 that was received for the first full year of the lease; Proposition A and C Transit Funds increased by \$46,000; the State reimbursed claims in the amount of \$18,000 for mandated costs that had previously been put on hold.

Expenses and Program Revenues Governmental Activities



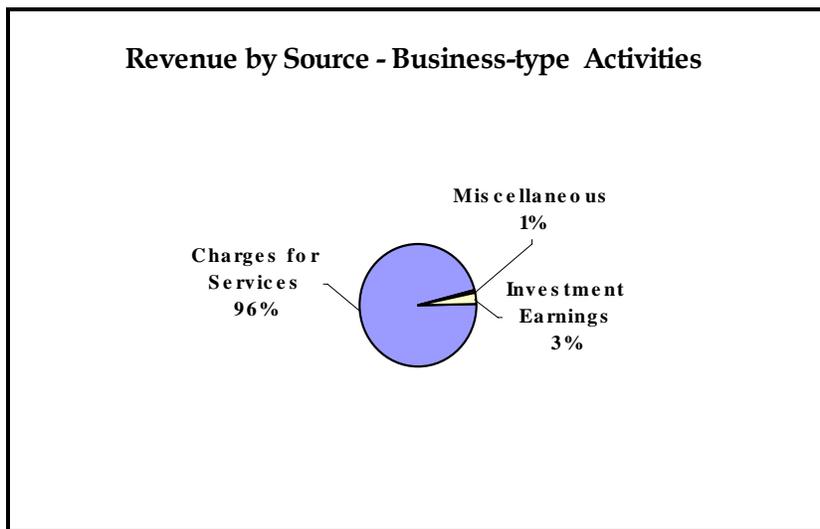
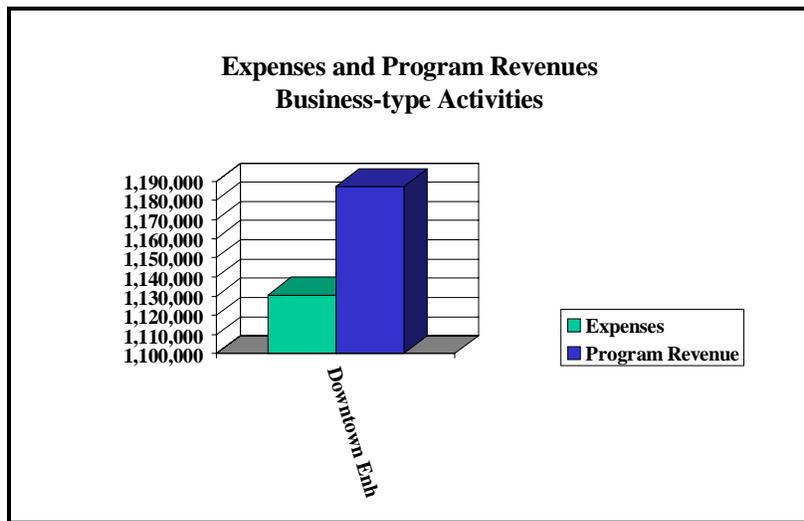
Revenue by Source - Governmental Activities



On the expense side, the General Government function increased 7% and the Public Safety function increased 9% due to the inclusion of departments formerly recorded in business-type activities in the Parking Fund. The Parking Fund was combined with the General Fund in 2005-06. Other increases, affecting all functions, include 4% for the increase in retirement costs for 2005-06, 4% for changes in employee memoranda of understanding (MOU's) and 1% for the increase in the annual required contribution for other post employment benefits (OPEB). Increased infrastructure maintenance projects and increased depreciation expenses, primarily due to the completion of the \$5.7 million Pier Renovation project included in the Public Works category, are largely responsible for the remaining increase in 2006.

Business-type activities. Business-type activities decreased the net assets by \$48,000. The primary contributing factors to this decrease were:

- Charges for Services decreased 71% due to combining the Parking Fund with the General Fund. Revenue for parking fines and parking meters are now included in governmental activities.
- The Downtown Enhancement operation shows increased expenses primarily because the sale of real property which occurred in the previous year, 2004-05, reduced expenditures since there was a gain of \$844,000. Adjusting for the gain, the operation would reflect an increase of \$120,000 or 11%, due to the following: depreciation expense increased because a storage lot facility purchased in June 2005 recorded a full year of depreciation, the County of Los Angeles share of net income due for the parking structure increased because of higher parking structure revenue, salary and benefit costs increased due to changes in employee MOU's, the addition of other post employment benefits for all employees and an increase in repairs and maintenance costs for the parking structure due to a major restriping project.
- The Parking operation shows no activity for 2005-06 since it was combined with the General Fund. Parking expenses now appear in the General Government and Public Safety functions of governmental activities.



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 \$15,115,000, an increase of \$14,000, in comparison with the prior year. Approximately 74% of this total amount \$11,112,000 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 (\$3,156,000), 2) fund transportation development act projects (\$11,000), 3) fund traffic congestion relief projects (\$90,000), 4) to account for advances to an undergrounding district fund (\$200,000) and 5) to account for an advance to the Downtown Enhancement proprietary fund for the purchase of a storage lot facility (\$546,000).

Three 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, 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 \$370,000, with \$159,000 reserved for re-appropriations and \$211,000 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 2005-06, the City Council redirected that funds left unspent in the General Fund at year end transfer equally to the Contingency Fund, the Capital Improvement Fund, the Insurance Fund and the Equipment Replacement Fund. The transfer to each fund was \$640,318. Key reasons funds were available at year end are as follows:

- Property taxes reflect the reclassification of motor vehicle license revenue to this category since the measurement and growth of these fees is now based on assessed valuation. Adjusting for these fees, property tax revenue increase would be 13%.
- The State repaid \$328,000 that was withheld from vehicle license fees in 2003-04. The fees were scheduled to be repaid in 2006 but were paid earlier in a surprise positive move by the State.
- Transient occupancy tax revenue increased 10% with good overall hotel occupancy of 79.1%.
- The Parking Fund was combined with the General Fund in 2005-06 resulting in a net increase to the fund balance of \$1.3 million.
- Expenditures were 6% less than budgeted, namely due to a number of vacant positions which equates to salary and benefit savings.

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 unreserved balance of \$3.6 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 \$238,000. There is no balance remaining in the Parking Fund because it was combined with the General Fund in 2005-06. 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 4% for appropriations. Actual revenue was higher than budgeted by 5% due to aforementioned revenue increases. Transfers In increased by \$10,000 which was the balance remaining in the Parking Fund when it was closed out to the General Fund.

Differences between original and final appropriations other than Transfers Out equaled \$859,000 or about 3%. They are briefly summarized as follows:

- \$971,000 in increases to all functions reflect salary and benefit increases for changes to employee memoranda of understanding (MOU's) and the increase in the annual required contribution for other post employment benefits (OPEB). The increase by function is as follows: Legislative/Legal - \$16,000, General Government - \$83,000, Public Safety - \$727,000, Community Development - \$53,000, Culture and Recreation - \$15,000 and Public Works - \$77,000.
- \$123,000 in increases in the Legislative/Legal category for additional legal costs pertaining to on-going litigation detailed in Note 12, special election costs and a donation to the Hermosa Beach Historical Society building renovation project.
- (\$416,000) decrease represents General Government funding from Prospective Expenditures for salary and benefit increases for all functions for changes to employee MOU's and OPEB benefits, an increase to Personnel legal costs and Police Chief recruiting services.
- (\$83,000) in Public Safety decreases for providing the general government function with funding for additional Personnel legal costs and Police Chief recruiting services.
- \$24,000 in Community Development increases to fund a grease trap inspection program and additional personnel costs for a new position.
- \$78,000 increase to the Culture and Recreation category - \$17,000 in donations appropriated for Sunset Concerts; \$12,000 in donations appropriated for recreation programs and community events and increased costs for instructor payments due to a growth in recreation class enrollment (offset by increased revenue).
- \$53,000 to complete building maintenance projects, including a renovation of the Community Services building.
- \$109,000 in increases for capital outlay for the City's share of a federal fire equipment grant, parks improvement projects and an upgrade to the Police Department heating and air conditioning system.

Transfers Out increased due to funding provided to other funds for salary and benefit increases for changes to employee MOU's and OPEB benefits added for all employees and 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, 2006, amounts to \$67,111,000 (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 decrease in the City of Hermosa Beach's investment in capital assets for the 2005-06 fiscal year was 1% (a 1% decrease for governmental activities and a 4% decrease 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 \$292,000 at the end of the fiscal year.
- Construction in progress on Community Center Improvements was \$503,000 at the end of the fiscal year.
- Construction in progress on Parks Improvements was \$639,000 at the end of the fiscal year.
- Construction in progress on Beach Restroom Rehabilitation was \$19,000 at the end of the fiscal year.

Business type Activities

- The Parking Fund was combined with the General Fund resulting in a net decrease of (\$184,000) in capital assets.

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

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$17,552	\$18,052	\$5,188	\$5,188	\$22,740	\$23,240
Buildings and Structures	2,732	2,046	5,202	5,406	7,934	7,452
Improvements Other Than Buildings	9,336	4,401	5	6	9,341	4,407
Machinery and Equipment	1,195	1,147	11	12	1,206	1,159
Vehicles	1,566	1,444	--	--	1,566	1,444
Infrastructure	22,811	23,251	--	176	22,811	23,427
Construction in Progress	1,476	6,708	37	37	1,513	6,745
Total	\$56,668	\$57,049	\$10,443	\$10,825	\$67,111	\$67,874

Additional information on the City of Hermosa Beach's capital assets can be found in note 6 on pages 63-66 of this report.

Economic Factors and Next Year's Budgets and Rates

- Median home prices are still strong in Hermosa Beach at this point, although many other areas are experiencing deterioration in prices and sales. The median home prices for June 2006 in Hermosa Beach was \$1,100,000, with the average median price for 2005-06 at \$1,204,250. We will expect to see some decreases in the coming months, though perhaps not as steep as in other parts of the state. Property by the water is very desirable. The assessed valuation in Hermosa Beach has risen approximately 9.5% for the last five years and increased 11.3% over 2004-05.
- Sales tax revenue decreased 3% from last year, reflecting loss of the BMW dealership. A new Lotus dealership (including sales of high-end used vehicles) is operating on a portion of the site but development of the remainder of the site remains in question. Fortunately, transient occupancy taxes are up 10% for the same period and are helping to offset the loss of revenue.
- Utility user taxes, which produce 11% of General Fund revenue, grew 2% over 2004-05. The repeal of the federal excise tax (which many UUT ordinances use by reference) is a concern as are the other pending legal challenges to various utility user taxes around the State. These issues, combined with the advent of internet phone service and other changes in service delivery, may erode this tax base as may the outcome of the debate over taxation of the internet at the federal level.
- Voters did not approve a supplemental Lighting/Landscaping Assessment District. The City Council will have to consider other options of how best to deal with the shortfall in revenue during midyear budget review.
- Retirement contribution rates from the state retirement system, CalPERS, continue at high levels for 2005-06, with a slight increase predicted in 2006-07. Thereafter, CalPERS estimates that overall rates will decline for 2007-08 and 2008-09. CalPERS investment earnings are back in the double digits for 2005-06 and rate-smoothing policies adopted by CalPERS appear to be working, based on the rate predictions. The City does have 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%; 2006, 12.3%.
- New Governmental Accounting Standards Board (GASB) statements, numbers 43 and 45, will require the city to account for Other Post Employment Benefits, such as retiree payments for health benefits, effective with the 2008-09 fiscal year. The City has already done the actuarial study to determine the required annual contribution for these benefits and is setting those funds aside in a separate fund. The City intends to set up a trust for these funds and hire an outside company to administer them.
- Actions taken by the State to date with respect to property tax, sales tax (the "Triple Flip") and vehicle license fees make projecting our share of these revenue sources far more complicated than before. While Proposition 1A, which was passed in November 2004, protects local government revenue to a point, the State's continuing structural budget imbalance is of concern. The State's history of diverting local revenue rather than dealing with their budget imbalance is well documented.

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, 2006

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and investments	\$ 22,993,762	\$ 573,776	\$ 23,567,538
Reimbursable grants receivable	133,189		133,189
Interest receivable on investments	251,859	10,910	262,769
Other accounts receivable	2,071,745	15,241	2,086,986
Property taxes receivable	687,335		687,335
Internal Balance	2,144,948	(2,144,948)	-
Deposits	80,000		80,000
Other assets	127,925	1,000	128,925
Total current assets	28,490,763	(1,544,021)	26,946,742
Noncurrent assets:			
Capital assets:			
Non-depreciable	19,028,195	5,224,729	24,252,924
Depreciable, net	37,639,715	5,218,009	42,857,724
Total capital assets	56,667,910	10,442,738	67,110,648
Total noncurrent assets	56,667,910	10,442,738	67,110,648
Total assets	85,158,673	8,898,717	94,057,390
LIABILITIES			
Current liabilities:			
Workers' compensation claims payable - due within one year	746,000		746,000
General liability claims payable - due within one year	302,000		302,000
Compensated absences - due within one year	982,901		982,901
Accounts payable and accrued liabilities	1,281,643	302,157	1,583,800
Accrued wages and compensated absences	1,747,159	11,754	1,758,913
Refundable deposits	555,332	27,012	582,344
Unearned revenue	955,418	22,180	977,598
Other liabilities	51,647		51,647
Total current liabilities	6,622,100	363,103	6,985,203
Noncurrent liabilities:			
Workers' compensation claims payable	2,255,247		2,255,247
General liability claims payable	552,602		552,602
Compensated absences	248,958		248,958
Total noncurrent liabilities	3,056,807	-	3,056,807
Total liabilities	9,678,907	363,103	10,042,010
NET ASSETS			
Invested in capital assets, net of related debt	56,667,910	8,297,790	64,965,700
Restricted for:			
Capital projects	283,278		283,278
Specific projects	3,307,345		3,307,345
Total restricted assets	3,590,623	-	3,590,623
Unrestricted net assets	15,221,233	237,824	15,459,057
Total net assets	\$ 75,479,766	\$ 8,535,614	\$ 84,015,380

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, 2006

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
Legislative and legal	\$ 962,682				
General government	1,999,234	\$ 458,900	\$ 29,324		\$ 488,224
Public safety	15,167,715	3,891,881	288,977	\$ 76,312	4,257,170
Community development	1,349,891	1,393,212	10,064		1,403,276
Culture and recreation	1,149,070	986,137			986,137
Public works	7,980,811	808,091	396,771	966,542	2,171,404
Total governmental activities	28,609,403	7,538,221	725,136	1,042,854	9,306,211
Business-type activities:					
Downtown Enhancement	1,130,499	1,187,249			1,187,249
Parking					-
Total business-type activities	1,130,499	1,187,249	-	-	1,187,249
Total primary government	\$ 29,739,902	\$ 8,725,470	\$ 725,136	\$ 1,042,854	\$ 10,493,460

General Revenues:

Taxes:

- Property taxes
- Sale taxes
- Real Property Transfer Tax
- Franchise Fees
- Transient Occupancy Tax
- Business License
- Utility Users Tax
- ½ cent Sales Tax for Public Safety

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

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (962,682)		\$ (962,682)
(1,511,010)		(1,511,010)
(10,910,545)		(10,910,545)
53,385		53,385
(162,933)		(162,933)
(5,809,407)		(5,809,407)
(19,303,192)	\$ -	(19,303,192)
	56,750	56,750
	-	-
-	56,750	56,750
(19,303,192)	56,750	(19,246,442)
8,361,888		8,361,888
2,511,004		2,511,004
305,018		305,018
597,754		597,754
1,628,394		1,628,394
740,746		740,746
2,726,085		2,726,085
188,644		188,644
17,059,533	-	17,059,533
1,537,667	-	1,537,667
753,746	33,154	786,900
113	6,323	6,436
144,451	(144,451)	-
19,495,510	(104,974)	19,390,536
192,318	(48,224)	144,094
75,287,448	8,583,838	83,871,286
\$ 75,479,766	\$ 8,535,614	\$ 84,015,380

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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.

