

**City of Hermosa Beach,
California**

**Comprehensive
Annual
Financial
Report**

For the year ended June 30, 2010

City of Hermosa Beach
Basic Financial Statements
For the year ended June 30, 2010

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City of Hermosa Beach

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

January 18, 2011

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, 2010. 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 eighth CAFR prepared using the new financial reporting requirements established by Governmental Accounting Standards Board (GASB) Statement 34 for state and local governments throughout the United States. The required Management's Discussion and Analysis (MD&A), gives readers an objective and easily readable analysis of the government's financial performance for the year and government-wide financial statements, prepared using accrual accounting for all of the government's activities. Long term assets and liabilities (such as capital assets, including infrastructure and general obligation debt) are measured in addition to current assets and liabilities. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Hermosa Beach's MD&A can be found immediately following the report of the independent auditors.

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

Audit

The City of Hermosa Beach's financial statements have been audited by Caporicci & Larson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hermosa Beach for the fiscal year ended June 30, 2010, 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, 2010, 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 19,599, 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 2009-10 fiscal year, beach attendance ranged from a low of 77,345 in December 2009 to a high of 1,960,000 in July 2009, 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. A pre-budget policy meeting with the City Council is held prior to budget preparation. 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. At least one public budget workshop is held prior to the required public hearing, with adoption required no later than June 30th. If the City Council fails to adopt a budget by that date, the budget submitted by the City Manager, as amended by the City Council, if applicable, is the appropriated budget except for capital improvement outlays. 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. The City Council receives monthly revenue and expenditure reports during the year and 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 CAFR 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 81-83. 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 fifteenth highest percentage change in secured and unsecured assessed valuation of the 88 cities in Los Angeles County for 2009-1009. This growth of 3% is the lowest rate since the 1999 rate of 5.25%. In the five years preceding this fiscal year, the increase in assessed valuation averaged 10.48; 9.93% for the last ten years. Even with lower growth, property tax is by far the highest source of revenue for the City. Median home prices in Hermosa Beach as of June 2010 were \$900,000, compared to \$336,000 for Los Angeles County. The Hermosa Beach median home price for June 2009 was \$980,000 and the average median price was \$1,120,083. The average median home price for Hermosa Beach for fiscal year 2009-10 was \$899,604. Home values adjacent to the beach continue to hold up much better than other parts of the county and state.

As a beach city, the three highest occupations are management, sales, and administrative support, 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 5.5%, compared with 12.2% for Los Angeles County, and 12.2% for California as of June 2010.

Secured property taxes increased 4% in 2009-10 and on average, 9%, over the past five years, corresponding with the increase in assessed valuation mentioned above (in spite of the shift of over \$650,000 in 2004-05 and 2005-06 in 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 that began in 2001-02 with the loss of several new auto dealerships: Audi/Porsche in 2002, Volkswagen in 2003 and BMW in 2004. The biggest impact was BMW new car sales, which was felt in full for the first time in 2005-06. BMW still maintains pre-owned sales on a portion of the previous site. Sales tax receipts over the past ten years were highest in 2000-01 at \$2.7 million with the low in 2009-10 of \$2.1 million. Receipts for 2009-10 are down 12% with the largest decline in Auto Dealers/Supplies and Building Materials. Receipts for 2009-10 are consistent with sales tax receipts of 1998-99.

In the past ten year period, transient occupancy tax has increased from a low of \$793,818 in 2000-01 to a high of \$1.9 million in 2007-08, or an average increase of 12%. During that ten years, three new hotels were added; the Beach House (phases 1 and 2), the Holiday Inn Express, and the Hampton Inn. Revenue for 2009-10 declined 5% to \$1.5 million, which approximates the level in 2004-05. Average occupancy for 2009-10 was 65.8% for Hermosa Beach compared to last year's rate of 67.7%.

Utility user tax (UUT) was 1% less than 2008-09. The utility user tax is the second highest single source of income for the City. Since the City was successful in obtaining voter approval (72%) for adoption of a modern UUT ordinance in November 2007, revenue is protected as technology changes occur. The ballot measure was intended to be revenue-neutral, in that the video and telecom rate was reduced from 6% to 5.5% to offset any new revenue received from new technology in those areas. The UUT as a source of revenue has been very reliable.