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

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

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

City of Hermosa Beach
Balance Sheet
Governmental Funds
June 30, 2006

	Major Funds				Total
	General	Contingency Special Revenue	Capital Improvement Special Revenue	Other Governmental Funds	
ASSETS					
Cash and investments	\$ 1,326,878	\$ 3,482,394	\$ 4,288,438	\$ 6,614,845	\$ 15,712,555
Reimbursable grants receivable				133,189	133,189
Interest receivable on investments	63,453	40,698	53,185	94,523	251,859
Other accounts receivable	1,895,215			172,944	2,068,159
Property taxes receivable	675,391			11,944	687,335
Due from other funds		65,520		148,929	214,449
Advances to other funds		546,316	200,000		746,316
Other assets	63,650			2,877	66,527
Total assets	\$ 4,024,587	\$ 4,134,928	\$ 4,541,623	\$ 7,179,251	\$ 19,880,389
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 533,827		\$ 151,487	\$ 396,841	\$ 1,082,155
Wages and compensated absences payable	1,649,262		8,309	48,281	1,705,852
Due to other funds				214,449	214,449
Refundable deposits	555,332				555,332
Deferred revenue	864,474		4,000	86,944	955,418
Advances from other funds				200,000	200,000
Other liabilities	51,647				51,647
Total liabilities	3,654,542	\$ -	163,796	946,515	4,764,853
Fund Balances:					
Reserved for:					
Re-appropriations	158,854		1,751,627	1,246,072	3,156,553
Bike paths				11,158	11,158
Traffic congestion relief				89,918	89,918
Advances to other funds			200,000		200,000
Storage lot purchase loan		546,316			546,316
Unreserved, designated for:					
Sales tax in-lieu	99,360				99,360
Affordable housing	111,831				111,831
Justice and treasury department				10,719	10,719
Unreserved, undesignated:					
Special revenue		3,588,612	2,426,200	4,874,869	10,889,681
Total fund balances	370,045	4,134,928	4,377,827	6,232,736	15,115,536
Total liabilities and fund balances	\$ 4,024,587	\$ 4,134,928	\$ 4,541,623	\$ 7,179,251	\$ 19,880,389

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, 2006

Total Fund Balances - Total Governmental Funds \$ 15,115,536

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

	Governmental- 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	\$ 19,028,195	\$ (127,829)	18,900,366
Depreciable, net	37,639,715	(2,252,758)	35,386,957
Total capital assets	\$ 56,667,910	\$ (2,380,587)	54,287,323

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	1,970,320
Equipment Replacement Fund	5,338,446
Total internal service funds	7,308,766

Compensated absences were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. (1,231,859)

Net Assets of Governmental Activities \$ 75,479,766

City of Hermosa Beach
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2006

	Major Funds				Total
	General	Contingency	Capital	Other	
		Special Revenue	Improvement Special Revenue	Governmental Funds	
REVENUES:					
Property taxes	\$ 8,361,888			\$ 456,163	\$ 8,818,051
Other taxes	8,697,645			707,280	9,404,925
Licenses and permits	868,085				868,085
Fines and forfeitures	1,588,815			38,459	1,627,274
Use of money and property	312,248			300,000	612,248
Intergovernmental	559,933			1,718,836	2,278,769
Charges for services	3,765,895			139,745	3,905,640
Miscellaneous	71,318			317,214	388,532
Interest earned on investments	117,730	\$ 116,763	\$ 193,225	326,028	753,746
Total revenues	24,343,557	116,763	193,225	4,003,725	28,657,270
EXPENDITURES:					
Current:					
Legislative and legal	963,031				963,031
General government	2,116,181			103,881	2,220,062
Public safety	14,186,925			257,409	14,444,334
Community development	1,327,389			19,607	1,346,996
Culture and recreation	1,105,544			18,803	1,124,347
Public works	2,540,396			1,245,158	3,785,554
Capital outlay	79,598		1,028,361	2,298,611	3,406,570
Total expenditures	22,319,064	-	1,028,361	3,943,469	27,290,894
REVENUES OVER (UNDER) EXPENDITURES	2,024,493	116,763	(835,136)	60,256	1,366,376
OTHER FINANCING SOURCES (USES):					
Transfers in	1,244,395	1,348,741	815,864	864,743	4,273,743
Transfers out	(3,375,674)	(50,000)	(85,856)	(2,114,258)	(5,625,788)
Total other financing sources (uses)	(2,131,279)	1,298,741	730,008	(1,249,515)	(1,352,045)
Net change in fund balances	(106,786)	1,415,504	(105,128)	(1,189,259)	14,331
FUND BALANCES:					
Beginning of year	476,831	2,719,424	4,482,955	7,421,995	15,101,205
End of year	\$ 370,045	\$ 4,134,928	\$ 4,377,827	\$ 6,232,736	\$ 15,115,536

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, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ 14,331
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	3,406,570
Less repair and maintenance expenditures reported in public works	<u>(1,987,560)</u>
Total	<u>1,419,010</u>
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 \$353,701 which are reported below.	
Total depreciation reported in Government-Wide Statement of Activities	(2,517,143)
Less depreciation reported in Internal Service Funds	<u>353,701</u>
Total	<u>(2,163,442)</u>
Capital assets contributed from the Parking Enterprise Fund to the General Fund was not reported in the General Fund because the contribution did not have any flow of current financial resources. However, the contribution should be reported as transfers on the Government-Wide Statement of Activities.	
	<u>184,028</u>
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.	
	<u>(229,708)</u>
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.	
	<u>968,099</u>
Change in Net Assets of Governmental Activities	\$ 192,318

See accompanying Notes to Basic Financial Statements.

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PROPRIETARY FUND FINANCIAL STATEMENTS

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PROPRIETARY FUND FINANCIAL STATEMENTS

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

Parking Fund - All meter, fine and parking permit revenues are deposited to the Parking Fund in order to finance parking operations and capital improvements. The Parking Fund was combined with the General Fund in 2005-06.

City of Hermosa Beach
Statement of Net Assets
Proprietary Funds
June 30, 2006

	Major Enterprise Fund		Total	Governmental
	Downtown Enhancement	Parking	Enterprise Funds	Activities Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 573,776		\$ 573,776	\$ 7,281,207
Interest receivable on investments	10,910		10,910	
Other accounts receivable	15,241		15,241	3,586
Advances to other funds				1,598,632
Deposits				80,000
Other assets	1,000		1,000	61,398
Total current assets	600,927	\$ -	600,927	9,024,823
Noncurrent assets:				
Capital assets, net of accumulated depreciation	10,442,738		10,442,738	2,380,587
Total noncurrent assets	10,442,738	-	10,442,738	2,380,587
Total assets	11,043,665	-	11,043,665	11,405,410
LIABILITIES				
Current liabilities:				
Current portion of long-term liabilities				1,048,000
Accounts payable	302,157		302,157	199,488
Accrued wages and compensated absences	11,754		11,754	41,307
Refundable deposit	27,012		27,012	
Advances from other funds	2,144,948		2,144,948	
Deferred revenue	22,180		22,180	
Total current liabilities	2,508,051	-	2,508,051	1,288,795
Long-term liabilities:				
Workers' compensation claims payable				3,001,247
General liability claims payable				854,602
Less current portion above				(1,048,000)
Total long-term liabilities	-	-	-	2,807,849
Total liabilities	2,508,051	-	2,508,051	4,096,644
NET ASSETS				
Investment in capital assets, net of related debt	8,297,790		8,297,790	2,380,587
Unrestricted	237,824		237,824	4,928,179
Total net assets	\$ 8,535,614	\$ -	\$ 8,535,614	\$ 7,308,766

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, 2006

	Major Enterprise Fund		Total Enterprise Funds	Governmental
	Downtown Enhancement	Parking		Activities Internal Service Funds
OPERATING REVENUES:				
Use of money and property	\$ 224,257		\$ 224,257	
Charges for services	962,992		962,992	\$ 2,936,628
Miscellaneous	6,323		6,323	
Total operating revenues	1,193,572	\$ -	1,193,572	2,936,628
OPERATING EXPENSES:				
Salaries and wages	55,615		55,615	312,248
Contractor services	804,171		804,171	765,366
Supplies	72,741		72,741	131,640
Claims expense				1,737,692
Depreciation	197,972		197,972	353,701
Total operating expenses	1,130,499	-	1,130,499	3,300,647
OPERATING INCOME (LOSS)	63,073	-	63,073	(364,019)
NONOPERATING REVENUES (EXPENSES):				
Interest earned on investments	33,154		33,154	
Proceed from sale of capital assets				19,650
Total nonoperating revenues (expenses)	33,154	-	33,154	19,650
INCOME (LOSS) BEFORE				
CONTRIBUTIONS AND TRANSFERS	96,227	-	96,227	(344,369)
Capital contribution to Governmental Funds		(184,028)	(184,028)	
Transfers in	53,684		53,684	1,312,468
Transfers out	(3,721)	(10,386)	(14,107)	
Total contributions and transfers	49,963	(194,414)	(144,451)	1,312,468
Change in net assets	146,190	(194,414)	(48,224)	968,099
NET ASSETS:				
Beginning of the year	8,389,424	194,414	8,583,838	6,340,667
End of the year	\$ 8,535,614	\$ -	\$ 8,535,614	\$ 7,308,766

See accompanying Notes to Basic Financial Statements.

City of Hermosa Beach
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2006

	Major Enterprise Fund		Total Enterprise Funds	Governmental
	Downtown Enhancement	Parking		Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 1,202,664	\$ 48,040	\$ 1,250,704	\$ 357,411
Cash received for services from other funds				2,936,628
Cash payments to other funds for services	(598,710)		(598,710)	
Cash payments to suppliers for goods and services	(860,035)	(47,594)	(907,629)	(905,992)
Cash payments to employees for services	(52,384)	(194,714)	(247,098)	(342,154)
Insurance premiums and settlements				(1,537,333)
Other operating revenues	6,323		6,323	
Net cash provided by (used for) operating activities	(302,142)	(194,268)	(496,410)	508,560
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	53,684		53,684	1,312,468
Transfers out	(3,721)	(10,386)	(14,107)	
Net cash provided by (used for) noncapital financing activities	49,963	(10,386)	39,577	1,312,468
CASH FLOWS CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceed from sale of capital assets				19,650
Acquisition of capital assets				(532,531)
Net cash provided by (used for) capital and related financing activities	-	-	-	(512,881)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest receivable on investments	30,233	3,611	33,844	
Net cash provided (used) by investing activities	30,233	3,611	33,844	-
Net increase (decrease) in cash and cash equivalents	(221,946)	(201,043)	(422,989)	1,308,147
CASH AND CASH EQUIVALENTS:				
Beginning of year	795,722	201,043	996,765	5,973,060
Ending of year	\$ 573,776	\$ -	\$ 573,776	\$ 7,281,207
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 63,073		\$ 63,073	\$ (364,019)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	197,972		197,972	353,701
Changes in operating assets and liabilities:				
Other accounts receivable	(3,673)	\$ 50,505	46,832	
Other assets	(1,000)		(1,000)	(41,729)
Worker's compensation claims payable				(36,310)
General liability claims payable				236,669
Accounts payable	16,877	(47,594)	(30,717)	(8,986)
Accrued wages and compensated absences	3,231	(194,714)	(191,483)	(29,906)
Refundable deposits		(2,465)	(2,465)	
Advances from (to) other fund	(598,710)		(598,710)	399,140
Deferred revenue	20,088		20,088	
Total adjustments	(365,215)	(194,268)	(559,483)	872,579
Net cash provided (used) by operating activities	\$ (302,142)	\$ (194,268)	\$ (496,410)	\$ 508,560

Noncash Transactions

DISCLOSURE OF NON-CASH TRANSACTION:

The City's Parking Enterprise Fund contributed its capital assets in the amount of \$184,028 to the City's Governmental Funds for the year ended June 30, 2006.

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

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FIDUCIARY FUND FINANCIAL STATEMENTS

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

City of Hermosa Beach
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 1,098,395
Interest receivable	4,626
Other accounts receivable	<u>26,278</u>
Total assets	<u>\$ 1,129,299</u>
LIABILITIES	
Assessment:	
Installment account	\$ 337,793
Reserve Requirement	13,943
OPEB contribution from City	<u>777,563</u>
Total liabilities	<u>\$ 1,129,299</u>

See accompanying Notes to Basic Financial Statements.

City of Hermosa Beach
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For the year ended June 30, 2006

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City of Hermosa Beach
Notes to Basic Financial Statements
For the year ended June 30, 2006

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. This fund was closed in 2005-06.

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.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus

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

Government - Wide Financial Statements

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

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

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

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

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

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

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.

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.

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. Beginning in 2004-05, the State took sales tax revenue (Sales Tax In Lieu) from cities and counties, 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 2007. 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.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

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. Prior to 2005-06, this fund accounted for all meter, fine and parking permit revenues and expenditures related to parking operations and capital improvements. The fund was combined with the General Fund in fiscal year 2005-06.

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.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. The City's Fiduciary funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary fund types are accounted for according to the nature of the fund. Funds held as fiduciary funds represent assets resulting from assessments to the property owners in 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. In 2005-06, benefits were added to this fund for all city employees. 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.

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

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

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

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash and Investments, Continued

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.”

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 capital 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

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Capital Assets, Continued

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, 2006 into the 2005-2006 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.

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 25% of the accrued liability for compensated absences.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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."

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 Governmental Accounting Standards Board (GASB) Pronouncements

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

- GASB Statement No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries.
- GASB Statement No. 44 *Economic Condition Reporting: The Statistical Section* (an amendment of NCGA Statement 1) guides the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government.
- GASB Statement No. 46 *Net Assets Restricted by Enabling Legislation* addresses selected issues and amends GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The Statement enhances the usefulness and comparability of net asset information and clarifies the meaning of legal enforceability. The Statement also specified accounting and financial reporting requirements for restricted net assets.
- GASB Statement No. 47 *Accounting for Termination Benefits* provides accounting guidance for state and local governmental employers regarding benefits (such as early-retirement incentives and severance benefits) provided to employees that are terminated. The Statement requires recognition of the cost of involuntary termination benefits in the period in which a government becomes obligated to provide benefits to terminated employees.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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. The City had the following cash and investments at June 30, 2006:

	Government-Wide Statement of Net Assets			Funds Financial	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds	
				Statement of Net Assets	Total
Cash and Investments	\$ 22,993,762	\$ 573,776	\$ 23,567,538	\$ 1,098,395	\$ 24,665,933

The City's Cash and Investments at June 30 in more detail:

	Fair Value
City Treasury:	
<i>Cash Deposits:</i>	
Demand accounts	\$ 267,861
Less items in transit	(281,328)
Total cash deposits	(13,467)
<i>Investments:</i>	
Local Agency Investment Fund	21,221,425
U.S. government notes	3,457,975
Total investments	24,679,400
Total cash and investments	\$ 24,665,933

A. Cash Deposits

The carrying amounts of the City's cash deposits were \$(13,467) at June 30, 2006. Bank balances at June 30, 2006, were \$269,894 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.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

A. Cash Deposits, Continued

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures, 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

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, 2006, amounted to an unrealized decrease of \$1,091.

The City's investments with the Local Agency Investment Fund (LAIF), the State of California's investment pool, at June 30, 2006, 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, 2006, the City had \$21,221,425 invested in LAIF. 2.567% of pool investment funds were invested in Structured Notes and Asset-Backed Securities.

The City valued its investments in LAIF as of June 30, 2006 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 .998185821.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

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, 2006, the City had the following investment maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1	1 to 2
Federal Home Loan Bank	\$ 2,472,190	\$ 1,482,815	\$ 989,375
Federal Home Loan Mortgage Corporation	498,440	498,440	
Federal National Mortgage Association	487,345		487,345
Local Agency Investment Fund	21,221,425	21,221,425	
Total	\$ 24,679,400	\$ 23,202,680	\$ 1,476,720

Custodial Risk - The City's investment policy requires that all securities purchased from brokers/dealers shall be held in third party safekeeping. All Treasury bills and most other Treasury securities are "book entry" securities that are held at the Federal Reserve Union Bank of California. Collateral for time deposits in banks and savings and loans are held by the Federal Home Loan Bank or an approved agency of depository of the financial institution.

Credit Risk - The City's investment policy recognizes the risk of potential loss of principal, interest or a combination of these amounts on investments. As such, the policy allows for investments only in instruments that are considered very safe. The City's investments are rated by the nationally recognized statistical rating organizations as follows:

	Moody's	Standard & Poor's
U.S. Agencies		
Federal Home Loan Bank	Aaa	AAA
Federal Home Loan Mortgage Corporation	Aaa	AAA
Federal National Mortgage Association	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.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

3. RECEIVABLES

Government-Wide Financial Statements

At June 30, 2006, the Government-Wide Financial Statements show the following miscellaneous receivables net of allowances for uncollectible amounts, if any:

	Government-Wide		Fiduciary Funds	Total
	Statement of Net Assets			
	Governmental	Business-Type		
	Activities	Activities	Statement of	
			Net Assets	
Accounts	\$ 2,071,745	\$ 15,241	\$ 26,278	\$ 2,113,264
Taxes	687,335			687,335
Interest	251,859	10,910	4,626	267,395
Grants	133,189			133,189
Total	\$ 3,144,128	\$ 26,151	\$ 30,904	\$ 3,201,183

Fund Financial Statements

At June 30, 2006, the Fund Financial Statements show the following receivables:

A. Accounts Receivable

Accounts receivable consisted of amounts accrued in the ordinary course of operations. The total amount of accounts receivable for each major and non-major fund in the aggregate as of June 30, 2006, were as follows:

<i>Governmental Funds:</i>	
General Fund	\$ 1,895,215
Non-major Funds	172,944
Total governmental funds	2,068,159
<i>Proprietary Funds:</i>	
Downtown Enhancement Fund	15,241
Total proprietary funds	15,241
<i>Internal Services Funds</i>	3,586
<i>Agency Funds</i>	26,278
Total	\$ 2,113,264

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

3. RECEIVABLES, Continued

B. Taxes Receivable

At June 30, 2006, 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	\$ 675,391
Non-major Funds	11,944
Total	\$ 687,335

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, 2006, was as follows:

	City Pooled Investments
<i>Governmental Funds:</i>	
General fund	\$ 63,453
Contingency fund	40,698
Capital Improvement	53,185
Non-major funds	94,523
Total governmental funds	251,859
<i>Proprietary Funds:</i>	
Downtown Enhancement fund	10,910
Total proprietary funds	10,910
Total	262,769
<i>Agency Funds</i>	4,626
Total interest receivable	\$ 267,395

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, 2006 were as follows:

<i>Governmental Funds:</i>	
Non-major Funds	\$ 133,189
Total governmental funds	\$ 133,189

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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 2005-2006 is \$220,648.