National Economy. The latest news from the Federal Reserve is that the economy appeared to be gaining strength but not enough to put a dent in the unemployment rate (9.8% as of this writing). The latest survey of economists by the Wall Street Journal also see a stronger economy in the first half of 2011, with odds of a double-dip recession going down to 15%. Jobless claims hit the lowest level since July 2008 in December 2010. While this is encouraging news, it is not yet apparent in the local economy. Hermosa Beach does fare better with unemployment estimated at 5.5% and stronger assessed valuations on property, but the effects of this economy are still felt with less growth in property tax and declining sales tax and transient occupancy tax revenue.

While many communities continue to experience effects from subprime mortgages, Hermosa Beach foreclosure activity was .2% or less for each month of 2009-10.

California Public Employees Retirement System (CalPERS). While CalPERS had a positive investment return of 11.6% as of June 2010, prior losses will still affect employer rates for the future. Rates increased by 3 points in 2009-10 and will remain flat for 2010-11, however rates for 2011-12 are projected to increase by 11 points. Because of this, the City is negotiating with all bargaining units to implement two tier retirement plans which would cost far less than current plans.

The City needs to plan ahead now for anticipated rate increases. The City created a Retirement Stabilization Fund in 2003-04 for this purpose. The fund balance at 6/30/10 is \$753,149.

State Budget. The passage of Proposition 22 by statewide voters in November 2010 is a positive for local government. The measure prevents the state from borrowing property tax, motor vehicle fuel tax, Proposition 42 sales tax on gasoline and public transportation funds. With a projected state budget deficit of \$28 billion, this protection is a welcome development. With a new Governor just installed, it remains to be seen how the state will solve its problems. One rumored solution is the taking of local redevelopment funds which will impact many local governments in California. Hermosa Beach would not be impacted however, since we do not have a Redevelopment Agency.

It is doubtful that the deficit can be resolved without pain across-the-board for all who are touched by the budget. Impacts will likely remain unknown for some time though as the new Governor and legislature go through the balancing motions.

Long-term financial planning. The City Council's adopted financial policies relating to long-term financial planning for specific funds, are as follows:

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.

The City also has a financial policy of transferring funds unspent in the General Fund at year-end to the Contingency Fund, Insurance Fund, Equipment Replacement Fund, and Capital Improvement Fund to build equity in those funds. For 2009-10, the City Council determined that all unspent funds in the General Fund (\$1,227,569) would be transferred to the Insurance Fund to fund insurance liabilities and costs of the ongoing MacPherson Oil lawsuit which is discussed in detail in the Notes to the Financial Statements. The City Council makes changes as necessary to the year end transfer, depending on the equity in the funds or based on other needs.

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 Emergency Operations Center; rehabilitation of beach restrooms; and a major renovation of the Public Works City Yard. The City will use Los Angeles Proposition A Open Space Grant, Traffic Congestion Relief funds, and Measure R funds for these projects, in addition to City funds. The Upper Pier Avenue Improvement Project, which began in January 2010 will also be completed. The City used federal stimulus funds, grants and bond funds for the project, with no expenditure of City funds. As part of the project, the city installed an innovative infiltration/storm drain system that captures trash, storm water and urban runoff from a 36-acre drainage area before it can pollute ocean waters, This part of the project won the 2010 Environmental Achievement Award from the U.S. Environmental Protection Agency.

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 23 months, with an average yield on investments of .74% 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 \$20 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 of Hermosa Beach purchases workers' compensation coverage through a self-insured program available through ICRMA. The City maintains a \$500,000 self-insured retention limit and participates in a self-insured risk sharing pool through the ICRMA and the California State Association of Counties (CSAC). Together, these two joint powers authorities provide a shared limit of coverage up to a maximum of \$200 million.

Claims defense and settlement are coordinated by third party administrators for both liability and worker's compensation, with oversight by the City Manager (City's Risk Manager/Human Resources Director position is vacant).

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 30 retirees receiving these benefits.

The City elected early implementation of GASB 45 and established a trust with an outside party to administer these funds in July 2007. 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, 2009. This was the twentieth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published a report that 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 continuing support for maintaining the highest standards of professionalism in the management of the City of Hermosa Beach's finances.

Respectfully submitted,

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

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, 2009

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.