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 \$2,376. The lease includes a negotiated increase to the monthly lease payment to be calculated every 60 months based on the consumer price index. The next increase is due in January 2011.

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 \$2,180.

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 \$14,749.

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

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,		
2007	\$	253,823
2008		239,241
2009		153,300
2010		28,512
2011		28,512
2012-2016		142,560
2017-2021		142,560
2022-2026		142,560
2027-2031		142,560
2032-2036		142,560
2037-2041		142,560
2042-2046		142,560
2047-2051		128,304
Total	\$	1,829,612

Lease revenue for fiscal year 2006 was \$293,911 with \$69,655 reflected in the General Fund and \$224,256 in the Downtown Enhancement Fund, an enterprise fund.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

5. INTERFUND TRANSACTIONS

A. Government-Wide Financial Statements

Transfers

At June 30, 2006, the City had the following transfers:

Transfers In	Governmental Activities	Transfers Out
		Business-Type Activities
	\$	144,451

B. Fund Financial Statements

In the year ended June 30, 2006, the following one-time transfers were made:

- The Downtown Enhancement Fund made transfer of \$3,721 to the General Fund to reimburse for administrative expense.
- The General Fund made a transfer of \$53,684 to the Downtown Enhancement Fund to finance a Centennial celebration to be held on the Downtown Plaza in 2007.
- The Parking Fund made a transfer of \$194,414 to the General Fund to combine with the General Fund in fiscal year 2005-2006;

Due To/From Other Funds

The composition of due to/from other funds at June 30, 2006 is as follows:

Due From Other Funds	Contingency Fund Non-major funds Total	Due to Other Funds
		Non-major Governmental Funds
		\$ 65,520
		148,929
	\$	214,449

The balance of \$65,520 due to the Contingency fund from non-major governmental funds resulted from a loan for the start up of a utility undergrounding district. The remaining balance of \$148,929 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.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Advances From/To Other Funds

At June 30, 2006, the composition of advances to other funds is as follows:

		Advances From Other Funds		
		Downtown Enhancement Fund	Non-major Governmental Funds	Total
Advances to Other Funds	Contingency Fund	\$ 546,316		\$ 546,316
	Capital Improvement Fund		\$ 200,000	200,000
	Internal Service funds	1,598,632		1,598,632
	Total	\$ 2,144,948	\$ 200,000	\$ 2,344,948

The balance of \$200,000 advanced from the Capital Improvement Fund to the non-major governmental funds resulted from long-term loans for the start up costs of a utility undergrounding district. 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 \$2,144,948 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 unrestricted net assets available at year end.

Transfers

At June 30, 2006, the City had the following transfers:

		Transfers Out						Total
		Contingency Improvement		Capital	Non-major	Downtown	Parking	
		General	Fund	Fund	Funds	Fund	Fund	
Transfer In	General Fund				\$ 1,230,288	\$ 3,721	\$ 10,386	\$ 1,244,395
	Contingency Fund	\$ 640,318			708,423			1,348,741
	Capital							
	Improvement Fund	640,317			175,547			815,864
	Non-major							
	Governmental Funds	728,887	\$ 50,000	\$ 85,856				864,743
Downtown								
Enhancement Fund	53,684						53,684	
Internal Service Funds	1,312,468						1,312,468	
Total	\$ 3,375,674	\$ 50,000	\$ 85,856	\$ 2,114,258	\$ 3,721	\$ 10,386	\$ 5,639,895	

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Transfers, Continued

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, 2006, the following one-time transfers were made:

- The General Fund made transfers of \$18,395 to Non-major governmental funds, \$2,325 to the Downtown Enhancement Fund and \$26,823 to the Internal Service funds to provide funding for changes to employee memoranda of understanding (MOU's);
- The General Fund made transfers of \$10,492 to Non-major governmental funds, \$1,359 to the Downtown Enhancement Fund and \$5,009 to the Equipment Replacement Fund to provide funding for the annual required contribution for other post employment benefits (OPEB) for all city employees;
- Excess funds in the Retirement Stabilization Fund in the amount of \$490,523 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;
- Excess funds in the Compensated Absences Fund in the amount of \$217,900 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 Contingency Fund made a transfer of \$50,000 to the Bonnie Brae Utility Underground District Fund to close out the fund after the project was rejected by property owners in the proposed district;
- The Capital Improvement Fund made a transfer of \$85,856 to the Bonnie Brae Utility Underground District Fund to close out the fund after the project was rejected by property owners in the proposed district;
- The General Fund made a transfer of \$50,000 to the Downtown Enhancement Fund to finance a Centennial celebration to be held on the Downtown Plaza in 2007.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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, 2006, the City’s capital assets consisted of the following:

	Government Activities	Business-Type Activities	Total
<i>Non-Depreciable Assets:</i>			
Land	\$ 17,552,077	\$ 5,188,092	\$ 22,740,169
Construction in progress	1,476,118	36,637	1,512,755
Total non-depreciable assets	<u>19,028,195</u>	<u>5,224,729</u>	<u>24,252,924</u>
<i>Depreciable Assets:</i>			
Buildings and structures	4,095,361	5,978,998	10,074,359
Improvements other than buildings	12,816,470	5,610	12,822,080
Machinery and equipment	2,493,898	19,267	2,513,165
Vehicles	2,925,101		2,925,101
Infrastructure	37,383,985		37,383,985
Total depreciable assets	<u>59,714,815</u>	<u>6,003,875</u>	<u>65,718,690</u>
Less accumulated depreciation for:			
Buildings and structures	(1,363,774)	(776,748)	(2,140,522)
Improvements other than Buildings	(3,480,484)	(281)	(3,480,765)
Machinery and equipment	(1,298,442)	(8,837)	(1,307,279)
Vehicles	(1,359,212)		(1,359,212)
Infrastructure	(14,573,188)		(14,573,188)
Total accumulated depreciation	<u>(22,075,100)</u>	<u>(785,866)</u>	<u>(22,860,966)</u>
Total depreciable assets, net	<u>37,639,715</u>	<u>5,218,009</u>	<u>42,857,724</u>
Total capital assets	<u><u>\$ 56,667,910</u></u>	<u><u>\$ 10,442,738</u></u>	<u><u>\$ 67,110,648</u></u>

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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, 2006:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<i>Capital assets not being depreciated:</i>				
Land	\$ 18,052,495		\$ (500,418)	\$ 17,552,077
Construction in progress	6,708,223	\$ 616,028	(5,848,133)	1,476,118
Total capital assets not being depreciated	<u>24,760,718</u>	<u>616,028</u>	<u>(6,348,551)</u>	<u>19,028,195</u>
<i>Capital assets being depreciated:</i>				
Buildings and structures	3,548,424	546,937		4,095,361
Improvements other than buildings	6,906,525	5,909,945		12,816,470
Machinery and equipment	2,375,797	284,776	(166,675)	2,493,898
Vehicles	2,777,489	352,855	(205,243)	2,925,101
Infrastructure	36,637,731	746,254		37,383,985
Total capital assets being depreciated	<u>52,245,966</u>	<u>7,840,767</u>	<u>(371,918)</u>	<u>59,714,815</u>
Less accumulated depreciation for:				
Buildings and structures	(1,501,764)	137,990		(1,363,774)
Improvements other than buildings	(2,505,730)	(974,754)		(3,480,484)
Machinery and equipment	(1,229,069)	(236,048)	166,675	(1,298,442)
Vehicles	(1,333,595)	(230,860)	205,243	(1,359,212)
Infrastructure	(13,387,042)	(1,186,146)		(14,573,188)
Total accumulated depreciation	<u>(19,957,200)</u>	<u>(2,489,818)</u>	<u>371,918</u>	<u>(22,075,100)</u>
Total capital assets being depreciated, net	<u>32,288,766</u>	<u>5,350,949</u>	<u>-</u>	<u>37,639,715</u>
Total governmental activities	<u>\$ 57,049,484</u>	<u>\$ 5,966,977</u>	<u>\$ (6,348,551)</u>	<u>\$ 56,667,910</u>

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

General Government	\$ (186,256)
Public Safety	191,332
Community Development	7,512
Culture and Recreation	20,347
Public Works	944,359
Infrastructure	1,186,148
Capital Assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	<u>326,376</u>
Total Depreciation Expenses	<u>\$ 2,489,818</u>

The reclassification of certain assets and their associated depreciation during fiscal year 2005-06 resulted in a negative current year depreciation expense for the General Government function.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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, 2005	Additions	Deletions	Balance June 30, 2006
<i>Capital assets not being depreciated:</i>				
Land	\$ 5,188,092			\$ 5,188,092
Construction in progress	36,637			36,637
Total capital assets not being depreciated	5,224,729	\$ -	\$ -	5,224,729
<i>Capital assets being depreciated:</i>				
Buildings and structures	6,025,516		(46,518)	5,978,998
Improvements other than buildings	14,447		(8,837)	5,610
Machinery and equipment	38,649		(19,382)	19,267
Infrastructure	235,942		(235,942)	-
Total capital assets, being depreciated	6,314,554	-	(310,679)	6,003,875
<i>Less accumulated depreciation for:</i>				
Buildings and structures	(619,129)	(196,373)	38,754	(776,748)
Improvements other than buildings	(8,837)	(281)	8,837	(281)
Machinery and equipment	(26,901)	(1,318)	19,382	(8,837)
Infrastructure	(59,678)		59,678	-
Total accumulated depreciation	(714,545)	(197,972)	126,651	(785,866)
Total capital assets being depreciated, net	5,600,009	(197,972)	(184,028)	5,218,009
Total business-type activities	\$ 10,824,738	\$ (197,972)	\$ (184,028)	\$ 10,442,738

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2006 are as follows:

Downtown enhancement	<u>\$ 197,972</u>
Total depreciation expense	<u><u>\$ 197,972</u></u>

There is no depreciation expense for the Parking Fund since it was combined with the General Fund in 2005-06.

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, 2006

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, 2006:

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006	Classification	
					Due in One Year	Due in more than One Year
<i>Governmental Activities:</i>						
Compensated absences	\$ 1,002,151	\$ 1,213,730	\$ (984,022)	\$ 1,231,859	\$ 982,901	\$ 248,958
Total	<u>\$ 1,002,151</u>	<u>\$ 1,213,730</u>	<u>\$ (984,022)</u>	<u>\$ 1,231,859</u>	<u>\$ 982,901</u>	<u>\$ 248,958</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, 2006, was \$1,231,859.

B. Long-Term Debt without City Commitment

At June 30, 2006, 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
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	20,000	13,975	33,975
2012-2016	135,000	45,662	180,662
2017-2018	70,000	4,550	74,550
Total	<u>\$ 305,000</u>	<u>\$ 133,087</u>	<u>\$ 438,087</u>

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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
2007	\$ 40,000	\$ 45,147	\$ 85,147
2008	45,000	43,105	88,105
2009	45,000	40,878	85,878
2010	50,000	38,477	88,477
2011	50,000	35,902	85,902
2012-2016	305,000	129,195	434,195
2017-2020	310,000	36,206	346,206
Total	\$ 845,000	\$ 368,910	\$ 1,213,910

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
2007	\$ 50,000	\$ 52,790	\$ 102,790
2008	55,000	50,267	105,267
2009	55,000	47,545	102,545
2010	55,000	44,767	99,767
2011	60,000	41,805	101,805
2012-2016	350,000	156,425	506,425
2017-2020	365,000	43,535	408,535
Total	\$ 990,000	\$ 437,134	\$ 1,427,134

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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
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	15,828	15,770	31,598
2012-2016	91,296	66,406	157,702
2017-2021	115,412	41,710	157,122
2022-2025	113,923	11,257	125,180
Total	\$ 392,849	\$ 205,316	\$ 598,165

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
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	36,779	34,024	70,803
2012-2016	208,714	144,772	353,486
2017-2021	256,999	95,461	352,460
2022-2026	316,454	34,742	351,196
Total	\$ 951,667	\$ 459,795	\$ 1,411,462

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. OTHER REQUIRED FUND DISCLOSURES

A. Deficit Fund Balances

At June 30, 2006, the following funds had deficit fund balance:

Bayview Drive District Administrative Expense	<u>\$ (10)</u>
Beach Drive Assessment District Administrative Expense	<u>\$ (75)</u>
Beach Drive 2 Underground District	<u>\$ (65,520)</u>
Prospect Utility Underground District	<u>\$ (200,000)</u>

The deficits in the Bayview Drive District Administrative Expense and Beach Drive Assessment District Administrative Expense funds represent unanticipated delinquency management costs which will be recouped with 2006-07 assessments. The deficits in the Beach Drive 2 Underground District and the Prospect Utility Underground District funds represent “start up” costs for the districts 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, 2006, expenditures exceeded budget in the Special Revenue Contingency Fund in the amount of \$50,000 and the Special Revenue Bonnie Brae Underground District Fund in the amount of \$8,925 because the project was rejected by property owners and all district costs needed to be paid in order to close out the fund at year end.

C. Fund Closures

Three funds were permanently closed during fiscal year ended June 30, 2006. The Enterprise Parking Fund was combined with the General Fund since the practice was to transfer any excess funds remaining after paying all Parking Fund costs to the General Fund. Combining the funds eliminates the need to make this transfer and presents a clearer picture of how General Fund costs are funded.

The Special Revenue Loma Utility Underground Improvement Fund was closed because pursuant to Section 10427 of the California Municipal Improvement Act of 1913, the funds were deemed to be surplus funds for the district. To close the fund, a one-time credit was processed for all outstanding assessments and refunds were processed for those parcels that had previously been paid in full.

The Special Revenue Bonnie Brae Underground District Fund was closed because the project was rejected by property owners. Transfers were made from the Special Revenue Contingency Fund and the Special Revenue Capital Improvement Fund to cover all costs for the project.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

9. RISK MANAGEMENT

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

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

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

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

- 2.65% weighted risk sharing percentage for July 1, 2005 to July 1, 2006
- 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

The City's premiums to ICRMA in the amount of \$387,846 for the fiscal year 2005-2006 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.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

9. RISK MANAGEMENT, Continued

The workers' compensation and general liability claims payable of \$3,855,849 reported at June 30, 2006, 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
<i>Workers' Compensation</i>					
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
2005-2006	3,037,557	676,379	(712,689)	3,001,247	746,000
<i>General Liability</i>					
2003-2004	573,502	(110,046)	(92,781)	370,675	184,000
2004-2005	370,675	983,340	(736,082)	617,933	202,000
2005-2006	617,933	1,046,991	(810,322)	854,602	302,000

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

10. RETIREMENT PLANS

A. Public Employee Retirement System

Plan Description

The City contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer 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.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

10. RETIREMENT PLANS, Continued

A. Public Employee Retirement System, Continued

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 \$796,792 for the year ended June 30, 2006. The City, as the employer, is required to contribute for fiscal year 2005-2006 at actuarially determined rates; which are applied to annual covered payroll. The 2005-2006 rate is 13.968% for miscellaneous employees, 49.252% for police employees and 37.176% 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 2005-2006, the City's annual pension cost of \$2,978,704 for CalPERS was equal to the City's required and actual contributions, of which \$686,428 is for the miscellaneous plan, \$1,583,411 for the police plan and \$708,865 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 13.15% for miscellaneous employees and public safety police employees, and 3.75% to 14.45% for public safety fire employees 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 20 years for public safety police employees, 20 years for public safety fire employees, and 20 years for miscellaneous employees for prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

Miscellaneous Plan

Fiscal Year	Pension Cost (APC)	APC Contributed	Net Pension Obligation
6/30/2004		100%	
6/30/2005	\$ 174,915	100%	
6/30/2006	686,428	100%	

Police Plan

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2004	\$ 827,733	100%	
6/30/2005	1,123,987	100%	
6/30/2006	1,583,411	100%	

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

10. RETIREMENT PLANS, Continued

A. Public Employee Retirement System, Continued

Annual Pension Cost, Continued

Fiscal Year	<u>Fire Plan</u>		Net Pension Obligation
	Annual Pension Cost (APC)	Percentage of APC Contributed	
6/30/2004	\$ 351,984	100%	
6/30/2005	585,337	100%	
6/30/2006	708,865	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.

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.

For service retirement after July 1, 2005, the above amounts changed to \$150.00 and \$250.00 respectively.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

10. RETIREMENT PLANS, Continued

B. Other Post-Employment Benefits, Continued

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.

For service retirement after July 1, 2005, employees age 55 with a minimum of ten years of service receive 3% of the health insurance premium for each year of service up to a maximum of \$250.00 per month.

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.

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.

For service retirement July 1, 2005 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 service with the City.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

10. RETIREMENT PLANS, Continued

B. Other Post-Employment Benefits, Continued

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 service with the City.

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 2005-2006, nineteen retirees received benefits at a total cost of \$31,700.

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. In June 2005, an actuary was hired to determine the annual required contributions for all city employees retiring after June 30, 2005. In 2005-06, these benefits were added to the temporary agency fund previously mentioned. The City is in the process of establishing an agreement with an outside party for the administration of these funds. For fiscal year 2005-2006, three retirees received benefits at a total cost of \$8,645.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

11. COMMITMENTS AND CONTINGENCIES

A. Commitments

The City had several outstanding or planned construction projects as of June 30, 2006. These projects are evidenced by contractual commitments with contractors and include:

Project	Spent to Date	Commitment Remaining
Infrastructure	\$ 292,000	\$ 224,761
Community Center Improvements	503,000	178,321
Parks Improvements	639,000	161,887
Total	\$ 1,434,000	\$ 564,969

The infrastructure projects include both street and sewer projects that are funded by multiple funds including the Proposition C Fund, the Capital Improvement Fund and the Sewer Fund. The Community Center improvement project is funded by the Capital Improvement Fund. Parks improvement projects are funded by the Parks/Rec Facility Tax Fund, the 4% Utility Users Tax Fund, the Building Improvement Fund and the Capital Improvement Fund.

B. Contingencies

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

12. SUBSEQUENT EVENTS

MacPherson Oil Project

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

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

12. SUBSEQUENT EVENTS, Continued

MacPherson Oil Project, 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 returned to the trial court in early 2006 and was assigned to a new judge, JoAnne O'Donnell, because MacPherson filed a timely objection to the previous Superior Court judge.

MacPherson filed a motion to amend its cross-complaint to add causes of action for inverse condemnation and civil rights. Judge O'Donnell denied the motion, ruling that it was barred by laches due to the passage of time since the original cross-complaint was filed. Since then, the case has been inactive -- the court has not scheduled a status conference and neither party has yet embarked on discovery. No trial date has been set.

The City has engaged new trial counsel to defend it in this case, the Century City law firm of Bird Marella. The new lawyers have been reviewing documents and coming up to speed on the case, and evaluating legal issues. The firm recently prepared a discovery plan.

At this juncture, it is not likely that the case will go to trial until late 2007, at the earliest. The City will likely seek to bifurcate the trial, in order first to litigate the issue of 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, and it will not be necessary to try damages. 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 whether MacPherson is entitled only to restitution or whether it may seek lost profits, and this determination will be based on whether an assessment of lost profits is too speculative. The City continues to vigorously defend the case. The City's new counsel met with MacPherson's counsel to informally discuss settlement, but no progress was made. It is possible that the parties will agree to mediation, if that would prove useful in resolving the case. 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.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Hermosa Beach
Required Supplementary Information
For the year ended June 30, 2006

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. In 2005-2006, the goal for this fund was changed to 25% 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.

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, 2006

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 Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund Balance, July 1, 2005	\$ 198,923	\$ 476,831	\$ 476,831	\$ -
Resources (inflows):				
Property taxes	7,573,866	8,124,275	8,361,888	237,613
Other taxes	8,059,331	8,073,459	8,697,645	624,186
Licenses and permits	618,204	656,228	868,085	211,857
Fines and forfeitures	1,814,026	1,704,975	1,588,815	(116,160)
Use of money and property	260,070	269,600	312,248	42,648
Intergovernmental	187,070	557,921	559,933	2,012
Charges for services	3,600,802	3,432,162	3,765,895	333,733
Miscellaneous	58,708	104,443	71,318	(33,125)
Interest earned on investments	64,066	93,317	117,730	24,413
Transfers in	1,234,009	1,244,395	1,244,395	-
Amount available for appropriation	<u>23,669,075</u>	<u>24,737,606</u>	<u>26,064,783</u>	<u>1,327,177</u>
Charges to appropriations (outflows):				
Legislative and legal	865,888	1,004,687	963,031	41,656
General government	2,558,858	2,226,125	2,116,181	109,944
Public safety	14,343,876	14,987,169	14,186,925	800,244
Community development	1,335,221	1,413,312	1,327,389	85,923
Culture and recreation	1,029,316	1,122,322	1,105,544	16,778
Public works	2,620,193	2,750,415	2,540,396	210,019
Capital outlay	44,300	152,952	79,598	73,354
Transfers out	700,000	3,375,675	3,375,674	1
Total charges to appropriations	<u>23,497,652</u>	<u>27,032,657</u>	<u>25,694,738</u>	<u>1,337,919</u>
Fund Balance, June 30, 2006	<u>\$ 171,423</u>	<u>\$ (2,295,051)</u>	<u>\$ 370,045</u>	<u>\$ 2,665,096</u>

City of Hermosa Beach
Required Supplementary Information, Continued
For the year ended June 30, 2006

2. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule - Contingency Fund

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund Balance, July 1, 2005	\$ 2,710,518	\$ 2,719,424	\$ 2,719,424	\$ -
Resources (inflows):				
Interest earned on investments	60,296	87,569	116,763	29,194
Transfers In		1,348,741	1,348,741	-
Amount available for appropriation	<u>2,770,814</u>	<u>4,155,734</u>	<u>4,184,928</u>	<u>29,194</u>
Charges to appropriations (outflows):				
Transfers out			50,000	(50,000)
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>(50,000)</u>
Fund Balance, June 30, 2006	<u>\$ 2,770,814</u>	<u>\$ 4,155,734</u>	<u>\$ 4,134,928</u>	<u>\$ (20,806)</u>

City of Hermosa Beach
Required Supplementary Information, Continued
For the year ended June 30, 2006

2. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule - Capital Improvement Fund

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund Balance, July 1, 2005	\$ 3,245,278	\$ 4,482,955	\$ 4,482,955	\$ -
Resources (inflows):				
Interest earned on investments	73,358	181,455	193,225	11,770
Transfers in	175,000	815,865	815,864	(1)
Amount available for appropriation	3,493,636	5,480,275	5,492,044	11,769
Charges to appropriations (outflows):				
Capital outlay	3,291,902	4,481,457	1,028,361	3,453,096
Transfers out			85,856	(85,856)
Total charges to appropriations	3,291,902	4,481,457	1,114,217	3,367,240
Fund Balance, June 30, 2006	\$ 201,734	\$ 998,818	\$ 4,377,827	\$ 3,379,009

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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 optic cable system originating in Japan with a landing in Hermosa Beach. The project will provide additional capacity.

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 Tax 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.

Bayview Drive 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.

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.

NON-MAJOR GOVERNMENTAL FUNDS, Continued

Special Revenue Funds, Continued:

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

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

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 for seniors, a taxi voucher program, a commuter bus, special event and after school program shuttles 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 Fund - 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.

NON-MAJOR GOVERNMENTAL FUNDS, Continued

Special Revenue Funds, Continued:

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

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

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

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.

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

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

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

Bonnie Brae Underground District Fund - This fund is used to account for funds set aside for the creation of a new utility undergrounding district. Since the district was rejected by residents in 2005-06, funds were transferred from the Capital Improvement and Contingency Funds to close out the fund.

Beach 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 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, 2006

Special Revenue Funds

	Lighting and Landscaping District	State Gas Tax	AB 939	Compensated Absences	Prop A Open Space	Tyco	Tyco Tidelands
ASSETS							
Cash and investments	\$ 103,374	\$ 98,664	\$ 322,347	\$ 268,481	\$ 3	\$ 225,166	\$ 265,021
Reimbursable grants receivable							
Interest receivable							
on investments	1,497	1,417	4,679			3,503	3,850
Other accounts receivable	24,605	25,403	4,750				
Property taxes receivable	11,944						
Due from other funds							
Other assets							
Total assets	\$ 141,420	\$ 125,484	\$ 331,776	\$ 268,481	\$ 3	\$ 228,669	\$ 268,871
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 39,700	\$ 22,464	\$ 16,268			\$ 76,326	\$ 6,797
Accrued wages and compensated absences	12,986		4,848				
Due to other funds							
Deferred revenue	11,944					75,000	
Advances to other funds							
Other liabilities							
Total liabilities	64,630	22,464	21,116	\$ -	\$ -	151,326	6,797
Fund Balances:							
Reserved:							
Re-appropriations	7,700					15,420	
Bike paths		11,158					
Traffic congestion relief		89,918					
Unreserved, designated							
Unreserved, undesignated							
Special revenue	69,090	1,944	310,660	268,481	3	61,923	262,074
Total fund balances	76,790	103,020	310,660	268,481	3	77,343	262,074
Total liabilities and fund balances	\$ 141,420	\$ 125,484	\$ 331,776	\$ 268,481	\$ 3	\$ 228,669	\$ 268,871

Special Revenue Funds

Parks and Recreation Facilities	4% Utility Users Tax	Building Improvement	Bayview Dr Admin Expense	Lower Pier Admin Expense	Myrtle Dist Admin Expense	Loma Dist Admin Expense	Beach Drive Assessment Dist Admin Expense	Community Development Block Grant
\$ 285,879	\$ 30,015	\$ 4,907	\$ 340	\$ 1,556	\$ 8,450	\$ 11,446	\$ 354	\$ 56,450
4,091	455	54			134	160		
<u>\$ 289,970</u>	<u>\$ 30,470</u>	<u>\$ 4,961</u>	<u>\$ 340</u>	<u>\$ 1,556</u>	<u>\$ 8,584</u>	<u>\$ 11,606</u>	<u>\$ 354</u>	<u>\$ 56,450</u>
\$ 9,416	\$ 2,811	\$ 404	\$ 350	\$ 335	\$ 444	\$ 656	\$ 429	\$ 53,318
								3,127
<u>9,416</u>	<u>2,811</u>	<u>404</u>	<u>350</u>	<u>335</u>	<u>444</u>	<u>656</u>	<u>429</u>	<u>56,445</u>
15,000								
265,554	27,659	4,557	(10)	1,221	8,140	10,950	(75)	5
<u>280,554</u>	<u>27,659</u>	<u>4,557</u>	<u>(10)</u>	<u>1,221</u>	<u>8,140</u>	<u>10,950</u>	<u>(75)</u>	<u>5</u>
<u>\$ 289,970</u>	<u>\$ 30,470</u>	<u>\$ 4,961</u>	<u>\$ 340</u>	<u>\$ 1,556</u>	<u>\$ 8,584</u>	<u>\$ 11,606</u>	<u>\$ 354</u>	<u>\$ 56,450</u>

(Continued)

City of Hermosa Beach
Combining Balance Sheet, Continued
Non-Major Governmental Funds, Continued
June 30, 2006

	Special Revenue Funds						
	Proposition "A"	Proposition "C"		Office of	Air	Supplemental	California Law
	Transit	Transit	Grants	Traffic Safety Grant	Quality Management District	Law Enforcement Services	Enforcement Equipment Program (CLEEP)
ASSETS							
Cash and investments	\$ 490,915	\$ 1,482,436			\$ 65,558	\$ 133,409	\$ 5,610
Reimbursable grants receivable			\$ 59,194	\$ 17,545			
Interest receivable							
on investments	7,139	21,552			963	1,925	80
Other accounts receivable	2,854				6,132		
Property taxes receivable							
Due from other funds							
Other assets	2,877						
Total assets	\$ 503,785	\$ 1,503,988	\$ 59,194	\$ 17,545	\$ 72,653	\$ 135,334	\$ 5,690
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 29,067	\$ 20,881	\$ 531	\$ 15,107			\$ 119
Accrued wages and compensated absences	290	1	(3)		\$ (7)		
Due to other funds			49,754	2,438			
Deferred revenue							
Advances from other funds							
Other liabilities							
Total liabilities	29,357	20,882	50,282	17,545	(7)	\$ -	119
Fund Balances:							
Reserved:							
Re-appropriations			8,541			56,137	
Bike paths							
Traffic Congestion Relief							
Unreserved, designated							
Unreserved, undesignated							
Special revenue	474,428	1,483,106	371		72,660	79,197	5,571
Total fund balances	474,428	1,483,106	8,912	-	72,660	135,334	5,571
Total liabilities and fund balances	\$ 503,785	\$ 1,503,988	\$ 59,194	\$ 17,545	\$ 72,653	\$ 135,334	\$ 5,690

Special Revenue Funds

Taskforce for Regional Auto Theft Prevention	Sewer	Asset Seizure and Forfeiture	Fire Protection	Retirement Stabilization	Artesia Blvd. Relinquish- ment	Beach Drive 2 Underground District	Myrtle Utility Underground Improvement	Loma Utility Underground Improvement
	\$ 864,218	\$ 66,141	\$ 190,619	\$ 1,027,223	\$ 383,499		\$ 8,240	
	14,653	963	2,754	14,948	5,642		133	
\$ 99,241	10,810	(851)						
	148,929							
<u>\$ 99,241</u>	<u>\$ 1,038,610</u>	<u>\$ 66,253</u>	<u>\$ 193,373</u>	<u>\$ 1,042,171</u>	<u>\$ 389,141</u>	<u>\$ -</u>	<u>\$ 8,373</u>	<u>\$ -</u>
	\$ 86,138				\$ 15,280			
\$ 5,631	24,535							
93,610						\$ 65,520		
<u>99,241</u>	<u>110,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>15,280</u>	<u>65,520</u>	<u>\$ -</u>	<u>\$ -</u>
	744,256	20,000	76,531		117,956			
		10,719						
	183,681	35,534	116,842	1,042,171	255,905	(65,520)	8,373	
-	927,937	66,253	193,373	1,042,171	373,861	(65,520)	8,373	-
<u>\$ 99,241</u>	<u>\$ 1,038,610</u>	<u>\$ 66,253</u>	<u>\$ 193,373</u>	<u>\$ 1,042,171</u>	<u>\$ 389,141</u>	<u>\$ -</u>	<u>\$ 8,373</u>	<u>\$ -</u>

(Continued)

City of Hermosa Beach
Combining Balance Sheet, Continued
Non-Major Governmental Funds, Continued
June 30, 2006

	Special Revenue Funds				
	Bayview Underground District	Bonnie Brae Utility Underground District	Beach Drive Underground District	Prospect Utility Underground District	Total Other Governmental Funds
ASSETS					
Cash and investments	\$ 192,096		\$ 78,878		\$ 6,614,845
Reimbursable grants receivable					133,189
Interest receivable on investments	2,781		1,150		94,523
Other accounts receivable					172,944
Property taxes receivable					11,944
Due from other funds					148,929
Other assets					2,877
Total assets	\$ 194,877	\$ -	\$ 80,028	\$ -	\$ 7,179,251
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable					\$ 396,841
Accrued wages and compensated absences					48,281
Due to other funds					214,449
Deferred revenue					86,944
Advances from other funds				\$ 200,000	200,000
Other liabilities					-
Total liabilities	\$ -	\$ -	\$ -	200,000	946,515
Fund Balances:					
Reserved:					
Re-appropriations	180,531		4,000		1,246,072
Bike paths					11,158
Strand walkways					89,918
Unreserved, designated					10,719
Unreserved, undesignated					
Special revenue	14,346		76,028	(200,000)	4,874,869
Total fund balances	194,877	-	80,028	(200,000)	6,232,736
Total liabilities and fund balances	\$ 194,877	\$ -	\$ 80,028	\$ -	\$ 7,179,251

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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, 2006

Special Revenue Funds

	Lighting and Landscaping District	State Gas Tax	AB 939	Compensated Absences	Prop A Open Space	Tyco	Tyco Tidelands
REVENUES:							
Property taxes	\$ 456,163						
Other taxes							
Fines and forfeitures							
Use of money and property						\$ 300,000	
Intergovernmental		\$ 454,900			\$ 570,351		
Charges for services			\$ 57,572				
Miscellaneous						2,350	
Interest earned on investments	4,240	4,424	15,592			11,957	\$ 10,781
Total revenues	460,403	459,324	73,164	\$ -	570,351	314,307	10,781
EXPENDITURES:							
Current:							
General government			67,223				
Public safety							
Community development							
Culture & recreation							
Public works	482,345						
Capital outlay		52,898			549,794	734,128	67,973
Total expenditures	482,345	52,898	67,223	-	549,794	734,128	67,973
REVENUES OVER (UNDER) EXPENDITURES	(21,942)	406,426	5,941	-	20,557	(419,821)	(57,192)
OTHER FINANCING SOURCES (USES):							
Transfers in	9,795		1,542				
Transfers out	(9,194)	(368,985)		(282,566)	(20,557)	(175,000)	
Total other financing sources (uses)	601	(368,985)	1,542	(282,566)	(20,557)	(175,000)	-
NET CHANGE IN FUND BALANCES	(21,341)	37,441	7,483	(282,566)	-	(594,821)	(57,192)
FUND BALANCES:							
Beginning of year	98,131	65,579	303,177	551,047	3	672,164	319,266
End of year	\$ 76,790	\$ 103,020	\$ 310,660	\$ 268,481	\$ 3	\$ 77,343	\$ 262,074

Special Revenue Funds

Parks and Recreation Facilities	4% Utility Users Tax	Building Improvement	Bayview Dr Admin Expense	Lower Pier Admin Expense	Myrtle Dist Admin Expense	Loma Dist Admin Expense	Beach Drive Assessment Dist Admin Expense	Community Development Block Grant
\$ 21,000								
								\$ 110,256
155,372			\$ 3,936	\$ 2,834	\$ 8,875	\$ 9,511	\$ 2,500	
11,869	\$ 1,537	\$ 201	15		483	616	30	
188,241	1,537	201	3,951	2,834	9,358	10,127	2,530	110,256
			1,607	1,397	5,478	5,974	1,629	
								10,062
110,893	2,811	404						100,190
110,893	2,811	404	1,607	1,397	5,478	5,974	1,629	110,252
77,348	(1,274)	(203)	2,344	1,437	3,880	4,153	901	4
			(2,354)	(990)	(2,867)	(3,277)	(1,001)	
-	-	-	(2,354)	(990)	(2,867)	(3,277)	(1,001)	-
77,348	(1,274)	(203)	(10)	447	1,013	876	(100)	4
203,206	28,933	4,760		774	7,127	10,074	25	1
\$ 280,554	\$ 27,659	\$ 4,557	\$ (10)	\$ 1,221	\$ 8,140	\$ 10,950	\$ (75)	\$ 5

(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, 2006

	Special Revenue Funds						
	Proposition "A" Transit	Proposition "C" Transit	Grants	Office of Traffic Safety Grant	Air Quality Management District	Supplemental Law Enforcement	California Law Enforcement Equipment Program (CLEEP)
REVENUES:							
Property taxes							
Other taxes	\$ 315,270	\$ 271,010				\$ 100,000	
Fines and forfeitures							
Use of money and property							
Intergovernmental			\$ 388,435	\$ 17,545	\$ 23,324		
Charges for services	5639						
Miscellaneous							
Interest earned on investments	19,343	67,789			2,815	7,317	\$ 314
Total revenues	340,252	338,799	388,435	17,545	26,139	107,317	314
EXPENDITURES:							
Current:							
General government	20,282				291		
Public safety	42,078		58,768			15,421	1,564
Community development	9,545						
Culture & recreation	18,803						
Public works			4,826				
Capital outlay		34,217	324,324	17,545		58,578	
Total expenditures	90,708	34,217	387,918	17,545	291	73,999	1,564
REVENUES OVER (UNDER) EXPENDITURES	249,544	304,582	517	-	25,848	33,318	(1,250)
OTHER FINANCING SOURCES (USES):							
Transfers in							
Transfers out							
Total other financing sources (uses)	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	249,544	304,582	517	-	25,848	33,318	(1,250)
FUND BALANCES:							
Beginning of year	224,884	1,178,524	8,395	-	46,812	102,016	6,821
End of year	\$ 474,428	\$ 1,483,106	\$ 8,912	\$ -	\$ 72,660	\$ 135,334	\$ 5,571

Special Revenue Funds

Taskforce for Regional Auto Theft Prevention	Sewer	Asset Seizure and Forfeiture	Fire Protection	Retirement Stabilization	Artesia Blvd. Relinquish- ment	Beach Drive 2 Underground District	Myrtle Utility Underground Improvement	Loma Utility Underground Improvement
		\$ 38,459						
\$ 139,578	\$ 14,447							
	76,534							
	8,742		\$ 153,337					\$ (30,243)
	49,259	2,164	9,599	\$ 71,453	\$ 19,386		\$ 414	607
139,578	148,982	40,623	162,936	71,453	19,386	\$ -	414	(29,636)
139,578								
	680,915				4,363			72,709
	109,628		38,525		15,517			
139,578	790,543	-	38,525	-	19,880	-	-	72,709
-	(641,561)	40,623	124,411	71,453	(494)	-	414	(102,345)
	717,550							
			(156,397)	(1,090,523)				(547)
-	717,550	-	(156,397)	(1,090,523)	-	-	-	(547)
-	75,989	40,623	(31,986)	(1,019,070)	(494)	-	414	(102,892)
-	851,948	25,630	225,359	2,061,241	374,355	(65,520)	7,959	102,892
\$ -	\$ 927,937	\$ 66,253	\$ 193,373	\$ 1,042,171	\$ 373,861	\$ (65,520)	\$ 8,373	\$ -

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, 2006

	Special Revenue Funds				
	Bayview Underground District	Bonnie Brae Utility Underground District	Beach Drive Underground District	Prospect Utility Underground District	Total Other Governmental Funds
REVENUES:					
Property taxes					\$ 456,163
Other taxes					707,280
Fines and forfeitures					38,459
Use of money and property					300,000
Intergovernmental					1,718,836
Charges for services					139,745
Miscellaneous					317,214
Interest earned on investments	\$ 9,943		\$ 3,880		326,028
Total revenues	9,943	\$ -	3,880	\$ -	4,003,725
EXPENDITURES:					
Current:					
General government					103,881
Public safety					257,409
Community development					19,607
Culture & recreation					18,803
Public works					1,245,158
Capital outlay	22,261	58,925			2,298,611
Total expenditures	22,261	58,925	-	-	3,943,469
REVENUES OVER (UNDER) EXPENDITURES	(12,318)	(58,925)	3,880	-	60,256
OTHER FINANCING SOURCES (USES):					
Transfers in		135,856			864,743
Transfers out					(2,114,258)
Total other financing sources (uses)	-	135,856	-	-	(1,249,515)
NET CHANGE IN FUND BALANCES	(12,318)	76,931	3,880	-	(1,189,259)
FUND BALANCES:					
Beginning of year	207,195	(76,931)	76,148	(200,000)	7,421,995
End of year	\$ 194,877	\$ -	\$ 80,028	\$ (200,000)	\$ 6,232,736

City of Hermosa Beach

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

Lighting and Landscaping District

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 98,131	\$ 98,131	\$ -
Resources (inflows):			
Property taxes	447,744	456,163	8,419
Interest earned on investments	2,427	4,240	1,813
Transfers in	9,795	9,795	-
Amount available for appropriation	<u>558,097</u>	<u>568,329</u>	<u>10,232</u>
Charges to appropriations (outflows):			
Public works	527,715	482,345	45,370
Transfers out	9,194	9,194	-
Total charges to appropriations	<u>536,909</u>	<u>491,539</u>	<u>45,370</u>
Fund balance, June 30, 2006	<u>\$ 21,188</u>	<u>\$ 76,790</u>	<u>\$ 55,602</u>

City of Hermosa Beach

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

State Gas Tax

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 65,579	\$ 65,579	\$ -
Resources (inflows):			
Intergovernmental	449,833	454,900	5,067
Interest earned on investments	<u>3,091</u>	<u>4,424</u>	<u>1,333</u>
Amount available for appropriation	<u>518,503</u>	<u>524,903</u>	<u>6,400</u>
Charges to appropriations (outflows):			
Capital outlay	62,100	52,898	9,202
Transfers out	<u>368,985</u>	<u>368,985</u>	<u>-</u>
Total charges to appropriations	<u>431,085</u>	<u>421,883</u>	<u>9,202</u>
Fund balance, June 30, 2006	<u>\$ 87,418</u>	<u>\$ 103,020</u>	<u>\$ 15,602</u>

City of Hermosa Beach

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

AB 939

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 303,177	\$ 303,177	\$ -
Resources (inflows):			
Charges for services	57,160	57,572	412
Interest earned on investments	14,262	15,592	1,330
Transfers in	<u>1,542</u>	<u>1,542</u>	<u>-</u>
Amount available for appropriation	<u>376,141</u>	<u>377,883</u>	<u>1,742</u>
Charges to appropriations (outflows):			
General government	<u>71,516</u>	<u>67,223</u>	<u>4,293</u>
Total charges to appropriations	<u>71,516</u>	<u>67,223</u>	<u>4,293</u>
Fund balance, June 30, 2006	<u><u>\$ 304,625</u></u>	<u><u>\$ 310,660</u></u>	<u><u>\$ 6,035</u></u>

City of Hermosa Beach

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

Compensated Absences

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 551,047	\$ 551,047	\$ -
Amount available for appropriation	<u>551,047</u>	<u>551,047</u>	<u>-</u>
Charges to appropriations (outflows):			
Transfers out	<u>282,566</u>	<u>282,566</u>	<u>-</u>
Total charges to appropriations	<u>282,566</u>	<u>282,566</u>	<u>-</u>
Fund balance, June 30, 2006	<u><u>\$ 268,481</u></u>	<u><u>\$ 268,481</u></u>	<u><u>\$ -</u></u>

City of Hermosa Beach

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

Prop A Open Space

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 3	\$ 3	\$ -
Resources (inflows):			
Intergovernmental	<u>570,351</u>	<u>570,351</u>	<u>-</u>
Amount available for appropriation	<u>570,354</u>	<u>570,354</u>	<u>-</u>
Charges to appropriations (outflows):			
Capital outlay	549,794	549,794	-
Transfers out	<u>20,557</u>	<u>20,557</u>	<u>-</u>
Total charges to appropriations	<u>570,351</u>	<u>570,351</u>	<u>-</u>
Fund balance, June 30, 2006	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ -</u>

City of Hermosa Beach

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

Tyco

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 672,164	\$ 672,164	\$ -
Resources (inflows):			
Use of money and property	300,000	300,000	-
Miscellaneous	2,350	2,350	-
Interest earned on investments	<u>22,605</u>	<u>11,957</u>	<u>(10,648)</u>
Amount available for appropriation	<u>997,119</u>	<u>986,471</u>	<u>(10,648)</u>
Charges to appropriations (outflows):			
Capital outlay	788,833	734,128	54,705
Transfers out	<u>175,000</u>	<u>175,000</u>	<u>-</u>
Total charges to appropriations	<u>963,833</u>	<u>909,128</u>	<u>54,705</u>
Fund balance, June 30, 2006	<u>\$ 33,286</u>	<u>\$ 77,343</u>	<u>\$ 44,057</u>

City of Hermosa Beach

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

Tyco Tidelands

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 319,266	\$ 319,266	\$ -
Resources (inflows):			
Interest earned on investment	<u>11,743</u>	<u>10,781</u>	<u>(962)</u>
Amount available for appropriation	<u>331,009</u>	<u>330,047</u>	<u>(962)</u>
Charges to appropriations (outflows):			
Capital outlay	<u>67,972</u>	<u>67,973</u>	<u>(1)</u>
Total charges to appropriations	<u>67,972</u>	<u>67,973</u>	<u>(1)</u>
Fund balance, June 30, 2006	<u>\$ 263,037</u>	<u>\$ 262,074</u>	<u>\$ (963)</u>

City of Hermosa Beach

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

Parks and Recreation Facilities

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 203,206	\$ 203,206	\$ -
Resources (inflows):			
Other taxes	7,000	21,000	14,000
Miscellaneous	103,128	155,372	52,244
Interest earned on investments	<u>10,522</u>	<u>11,869</u>	<u>1,347</u>
Amount available for appropriation	<u>323,856</u>	<u>391,447</u>	<u>67,591</u>
Charges to appropriations (outflows):			
Capital outlay	<u>257,009</u>	<u>110,893</u>	<u>146,116</u>
Total charges to appropriations	<u>257,009</u>	<u>110,893</u>	<u>146,116</u>
Fund balance, June 30, 2006	<u>\$ 66,847</u>	<u>\$ 280,554</u>	<u>\$ 213,707</u>

City of Hermosa Beach

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

4% Utility Users Tax

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 28,933	\$ 28,933	\$ -
Resources (inflows):			
Interest earned on investments	<u>1,419</u>	<u>1,537</u>	<u>118</u>
Amount available for appropriation	<u>30,352</u>	<u>30,470</u>	<u>118</u>
Charges to appropriations (outflows):			
Capital outlay	<u>29,889</u>	<u>2,811</u>	<u>27,078</u>
Total charges to appropriations	<u>29,889</u>	<u>2,811</u>	<u>27,078</u>
Fund balance, June 30, 2006	<u>\$ 463</u>	<u>\$ 27,659</u>	<u>\$ 27,196</u>

City of Hermosa Beach

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

Building Improvement

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 4,760	\$ 4,760	\$ -
Resources (inflows):			
Interest earned on investments	<u>214</u>	<u>201</u>	<u>(13)</u>
Amount available for appropriation	<u>4,974</u>	<u>4,961</u>	<u>(13)</u>
Charges to appropriations (outflows):			
Capital outlay	<u>4,904</u>	<u>404</u>	<u>4,500</u>
Total charges to appropriations	<u>4,904</u>	<u>404</u>	<u>4,500</u>
Fund balance, June 30, 2006	<u>\$ 70</u>	<u>\$ 4,557</u>	<u>\$ 4,487</u>

City of Hermosa Beach

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

Bayview Drive Administrative Expense

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ -	\$ -	\$ -
Resources (inflows):			
Miscellaneous	3,936	3,936	-
Interest earned on investments	<u>98</u>	<u>15</u>	<u>(83)</u>
Amount available for appropriation	<u>4,034</u>	<u>3,951</u>	<u>(83)</u>
Charges to appropriations (outflows):			
General government	1,857	1,607	250
Transfers out	<u>2,354</u>	<u>2,354</u>	<u>-</u>
Total charges to appropriations	<u>4,211</u>	<u>3,961</u>	<u>250</u>
Fund balance, June 30, 2006	<u>\$ (177)</u>	<u>\$ (10)</u>	<u>\$ 167</u>

City of Hermosa Beach

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

Lower Pier Administrative Expense

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u></u>	Positive (Negative) Variance with Final Budget <u></u>
Fund balance, July 1, 2005	\$ 774	\$ 774	\$ -
Resources (inflows):			
Miscellaneous	<u>2,834</u>	<u>2,834</u>	<u>-</u>
Amount available for appropriation	<u>3,608</u>	<u>3,608</u>	<u>-</u>
Charges to appropriations (outflows):			
General government	1,900	1,397	503
Transfers out	<u>990</u>	<u>990</u>	<u>-</u>
Total charges to appropriations	<u>2,890</u>	<u>2,387</u>	<u>503</u>
Fund balance, June 30, 2006	<u>\$ 718</u>	<u>\$ 1,221</u>	<u>\$ 503</u>

City of Hermosa Beach

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

Myrtle District Administrative Expense

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 7,127	\$ 7,127	\$ -
Resources (inflows):			
Miscellaneous	8,875	8,875	-
Interest earned on investments	<u>313</u>	<u>483</u>	<u>170</u>
Amount available for appropriation	<u>16,315</u>	<u>16,485</u>	<u>170</u>
Charges to appropriations (outflows):			
General government	6,000	5,478	522
Transfers out	<u>2,867</u>	<u>2,867</u>	<u>-</u>
Total charges to appropriations	<u>8,867</u>	<u>8,345</u>	<u>522</u>
Fund balance, June 30, 2006	<u>\$ 7,448</u>	<u>\$ 8,140</u>	<u>\$ 692</u>

City of Hermosa Beach

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

Loma District Administrative Expense

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 10,074	\$ 10,074	\$ -
Resources (inflows):			
Miscellaneous	9,511	9,511	-
Interest earned on investments	<u>457</u>	<u>616</u>	<u>159</u>
Amount available for appropriation	<u>20,042</u>	<u>20,201</u>	<u>159</u>
Charges to appropriations (outflows):			
General government	6,300	5,974	326
Transfers out	<u>3,277</u>	<u>3,277</u>	<u>-</u>
Total charges to appropriations	<u>9,577</u>	<u>9,251</u>	<u>326</u>
Fund balance, June 30, 2006	<u>\$ 10,465</u>	<u>\$ 10,950</u>	<u>\$ 485</u>

City of Hermosa Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Beach Drive Assessment District Administrative Expense For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 25	\$ 25	\$ -
Resources (inflows):			
Miscellaneous	2,500	2,500	-
Interest earned on investments	<u>57</u>	<u>30</u>	<u>(27)</u>
Amount available for appropriation	<u>2,582</u>	<u>2,555</u>	<u>(27)</u>
Charges to appropriations (outflows):			
General government	1,628	1,629	(1)
Transfers out	<u>1,001</u>	<u>1,001</u>	<u>-</u>
Total charges to appropriations	<u>2,629</u>	<u>2,630</u>	<u>(1)</u>
Fund balance, June 30, 2006	<u>\$ (47)</u>	<u>\$ (75)</u>	<u>\$ (28)</u>

City of Hermosa Beach

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

Community Development Block Grant

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u></u>	Positive (Negative) Variance with Final Budget <u></u>
Fund balance, July 1, 2005	\$ 1	\$ 1	\$ -
Resources (inflows):			
Intergovernmental	239,913	110,256	(129,657)
Amount available for appropriation	<u>239,914</u>	<u>110,257</u>	<u>(129,657)</u>
Charges to appropriations (outflows):			
Community development	10,700	10,062	638
Capital outlay	229,213	100,190	129,023
Total charges to appropriations	<u>239,913</u>	<u>110,252</u>	<u>129,661</u>
Fund balance, June 30, 2006	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ 4</u>

City of Hermosa Beach

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

Proposition "A" Transit

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 224,884	\$ 224,884	\$ -
Resources (inflows):			
Other taxes	284,643	315,270	30,627
Charges for services	6,455	5,639	(816)
Interest earned on investments	14,145	19,343	5,198
Amount available for appropriation	<u>530,127</u>	<u>565,136</u>	<u>35,009</u>
Charges to appropriations (outflows):			
General government	23,229	20,282	2,947
Public safety	41,000	42,078	(1,078)
Community development	10,258	9,545	713
Culture and recreation	23,124	18,803	4,321
Total charges to appropriations	<u>97,611</u>	<u>90,708</u>	<u>6,903</u>
Fund balance, June 30, 2006	<u>\$ 432,516</u>	<u>\$ 474,428</u>	<u>\$ 41,912</u>

City of Hermosa Beach

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

Proposition "C" Transit

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u></u>	Positive (Negative) Variance with Final Budget <u></u>
Fund balance, July 1, 2005	\$ 1,178,524	\$ 1,178,524	\$ -
Resources (inflows):			
Other taxes	236,094	271,010	34,916
Interest earned on investments	<u>58,432</u>	<u>67,789</u>	<u>9,357</u>
Amount available for appropriation	<u>1,473,050</u>	<u>1,517,323</u>	<u>44,273</u>
Charges to appropriations (outflows):			
Capital outlay	<u>153,000</u>	<u>34,217</u>	<u>118,783</u>
Total charges to appropriations	<u>153,000</u>	<u>34,217</u>	<u>118,783</u>
Fund balance, June 30, 2006	<u>\$ 1,320,050</u>	<u>\$ 1,483,106</u>	<u>\$ 163,056</u>

City of Hermosa Beach

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

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 8,395	\$ 8,395	\$ -
Resources (inflows):			
Intergovernmental	624,292	388,435	(235,857)
Amount available for appropriation	<u>632,687</u>	<u>396,830</u>	<u>(235,857)</u>
Charges to appropriations (outflows):			
Public safety	167,862	58,768	109,094
Public works	13,421	4,826	8,595
Capital outlay	451,324	324,324	127,000
Total charges to appropriations	<u>632,607</u>	<u>387,918</u>	<u>244,689</u>
Fund balance, June 30, 2006	<u>\$ 80</u>	<u>\$ 8,912</u>	<u>\$ 8,832</u>

City of Hermosa Beach

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

Office of Traffic Safety Grant

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ -	\$ -	\$ -
Resources (inflows):			
Intergovernmental	174,354	17,545	(156,809)
Amount available for appropriation	<u>174,354</u>	<u>17,545</u>	<u>(156,809)</u>
Charges to appropriations (outflows):			
Capital outlay	174,354	17,545	156,809
Total charges to appropriations	<u>174,354</u>	<u>17,545</u>	<u>156,809</u>
Fund balance, June 30, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Hermosa Beach

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

Air Quality Management District

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 46,812	\$ 46,812	\$ -
Resources (inflows):			
Intergovernmental	22,000	23,324	1,324
Interest earned on investments	<u>2,174</u>	<u>2,815</u>	<u>641</u>
Amount available for appropriation	<u>70,986</u>	<u>72,951</u>	<u>1,965</u>
Charges to appropriations (outflows):			
General government	<u>1,000</u>	<u>291</u>	<u>709</u>
Total charges to appropriations	<u>1,000</u>	<u>291</u>	<u>709</u>
Fund balance, June 30, 2006	<u><u>\$ 69,986</u></u>	<u><u>\$ 72,660</u></u>	<u><u>\$ 2,674</u></u>

City of Hermosa Beach

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

Supplemental Law Enforcement Services

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 102,016	\$ 102,016	\$ -
Resources (inflows):			
Other taxes	100,000	100,000	-
Interest earned on investments	<u>6,274</u>	<u>7,317</u>	<u>1,043</u>
Amount available for appropriation	<u>208,290</u>	<u>209,333</u>	<u>1,043</u>
Charges to appropriations (outflows):			
Public safety	44,788	15,421	29,367
Capital outlay	<u>117,855</u>	<u>58,578</u>	<u>59,277</u>
Total charges to appropriations	<u>162,643</u>	<u>73,999</u>	<u>88,644</u>
Fund balance, June 30, 2006	<u>\$ 45,647</u>	<u>\$ 135,334</u>	<u>\$ 89,687</u>

City of Hermosa Beach

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

California Law Enforcement Equipment Program

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 6,821	\$ 6,821	\$ -
Resources (inflows):			
Interest earned on investments	<u>431</u>	<u>314</u>	<u>(117)</u>
Amount available for appropriation	<u>7,252</u>	<u>7,135</u>	<u>(117)</u>
Charges to appropriations (outflows):			
Public safety	<u>7,163</u>	<u>1,564</u>	<u>5,599</u>
Total charges to appropriations	<u>7,163</u>	<u>1,564</u>	<u>5,599</u>
Fund balance, June 30, 2006	<u>\$ 89</u>	<u>\$ 5,571</u>	<u>\$ 5,482</u>

City of Hermosa Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Taskforce for Regional Auto Theft Prevention For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ -	\$ -	\$ -
Resources (inflows):			
Intergovernmental	<u>146,605</u>	<u>139,578</u>	<u>(7,027)</u>
Amount available for appropriation	<u>146,605</u>	<u>139,578</u>	<u>(7,027)</u>
Charges to appropriations (outflows):			
Public safety	<u>146,605</u>	<u>139,578</u>	<u>7,027</u>
Total charges to appropriations	<u>146,605</u>	<u>139,578</u>	<u>7,027</u>
Fund balance, June 30, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Hermosa Beach

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

Sewer

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 851,948	\$ 851,948	\$ -
Resources (inflows):			
Intergovernmental	11,088	14,447	3,359
Charges for services	130,940	76,534	(54,406)
Miscellaneous	9,750	8,742	(1,008)
Interest earned on investments	47,327	49,259	1,932
Transfers in	717,550	717,550	-
Amount available for appropriation	<u>1,768,603</u>	<u>1,718,480</u>	<u>(50,123)</u>
Charges to appropriations (outflows):			
Public works	724,169	680,915	43,254
Capital outlay	917,676	109,628	808,048
Total charges to appropriations	<u>1,641,845</u>	<u>790,543</u>	<u>851,302</u>
Fund balance, June 30, 2006	<u>\$ 126,758</u>	<u>\$ 927,937</u>	<u>\$ 801,179</u>

City of Hermosa Beach

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

Asset Seizure and Forfeiture

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 25,630	\$ 25,630	\$ -
Resources (inflows):			
Fines and forfeitures	11,000	38,459	27,459
Interest earned on investments	<u>1,242</u>	<u>2,164</u>	<u>922</u>
Amount available for appropriation	<u>37,872</u>	<u>66,253</u>	<u>28,381</u>
Charges to appropriations (outflows):			
Public safety	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total charges to appropriations	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Fund balance, June 30, 2006	<u>\$ 17,872</u>	<u>\$ 66,253</u>	<u>\$ 48,381</u>

City of Hermosa Beach

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

Fire Protection

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 225,359	\$ 225,359	\$ -
Resources (inflows):			
Miscellaneous	87,960	153,337	65,377
Interest earned on investments	<u>9,752</u>	<u>9,599</u>	<u>(153)</u>
Amount available for appropriation	<u>323,071</u>	<u>388,295</u>	<u>65,224</u>
Charges to appropriations (outflows):			
Capital outlay	116,825	38,525	78,300
Transfers out	<u>156,397</u>	<u>156,397</u>	<u>-</u>
Total charges to appropriations	<u>273,222</u>	<u>194,922</u>	<u>78,300</u>
Fund balance, June 30, 2006	<u>\$ 49,849</u>	<u>\$ 193,373</u>	<u>\$ 143,524</u>

City of Hermosa Beach

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

Retirement Stabilization

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 2,061,241	\$ 2,061,241	\$ -
Resources (inflows):			
Interest earned on investments	75,157	71,453	(3,704)
Amount available for appropriation	2,136,398	2,132,694	(3,704)
Charges to appropriations (outflows):			
Transfers out	1,090,523	1,090,523	-
Total charges to appropriations	1,090,523	1,090,523	-
Fund balance, June 30, 2006	<u>\$ 1,045,875</u>	<u>\$ 1,042,171</u>	<u>\$ (3,704)</u>

City of Hermosa Beach

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

Artesia Boulevard Relinquishment

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 374,355	\$ 374,355	\$ -
Resources (inflows):			
Interest earned on investments	<u>18,361</u>	<u>19,386</u>	<u>1,025</u>
Amount available for appropriation	<u>392,716</u>	<u>393,741</u>	<u>1,025</u>
Charges to appropriations (outflows):			
Public works	5,000	4,363	637
Capital outlay	<u>387,393</u>	<u>15,517</u>	<u>371,876</u>
Total charges to appropriations	<u>392,393</u>	<u>19,880</u>	<u>372,513</u>
Fund balance, June 30, 2006	<u>\$ 323</u>	<u>\$ 373,861</u>	<u>\$ 373,538</u>

City of Hermosa Beach

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

Beach Drive 2 Underground District

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ (65,520)	\$ (65,520)	\$ -
Amount available for appropriation	<u>(65,520)</u>	<u>(65,520)</u>	<u>-</u>
Fund balance, June 30, 2006	<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 Balance - Budget and Actual

Myrtle Utility Underground Improvement

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 7,959	\$ 7,959	\$ -
Resources (inflows):			
Interest earned on investments	<u>369</u>	<u>414</u>	<u>45</u>
Amount available for appropriation	<u>8,328</u>	<u>8,373</u>	<u>45</u>
Fund balance, June 30, 2006	<u>\$ 8,328</u>	<u>\$ 8,373</u>	<u>\$ 45</u>

City of Hermosa Beach

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

Loma Utility Underground Improvement

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 102,892	\$ 102,892	\$ -
Resources (inflows):			
Miscellaneous	(30,243)	(30,243)	-
Interest earned on investments	<u>787</u>	<u>607</u>	<u>(180)</u>
Amount available for appropriation	<u>73,436</u>	<u>73,256</u>	<u>(180)</u>
Charges to appropriations (outflows):			
Public works	72,709	72,709	-
Transfers out	<u>547</u>	<u>547</u>	<u>-</u>
Total charges to appropriations	<u>73,256</u>	<u>73,256</u>	<u>-</u>
Fund balance, June 30, 2006	<u>\$ 180</u>	<u>\$ -</u>	<u>\$ (180)</u>

City of Hermosa Beach

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

Bayview Drive Underground District

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ 207,195	\$ 207,195	\$ -
Resources (inflows):			
Interest earned on investments	<u>9,698</u>	<u>9,943</u>	<u>245</u>
Amount available for appropriation	<u>216,893</u>	<u>217,138</u>	<u>245</u>
Charges to appropriations (outflows):			
Capital outlay	<u>202,793</u>	<u>22,261</u>	<u>180,532</u>
Total charges to appropriations	<u>202,793</u>	<u>22,261</u>	<u>180,532</u>
Fund balance, June 30, 2006	<u>\$ 14,100</u>	<u>\$ 194,877</u>	<u>\$ 180,777</u>

City of Hermosa Beach

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

Bonnie Brae Underground District

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ (76,931)	\$ (76,931)	\$ -
Resources (inflows):			
Transfers in		135,856	135,856
Amount available for appropriation	(76,931)	58,925	135,856
Charges to appropriations (outflows):			
Capital outlay	50,000	58,925	(8,925)
Total charges to appropriations	50,000	58,925	(8,925)
Fund balance, June 30, 2006	<u>\$ (126,931)</u>	<u>\$ -</u>	<u>\$ 126,931</u>

City of Hermosa Beach

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

Beach Drive Underground District

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u></u>	Positive (Negative) Variance with Final Budget <u></u>
Fund balance, July 1, 2005	\$ 76,148	\$ 76,148	\$ -
Resources (inflows):			
Interest earned on investments	3,590	3,880	290
Amount available for appropriation	<u>79,738</u>	<u>80,028</u>	<u>290</u>
Charges to appropriations (outflows):			
Capital outlay	<u>74,819</u>	<u></u>	<u>74,819</u>
Total charges to appropriations	<u>74,819</u>	<u>-</u>	<u>74,819</u>
Fund balance, June 30, 2006	<u>\$ 4,919</u>	<u>\$ 80,028</u>	<u>\$ 75,109</u>

City of Hermosa Beach

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

Prospect Utility Underground District

For the year ended June 30, 2006

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Positive (Negative) Variance with Final Budget <u> </u>
Fund balance, July 1, 2005	\$ (200,000)	\$ (200,000)	\$ -
Amount available for appropriation	(200,000)	(200,000)	-
Fund balance, June 30, 2006	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>	<u>\$ -</u>

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, 2006

	Insurance Fund	Equipment Replacement Fund	Total
ASSETS			
Current assets:			
Cash and investments	\$ 5,102,674	\$ 2,178,533	\$ 7,281,207
Other Accounts Receivables		3,586	3,586
Deposits	80,000		80,000
Advances to Other Funds	799,316	799,316	1,598,632
Other assets	1,806	59,592	61,398
Total current assets	<u>5,983,796</u>	<u>3,041,027</u>	<u>9,024,823</u>
Capital assets, net of accumulated depreciation		2,380,587	2,380,587
Total assets	<u>5,983,796</u>	<u>5,421,614</u>	<u>11,405,410</u>
LIABILITIES			
Current liabilities:			
Current portion of long-term liabilities	1,048,000		1,048,000
Accounts payable	135,185	64,303	199,488
Accrued wages and compensated absences	22,442	18,865	41,307
Total current liabilities	<u>1,205,627</u>	<u>83,168</u>	<u>1,288,795</u>
Long-term liabilities:			
Workers' compensation claims payable	3,001,247		3,001,247
General liability claims payable	854,602		854,602
Less current portion above	<u>(1,048,000)</u>		<u>(1,048,000)</u>
Total long-term liabilities	<u>2,807,849</u>	<u>-</u>	<u>2,807,849</u>
Total liabilities	<u>4,013,476</u>	<u>83,168</u>	<u>4,096,644</u>
NET ASSETS			
Invested in capital assets		2,380,587	2,380,587
Unrestricted	<u>1,970,320</u>	<u>2,957,859</u>	<u>4,928,179</u>
Total net assets	<u>\$ 1,970,320</u>	<u>\$ 5,338,446</u>	<u>\$ 7,308,766</u>

City of Hermosa Beach
Combining Statement of Revenues, Expenses, and Changes in Net Assets
All Internal Service Funds
For the year ended June 30, 2006

	Insurance Fund	Equipment Replacement Fund	Total
OPERATING REVENUES:			
Charges for services	\$ 1,659,134	\$ 1,277,494	\$ 2,936,628
Total operating revenues	1,659,134	1,277,494	2,936,628
OPERATING EXPENSES:			
Salaries and wages	113,655	198,593	312,248
Contractor services	481,525	283,841	765,366
Supplies	616	131,024	131,640
Claims expense	1,737,692		1,737,692
Depreciation		353,701	353,701
Total operating expenses	2,333,488	967,159	3,300,647
OPERATING INCOME (LOSS)	(674,354)	310,335	(364,019)
NONOPERATING REVENUES (EXPENSES):			
Proceed from sale of capital assets		19,650	19,650
Total nonoperating revenues (expenses)	-	19,650	19,650
INCOME (LOSS) BEFORE TRANSFERS	(674,354)	329,985	(344,369)
Transfers in	644,245	668,223	1,312,468
CHANGE IN NET ASSETS	(30,109)	998,208	968,099
NET ASSETS			
Beginning of the year	2,000,429	4,340,238	6,340,667
End of the year	<u>\$ 1,970,320</u>	<u>\$ 5,338,446</u>	<u>\$ 7,308,766</u>

City of Hermosa Beach
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2006

	Insurance Fund	Equipment Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 199,585	\$ 157,826	\$ 357,411
Cash received for services from other funds	1,659,134	1,277,494	2,936,628
Cash payments to suppliers of goods and services	(459,524)	(446,468)	(905,992)
Cash payments to employees for services	(115,341)	(226,813)	(342,154)
Insurance premiums and settlements	(1,537,333)		(1,537,333)
Net cash provided by (used for) operating activities	(253,479)	762,039	508,560
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	644,245	668,223	1,312,468
Net cash provided by (used for) noncapital financing activities	644,245	668,223	1,312,468
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceed from sale of capital assets		19,650	19,650
Acquisition of capital assets		(532,531)	(532,531)
Net cash provided (used for) by capital and related financing activities	-	(512,881)	(512,881)
Net increase (decrease) in cash and cash equivalents	390,766	917,381	1,308,147
CASH AND CASH EQUIVALENTS:			
Beginning of year	4,711,908	1,261,152	5,973,060
End of year	\$ 5,102,674	\$ 2,178,533	\$ 7,281,207
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (674,354)	\$ 310,335	\$ (364,019)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:			
Depreciation		353,701	353,701
Changes in current assets and liabilities:			
Advances to other funds	199,570	199,570	399,140
Other assets	15	(41,744)	(41,729)
Worker's compensation claims payable	(36,310)		(36,310)
General liability claims payable	236,669		236,669
Accounts payable	22,617	(31,603)	(8,986)
Accrued wages and compensated absences	(1,686)	(28,220)	(29,906)
Total adjustments	420,875	451,704	872,579
Net cash provided (used) by operating activities	\$ (253,479)	\$ 762,039	\$ 508,560

FIDUCIARY FUNDS

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

City of Hermosa Beach
Combining Statement of Fiduciary Net Assets
All Agency Funds
June 30, 2006

	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	Total
ASSETS									
Cash and investments	\$ 82,527	\$ 34,041	\$ 19,519	\$ 3,206	\$ 76,629	\$ 94,387	\$ 10,523	\$ 777,563	\$ 1,098,395
Interest receivable	1,203	481	268	54	1,096	1,364	160		4,626
Other accounts receivable	12,516	4,394	3,604		2,152	3,612			26,278
Total assets	\$ 96,246	\$ 38,916	\$ 23,391	\$ 3,260	\$ 79,877	\$ 99,363	\$ 10,683	\$ 777,563	\$ 1,129,299
LIABILITIES									
Assessment:									
Installment account	\$ 96,246	\$ 38,916	\$ 23,391		\$ 79,877	\$ 99,363			\$ 337,793
Reserve requirement				\$ 3,260			\$ 10,683		13,943
OPEB contribution from City								\$ 777,563	777,563
Total liabilities	\$ 96,246	\$ 38,916	\$ 23,391	\$ 3,260	\$ 79,877	\$ 99,363	\$ 10,683	\$ 777,563	\$ 1,129,299

City of Hermosa Beach
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the year ended June 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
ASSETS				
Bayview Drive Redemption Fund:				
Cash and investments	\$ 25,958	\$ 100,410	\$ (43,841)	\$ 82,527
Interest receivable	262	1,203	(262)	1,203
Other accounts receivable		12,516		12,516
Lower Pier District Redemption Fund:				
Cash and investments	30,224	46,874	(43,057)	34,041
Interest receivable	299	481	(299)	481
Other accounts receivable	2,857	4,394	(2,857)	4,394
Beach Drive Assessment District Redemption Fund:				
Cash and investments	18,500	34,299	(33,280)	19,519
Interest receivable	187	268	(187)	268
Other accounts receivable	2,671	3,604	(2,671)	3,604
Beach Drive Assessment District Reserve Fund:				
Cash and investments	3,060	202	(56)	3,206
Interest receivable	37	54	(37)	54
Myrtle Avenue Assessment Fund:				
Cash and investments	84,277	101,263	(108,911)	76,629
Interest receivable	842	1,096	(842)	1,096
Other accounts receivable	5,837	2,152	(5,837)	2,152
Loma Drive Assessment Fund:				
Cash and investments	85,241	143,198	(134,052)	94,387
Interest receivable	861	1,364	(861)	1,364
Other accounts receivable	2,511	3,612	(2,511)	3,612
Bayview Drive Reserve Fund				
Cash and investments	10,062	623	(162)	10,523
Interest receivable	94	160	(94)	160
Other Post Employment Benefits:				
Cash and investments	274,180	512,028	(8,645)	777,563
Total assets	<u>\$ 547,960</u>	<u>\$ 969,801</u>	<u>\$ (388,462)</u>	<u>\$ 1,129,299</u>
LIABILITIES				
Bayview Drive Redemption Fund:				
Assessment installment account	\$ 26,220	\$ 114,129	\$ (44,103)	\$ 96,246
Lower Pier District Redemption Fund:				
Assessment installment account	33,380	51,749	(46,213)	38,916
Beach Drive Assessment District Redemption Fund:				
Assessment installment account	21,358	38,171	(36,138)	23,391
Beach Drive Assessment District Reserve Fund:				
Reserve requirement	3,097	256	(93)	3,260
Myrtle Avenue Assessment Funds:				
Assessment installment account	90,956	104,511	(115,590)	79,877
Loma Drive Assessment Fund:				
Assessment installment account	88,613	148,174	(137,424)	99,363
Bayview Drive Reserve Fund				
Reserve requirement	10,156	783	(256)	10,683
Other Post Employment Benefits:				
OPEB contribution from City	274,180	512,028	(8,645)	777,563
Total liabilities	<u>\$ 547,960</u>	<u>\$ 969,801</u>	<u>\$ (388,462)</u>	<u>\$ 1,129,299</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, 2006

GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	\$ 17,448,236
Buildings and improvements	3,823,508
Improvements other than buildings	12,811,925
Machinery and equipment	1,584,163
Vehicles	25,996
Construction in progress	1,452,130
Infrastructure	37,383,985
Total governmental funds capital assets	74,529,943
Accumulated depreciation	(20,242,620)
Total governmental funds capital assets, net	\$ 54,287,323

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

State grants	\$ 152,307
General fund revenues	32,193,146
Special revenue funds revenues	41,866,352
Donated assets	318,138
Total governmental funds capital assets	74,529,943
Accumulated depreciation	(20,242,620)
Total governmental funds capital assets, net	\$ 54,287,323

* 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, 2006

	Land	Buildings and Structures	Improvements Other than Buildings	Machinery and Equipment	Vehicles	Infrastructure	Construction in Progress	Total
GOVERNMENTAL FUNDS								
CAPITAL ASSETS								
General government	\$ 307,349	\$ 2,006,824	\$ 97,728	\$ 307,431				\$ 2,719,332
Public safety		299,189	751,295	971,216	\$ 25,996			2,047,696
Community development			99,858	12,755				112,613
Culture and recreation	650,000	572,169	203,154	113,438				1,538,761
Public works	16,490,887	945,326	11,659,890	179,323		\$ 37,383,985	\$ 1,452,130	68,111,541
Total governmental funds capital assets	17,448,236	3,823,508	12,811,925	1,584,163	25,996	37,383,985	1,452,130	74,529,943
Accumulated depreciation		(1,363,774)	(3,479,689)	(818,242)	(7,724)	(14,573,191)		(20,242,620)
Total governmental funds capital assets	\$ 17,448,236	\$ 2,459,734	\$ 9,332,236	\$ 765,921	\$ 18,272	\$ 22,810,794	\$ 1,452,130	\$ 54,287,323

* 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, 2006

	Capital Assets July 1, 2005	Additions	Deletions	Capital Assets June 30, 2006
Function and Activity:				
General government	\$ 2,719,332	\$ 247,349	\$ (247,349)	\$ 2,719,332
Public safety	1,886,256	161,440		2,047,696
Community development	112,613			112,613
Culture and recreation	1,538,761			1,538,761
Public works	66,720,272	7,123,277	(5,732,008)	68,111,541
Total governmental funds capital assets	<u>72,977,234</u>	<u>7,532,066</u>	<u>(5,979,357)</u>	<u>74,529,943</u>
Accumulated depreciation	(18,129,507)	(2,163,442)	50,329	(20,242,620)
Total governmental funds capital assets, net	<u>\$ 54,847,727</u>	<u>\$ 5,368,624</u>	<u>\$ (5,929,028)</u>	<u>\$ 54,287,323</u>

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

STATISTICAL SECTION

This part of the City of Hermosa Beach's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	151
These schedules contain trend information to help the reader understand how the government's financial performance and well being have changed over time.	
Revenue Capacity	154
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	163
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. ¹	
Demographic and Economic Information	166
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	169
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

¹ Since the City of Hermosa Beach has no debt, the following schedules are not included in the Statistical Section:

- Ratios of Outstanding Debt by Type
- Ratios of General Bonded Debt Outstanding
- Pledged-Revenue Coverage

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City of Hermosa Beach
Net Assets by Component
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 52,434,822	54,115,206	57,049,484	56,667,910
Restricted	524,561	2,217,823	3,305,478	3,590,623
Unrestricted	15,165,745	15,218,039	14,932,486	15,221,233
Total governmental activities net assets	<u>\$ 68,125,128</u>	<u>71,551,068</u>	<u>75,287,448</u>	<u>75,479,766</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 6,796,868	6,880,925	8,081,080	8,297,790
Restricted	864,024	-	-	-
Unrestricted	780,346	827,781	502,758	237,824
Total business-type activities net assets	<u>\$ 8,441,238</u>	<u>7,708,706</u>	<u>8,583,838</u>	<u>8,535,614</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 59,231,690	60,996,131	65,130,564	64,965,700
Restricted	1,388,585	2,217,823	3,305,478	3,590,623
Unrestricted	15,946,091	16,045,820	15,435,244	15,459,057
Total primary government net assets	<u>\$ 76,566,366</u>	<u>79,259,774</u>	<u>83,871,286</u>	<u>84,015,380</u>

The City of Hermosa Beach has elected to show only four years of data for this schedule to coincide with the implementation of GASB 34.

City of Hermosa Beach
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
Governmental activities:				
Legislative and legal	\$ 810,589	755,591	737,903	962,682
General government	1,415,000	1,816,801	1,727,484	1,999,234
Public safety	10,415,111	11,219,997	12,855,036	15,167,715
Community development	968,000	1,115,600	1,355,888	1,349,891
Culture and recreation	1,045,567	965,440	996,021	1,149,070
Public works	4,136,564	4,592,460	6,687,811	7,980,811
Total governmental activities expenses	<u>18,790,831</u>	<u>20,465,889</u>	<u>24,360,143</u>	<u>28,609,403</u>
Business-type activities:				
Downtown Enhancement	909,137	939,576	166,732	1,130,499
Parking	1,525,371	1,632,093	1,701,775	- ²
Proposition "A" Transit	302,907	310,113	-	- ¹
Proposition "C" Transit	103,091	48,119	-	- ¹
Total business-type activities expenses	<u>2,840,506</u>	<u>2,929,901</u>	<u>1,868,507</u>	<u>1,130,499</u>
Total primary government expenses	<u>21,631,337</u>	<u>23,395,790</u>	<u>26,228,650</u>	<u>29,739,902</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	89,037	84,745	88,375	458,900
Public safety	833,755	914,655	1,063,594	3,891,881
Community development	768,241	929,695	1,245,622	1,393,212
Culture and recreation	708,296	793,748	874,111	986,137
Public works	203,533	689,457	2,368,076	808,091
Operating grants and contributions	642,214	674,451	721,198	725,136
Capital grants and contributions	475,933	665,806	2,465,698	1,042,854
Total governmental activities program revenues:	<u>3,721,009</u>	<u>4,752,557</u>	<u>8,826,674</u>	<u>9,306,211</u>
Business-type activities:				
Charges for services:				
Downtown Enhancement	774,865	879,495	906,857	1,187,249
Parking	2,503,330	2,895,143	3,247,478	- ²
Proposition "A" Transit	14,381	14,384	-	-
Proposition "C" Transit	-	-	-	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues:	<u>3,292,576</u>	<u>3,789,022</u>	<u>4,154,335</u>	<u>1,187,249</u>
Total primary government program revenues:	<u>7,013,585</u>	<u>8,541,579</u>	<u>12,981,009</u>	<u>10,493,460</u>

City of Hermosa Beach
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Net revenues (expenses):				
Governmental activities	(15,069,822)	(15,713,332)	(15,533,469)	(19,303,192)
Business-type activities	452,070	859,121	2,285,828	56,750
Total net revenues (expenses)	<u>(14,617,752)</u>	<u>(14,854,211)</u>	<u>(13,247,641)</u>	<u>(19,246,442)</u>
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Property taxes	5,282,147	5,885,480	6,221,535	8,361,888
Sales tax	2,508,346	2,596,135	2,584,015	2,511,004
Other taxes	5,166,212	5,559,070	5,897,908	6,186,641
Grants and contributions not restricted to specific programs	3,111,569	1,229,911	2,318,501	1,537,667
Investment income	439,050	177,757	467,923	753,746
Other general revenues	400,658	615,309	272,664	113
Transfers	990,593	2,356,585	1,507,304	144,451
Total governmental activities	<u>17,898,575</u>	<u>18,420,247</u>	<u>19,269,850</u>	<u>19,495,510</u>
Business-type activities:				
Investment income	96,117	73,519	96,365	33,154
Other general revenues	498,276	530,773	-	- ¹
Miscellaneous	10,812	12,966	243	6,323
Transfers	(990,593)	(2,356,585)	(1,507,304)	(144,451)
Total business-type activities	<u>(385,388)</u>	<u>(1,739,327)</u>	<u>(1,410,696)</u>	<u>(104,974)</u>
Total primary government	<u>17,513,187</u>	<u>16,680,920</u>	<u>17,859,154</u>	<u>19,390,536</u>
Changes in net assets				
Governmental activities:	2,828,753	2,706,915	3,736,381	192,318
Business-type activities:	66,682	(880,206)	875,132	(48,224)
Total primary government	<u>\$ 2,895,435</u>	<u>1,826,709</u>	<u>4,611,513</u>	<u>144,094</u>

The City of Hermosa Beach has elected to show only four years of data for this schedule to coincide with the implementation of GASB 34.

¹ Transit operations were transferred to special revenue funds in fiscal year 2005.

² The Parking Fund was combined with the General Fund in fiscal year 2006.

City of Hermosa Beach
Governmental Activities Tax Revenues By Source
Last Four Fiscal Years
(accrual basis of accounting)

Fiscal Year Ended June 30	Property Tax	Sales Tax	Real Property Transfer Tax	Franchise Fees	1/2 cent Sales Tax Extension for Public Safety	Transient Occupancy Tax	Utility User's Tax	Business License	Total
2003	\$ 5,282,147	\$ 2,508,346	\$ 194,035	\$ 517,907	\$ 150,453	\$ 1,054,272	\$ 2,137,975	\$ 689,270	\$ 12,534,405
2004	5,885,480	2,596,135	243,390	514,403	162,902	1,291,689	2,652,821	693,865	14,040,685
2005	6,221,535	2,584,015	279,627	590,372	178,539	1,477,612	2,675,196	696,562	14,703,458
2006	8,361,888	2,511,004	305,018	597,754	188,644	1,628,394	2,726,085	740,746	17,059,533

The City of Hermosa Beach has elected to show only four years of data for this schedule to coincide with the implementation of GASB 34.

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

	Fiscal Year			
	2003	2004	2005	2006
General Fund:				
Reserved	\$ 231,701	\$ 230,527	\$ 103,014	\$ 158,854
Unreserved	461,115	403,455	373,817	211,191
Total general fund	<u>692,816</u>	<u>633,982</u>	<u>476,831</u>	<u>370,045</u>
All other governmental funds:				
Reserved	909,806	1,459,679	4,107,762	3,845,091
Unreserved, reported in:				
Special revenue funds	<u>11,053,526</u>	<u>12,038,695</u>	<u>10,516,612</u>	<u>10,900,400</u>
Total all other governmental funds	<u>\$ 11,963,332</u>	<u>\$ 13,498,374</u>	<u>\$ 14,624,374</u>	<u>\$ 14,745,491</u>

The City of Hermosa Beach has elected to show only four years of data for this schedule to coincide with the implementation of GASB 34.

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

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Property Taxes	\$ 5,736,937	\$ 6,339,123	\$ 6,668,515	\$ 8,818,051
Other taxes	7,323,267	8,262,205	9,085,304	9,404,925
Licenses and permits	571,682	664,169	701,468	868,085
Fines and forfeitures	278,334	371,802	459,106	1,627,274
Use of money and property	2,185,382	590,605	871,782	612,248
Intergovernmental	2,175,932	2,168,077	4,333,949	2,278,769
Charges for services	1,254,917	1,414,665	1,852,726	3,905,640
Miscellaneous	645,335	793,633	2,053,250	388,532
Interest earned on investments	450,116	177,757	467,925	753,746
Total revenues	<u>20,621,902</u>	<u>20,782,036</u>	<u>26,494,025</u>	<u>28,657,270</u>
Expenditures:				
Current:				
Legislative and legal	832,157	752,541	727,026	963,031
General government	1,245,306	1,259,275	1,340,435	2,220,062
Public safety	10,040,618	10,555,169	12,139,133	14,444,334
Community development	951,856	1,089,056	1,325,219	1,346,996
Culture and recreation	966,621	932,447	940,158	1,124,347
Public works	3,082,096	3,189,361	3,374,363	3,785,554
Capital Outlay	4,281,144	3,119,265	6,425,895	3,406,570
Debt service:	n/a	n/a	n/a	n/a
Total expenditures	<u>21,399,798</u>	<u>20,897,114</u>	<u>26,272,229</u>	<u>27,290,894</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(777,896)</u>	<u>(115,078)</u>	<u>221,796</u>	<u>1,366,376</u>
Other financing sources (uses):				
Transfers in	4,016,062	6,962,841	7,368,202	4,273,743
Transfers out	<u>(3,625,668)</u>	<u>(5,371,555)</u>	<u>(6,621,149)</u>	<u>(5,625,788)</u>
Total other financing sources (uses)	<u>390,394</u>	<u>1,591,286</u>	<u>747,053</u>	<u>(1,352,045)</u>
Net change in fund balances	<u>\$ (387,502)</u>	<u>\$ 1,476,208</u>	<u>\$ 968,849</u>	<u>\$ 14,331</u>
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	0.0%

The City of Hermosa Beach has elected to show only four years of data for this schedule, to coincide with the implementation of GASB 34. The City has no debt, therefore Debt Service as a percentage of noncapital expenditures is 0.0% for all years.

City of Hermosa Beach
General Government Tax Revenues By Source
Last Four Fiscal Years
(modified accrual basis of accounting)

Fiscal Year Ended June 30	Property Tax	Sales Tax	Real Property Transfer Tax	Franchise Fees	Transient Occupancy Tax	Utility User's Tax	Other	Total
2003	\$ 5,736,937	\$ 2,508,346	\$ 194,035	\$ 517,907	\$ 1,054,272	\$ 2,137,975	\$ 910,732	\$ 13,060,204
2004	6,339,123	2,596,135	243,390	514,403	1,291,689	2,652,821	963,767	14,601,328
2005	6,668,515	2,584,015	279,627	590,372	1,477,612	2,675,196	1,478,482	15,753,819
2006	8,818,051	2,511,004	305,018	597,754	1,628,394	2,726,085	1,636,670	18,222,976

The City of Hermosa Beach has elected to show only four years of data for this schedule, to coincide with the implementation of GASB 34. The City has no debt, therefore Debt Service as a percentage

City of Hermosa Beach
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(In Thousands)

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Other	Less Exemptions	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Percentage Increase
1997	\$ 1,483,733	\$ 145,488	\$ 8,766	\$ 85,386	\$ (30,812)	\$ 1,692,561	1.00	\$ 1,723,374	
1998	1,523,254	140,020	7,198	86,796	(31,169)	1,726,099	1.00	1,757,268	1.97%
1999	1,604,556	142,533	6,653	95,797	(31,151)	1,818,388	1.00	1,849,539	5.25%
2000	1,785,340	145,703	6,735	101,038	(29,734)	2,009,081	1.00	2,038,816	10.23%
2001	1,959,668	148,003	7,004	105,278	(30,692)	2,189,260	1.00	2,219,952	8.88%
2002	2,163,509	163,177	7,552	91,586	(26,278)	2,399,546	1.00	2,425,824	9.27%
2003	2,342,017	175,517	7,340	101,252	(29,039)	2,597,087	1.00	2,626,126	8.26%
2004	2,581,409	191,355	7,867	93,753	(27,925)	2,846,459	1.00	2,874,384	9.45%
2005	2,834,252	201,708	7,276	98,635	(31,158)	3,110,712	1.00	3,141,870	9.31%
2006	3,158,374	228,948	7,853	102,802	(29,415)	3,468,562	1.00	3,497,977	11.33%

NOTE:

In 1978, the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: Los Angeles County 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
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$100 of assessed value)

Fiscal Year	City	Overlapping Rates					Total
	Direct Rate	Hermosa Beach School District	El Camino Community College District	Los Angeles County	Flood Control District	Metropolitan Water District	
1997	1.000000			0.001604	0.001991	0.008900	1.012495
1998	1.000000			0.001584	0.002197	0.008900	1.012681
1999	1.000000			0.001422	0.001765	0.008900	1.012087
2000	1.000000			0.001451	0.001953	0.008900	1.012304
2001	1.000000			0.001314	0.001552	0.008800	1.011666
2002	1.000000			0.001033	0.000881	0.006700	1.008614
2003	1.000000			0.001033	0.000881	0.006700	1.008614
2004	1.000000	0.019308	0.019025	0.000992	0.000462	0.006100	1.045887
2005	1.000000	0.016685	0.016558	0.000923	0.000245	0.005800	1.040211
2006	1.000000	0.014660	0.018380	0.000800	0.000050	0.005200	1.039090

Source: Los Angeles County Auditor-Controller

City of Hermosa Beach
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2006		1997	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
International Church of The Four Square (42)	\$ 17,463,663	0.50%	\$ -	0.00%
Regency Centers Limited Partnership (7)	13,215,124	0.38%	-	0.00%
Beta Group (2)	11,412,878	0.33%	-	0.00%
Robert J. & Ranae R. Desantis Trust (1)	11,026,410	0.32%	-	0.00%
Barbara K. Robinson (3)	10,267,455	0.29%	-	0.00%
Barks PCH (1)	8,200,000	0.24%	-	0.00%
Cheng Yi and Ying Yin Chang (1)	7,646,216	0.22%	6,584,514	0.39%
Formosa Hotel Inc. (1)	7,555,111	0.22%	-	0.00%
Crico of Fountain Place (1)	7,504,168	0.22%		
J.D. and Gina R. Stewart (6)	7,341,124	0.21%		
JMB Income Properties Limited XII (7)		0.00%	18,884,683	1.12%
Federal Deposit Insurance Corporation (1)	-	0.00%	11,475,000	0.68%
Playa Pacifica Limited (2)	-	0.00%	10,284,955	0.61%
Allen H. Ginsburg Trust (2)	-	0.00%	8,573,156	0.51%
Rogert E. Bacon (4)	-	0.00%	4,903,368	0.29%
Vasek Polak (15)	-	0.00%	4,724,558	0.28%
Simon Mani (2)	-	0.00%	3,574,074	0.21%
California Water Service Company (4)	-	0.00%	3,263,703	0.19%
George L. Schuler Trust (1)	-	0.00%	3,260,000	0.19%
	<u>\$ 101,632,149</u>	<u>2.93%</u>	<u>\$ 75,528,011</u>	<u>4.47%</u>

Source: HdL Coren & Cone, Los Angeles County Assessor Combined Tax Rolls
Numbers in parentheses represent the number of parcels owned by the tax payer.

City of Hermosa Beach
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1997	\$ 3,362,402	\$ 3,149,979	93.68%	\$ 168,289	\$ 3,318,268	98.69%
1998	3,434,310	3,252,801	94.71%	143,098	3,395,899	98.88%
1999	3,623,653	3,442,675	95.01%	132,062	3,574,737	98.65%
2000	4,002,324	3,808,235	95.15%	119,930	3,928,165	98.15%
2001	4,370,463	4,239,808	97.01%	152,899	4,392,707	100.51%
2002	4,790,920	4,576,910	95.53%	112,090	4,689,000	97.87%
2003	5,193,796	5,017,148	96.60%	140,296	5,157,444	99.30%
2004	5,688,428	5,489,332	96.50%	115,084	5,604,416	98.52%
2005	6,215,435	5,708,000	91.84%	121,467	5,829,467	93.79%
2006	6,938,764	6,717,516	96.81%	-	6,717,516	96.81%

Source: Los Angeles County Auditor-Controller

City of Hermosa Beach
Construction Value and Property Value
Last Ten Fiscal Years

Fiscal Year Ended June 30	Residential		Commercial		Total Assessed Value
	Number of Permits	Valuation	Number of Permits	Valuation	
1997	363	\$ 12,034,307	67	\$ 4,508,672	\$ 1,723,373,748
1998	612	29,728,509	73	3,977,221	1,757,267,759
1999	594	37,648,012	55	6,857,053	1,849,539,164
2000	476	27,553,549	57	6,044,503	2,038,815,726
2001	540	32,136,129	56	7,402,324	2,219,952,219
2002	591	19,260,802	43	2,142,566	2,425,823,846
2003	630	23,174,222	65	2,499,590	2,626,125,947
2004	596	28,114,344	75	6,713,988	2,874,383,847
2005	610	33,433,982	74	4,388,664	3,141,870,060
2006	696	41,088,855	66	4,101,562	3,497,977,443

Source: City of Hermosa Beach Community Development Department
Los Angeles County Auditor-Controller

City of Hermosa Beach
Direct and Overlapping Debt
June 30, 2006

	Percentage Applicable	Outstanding Debt 6/30/06	Estimated Share of Overlapping Debt
City Assessed Valuation		\$ 3,468,562,161	
Redevelopment Agency Incremental Valuation		-	
Total Assessed Valuation		<u>\$ 3,468,562,161</u>	
Overlapping Debt Repaid with Property Taxes:			
Los Angeles County Detention Facilities 1987 Debt Service	0.472%	\$ 8,395,000	39,657
Los Angeles County Flood Control Storm Drain Debt Service	0.480%	1,080,000	5,182
West Basin Water District Debt Service	0.510%	182,369,156	929,579
El Camino Community College District Debt Service	5.530%	<u>52,647,335</u>	<u>2,911,605</u>
Total overlapping debt repaid with property taxes		<u>\$ 244,491,491</u>	<u>3,886,023</u>
City Direct Debt			
Hermosa Beach City School District Debt Service 2002	100.000%	2,259,401	2,259,401
Hermosa Beach School Debt Service 2005	100.000%	11,024,372	11,024,372
Total city direct debt			<u>13,283,773</u>
Total direct and overlapping debt			<u>\$ 17,169,796</u>

Source: HdL Coren & Cone
Los Angeles County Assessor's Office

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

	Fiscal Year				
	1997	1998	1999	2000	2001
Assessed Valuation	\$ 1,723,373,748	\$ 1,757,267,759	\$ 1,849,539,164	\$ 2,038,815,726	\$ 2,219,952,219
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	\$ 430,843,437	\$ 439,316,940	\$ 462,384,791	\$ 509,703,932	\$ 554,988,055
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	\$ 64,626,516	\$ 65,897,541	\$ 69,357,719	\$ 76,455,590	\$ 83,248,208
Total net debt applicable to limit	\$ -	\$ -	\$ -	\$ -	\$ -
Legal Debt margin	<u>\$ 64,626,516</u>	<u>\$ 65,897,541</u>	<u>\$ 69,357,719</u>	<u>\$ 76,455,590</u>	<u>\$ 83,248,208</u>
Total debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

California Government Code section 43605 provides for a legal debt limit of 15% of gross assessed valuation. This provision was enacted when assessed valuation was based on 25% of market value. Effective fiscal year 1981-82, each parcel was assessed based on 100% of market value as of the most recent change in ownership. The computations shown above convert the assessed valuation data for each fiscal year from the full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted.

Source: City of Hermosa Beach Finance Department
County of Los Angeles, Auditor-Controller

		Fiscal Year							
		2002	2003	2004	2005	2006			
\$	2,425,823,846	\$	2,626,125,947	\$	2,874,383,847	\$	3,141,870,060	\$	3,497,977,443
	25%		25%		25%		25%		25%
\$	606,455,962	\$	656,531,487	\$	718,595,962	\$	785,467,515	\$	874,494,361
	15%		15%		15%		15%		15%
\$	90,968,394	\$	98,479,723	\$	107,789,394	\$	117,820,127	\$	131,174,154
\$	-	\$	-	\$	-	\$	-	\$	-
<u>\$</u>	<u>90,968,394</u>	<u>\$</u>	<u>98,479,723</u>	<u>\$</u>	<u>107,789,394</u>	<u>\$</u>	<u>117,820,127</u>	<u>\$</u>	<u>131,174,154</u>
	0%		0%		0%		0%		0%

City of Hermosa Beach
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	City Per Capita Personal Income (3)	Unemployment Rate (4)	School Enrollment (5)
1997	18,919	\$ 232,359,702	\$ 25,239		1.8%	1,324
1998	19,098	253,515,785	27,220	\$ 44,791	1.6%	1,346
1999	19,401	263,987,283	27,973		1.4%	1,384
2000	19,631	279,049,532	29,232	54,244	1.5%	1,420
2001	18,912	294,508,314	30,503	54,184	1.4%	1,430
2002	19,175	301,002,945	30,828	51,979	1.4%	1,471
2003	19,365	310,043,501	31,452		1.7%	1,489
2004	19,549	329,048,068	33,179		1.8%	1,498
2005	19,608	-	-		2.3%	1,475
2006	19,435	-	-		1.9%	1,462

Source:

- (1) State of California Department of Finance.
- (2) U.S. Department of Commerce, Bureau of Economic Analysis (data shown is for Los Angeles County). Not available for 2005 or 2006.
- (3) Personal Income figures for 1998, 2001 and 2002 are from the Internal Revenue Service individual income tax statistics by zip code and for 2000 from the U.S. Census Bureau, Census 2000. Internal Revenue Service figures are not an ongoing statistical project therefore all years are not available. Census information is available every 10 years.
- (4) State of California Employment Development Department.
- (5) State of California Department of Education.

City of Hermosa Beach
Principal Employers
Current Year and Nine Years Ago

Employer	2006		1997	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Lotus South Bay	219	5.62%	-	0.00%
City of Hermosa Beach	202	5.19%	175	0.00%
24 Hour fitness	138	3.54%	-	0.00%
Von's Companies	130	3.34%	100	0.00%
Hope Chapel	62	1.59%	130	
Vasek Polak, Incorporated		0.00%	122	
Hermosa Beach School District	103	2.65%	100	0.00%
Shorewood Realtors	96	2.47%	-	0.00%
Comedy and Magic Club	61	1.57%	-	0.39%
Lucky's Grocery			65	
Ralph's Grocery			65	
Hennesey's Tavern	60	1.54%	100	0.00%
Patrick Molloy's	55	1.41%	-	
Rocky Cola Café		0.00%	47	
Body Glove	-	0.00%	40	
Club Sushi Restaurant	-	0.00%	40	

Source: City of Hermosa Beach Finance Department

¹Percent of total employment is not available for 1997.

City of Hermosa Beach
Full-time and Part-time City Employees by Function
Last Ten Fiscal Years

<u>Function</u>	Full-time and Part-time Employees as of June 30									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Government	20	20	21	19	19	19	20	20	19	18
Public Safety	105	107	117	105	105	109	114	106	115	112
Community Development	8	8	11	9	10	9	11	11	11	11
Culture and recreation	37	35	38	38	42	26	29	32	37	40
Public Works	<u>21</u>	<u>21</u>	<u>24</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>23</u>	<u>21</u>	<u>23</u>	<u>22</u>
Total	<u>191</u>	<u>191</u>	<u>211</u>	<u>193</u>	<u>198</u>	<u>185</u>	<u>197</u>	<u>190</u>	<u>205</u>	<u>203</u>

Source: City of Hermosa Beach Finance Department

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

	Fiscal Year				Fiscal Year					
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public safety										
Police:										
Physical arrests	857	624	692	629	873	1,027	1,343	1,413	1,064	887
Traffic citations issued	3,357	3,241	3,133	3,209	2,870	3,086	3,631	3,372	2,101	1,518
Parking citations issued	59,625	50,766	57,981	45,810	43,139	45,339	46,342	49,379	54,010	47,770
Fire:										
Number of emergency calls	434	450	498	538	-	527	605	598	899	866
Inspections	845	535	680	486	-	-	391	28	182	179
Community development:										
Building permits issued	421	689	648	530	594	636	691	676	696	762
Culture and recreation:										
Number of recreation classes	132	106	124	124	115	139	139	135	159	165
Total enrollment	3,683	4,692	4,807	5,131	4,039	5,112	4,778	4,616	5,969	5,228
Public works:										
Graffiti removal (hours)	357	256	382	289	422	285	410	456	217	414
Permits issued	303	382	504	538	1,335	528	567	529	706	875

Source: Various city departments.

Note:

Indicators are not available for Fire emergency calls in 2001 or Fire inspections in 2001 and 2002.

City of Hermosa Beach
Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year				Fiscal Year					
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public safety										
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Parking meters ¹	-	-	-	-	-	1,611	1,611	1,666	1,666	1,666
Fire:										
Fire stations	1	1	1	1	1	1	1	1	1	1
Culture and recreation										
Community centers	1	1	1	1	1	1	1	1	1	1
Community theatres	1	1	1	1	1	1	1	1	1	1
Public works:										
Beach (acres)	37	256	382	289	422	285	410	456	217	414
Greenbelt (acres)	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5
Parks	20	20	20	20	20	20	20	20	20	20
Parks (acres)	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7
Sanitary sewers (miles)	33	33	33	33	33	33	33	34	34	34
Streets (miles)	40	40	40	40	40	40	40	40	40	40
Streetlights	395	399	399	399	399	399	399	399	399	392
Storm drains (miles)	1	1	1	1	1	1	1	1	1	1
Traffic Signals	17	17	17	17	17	17	17	17	17	17

Source: City of Hermosa Beach Finance Department

¹Number of parking meters is not available for fiscal years 1997-2001.