A stylized, handwritten signature in black ink, appearing to read "JEFFREY R. EMER".

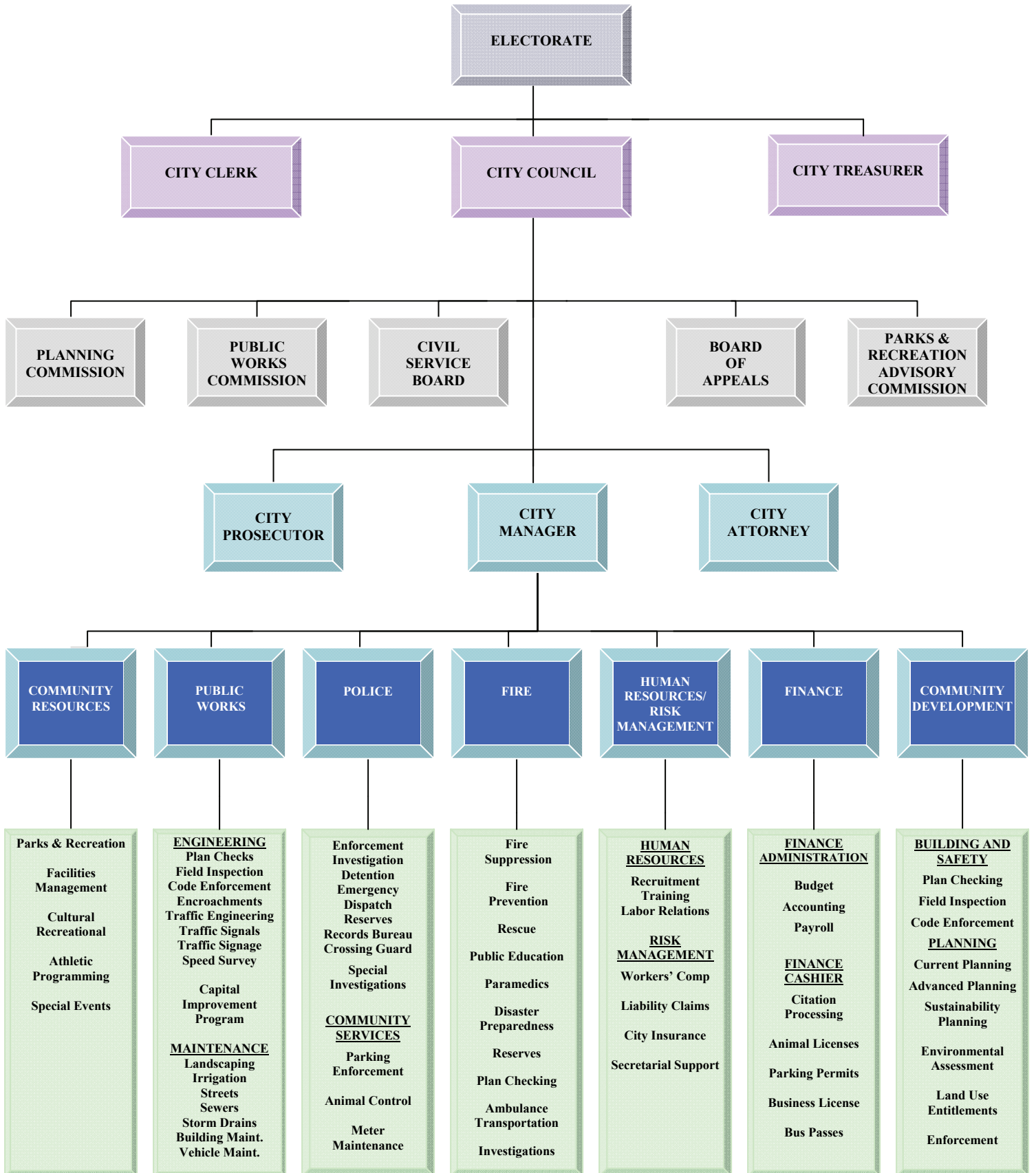
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



CITY OF HERMOSA BEACH ORGANIZATIONAL CHART



PRINCIPAL OFFICIALS OF THE CITY OF HERMOSA BEACH, CALIFORNIA

June 30, 2010

Elected and Administrative Officials

City Council

Michael Di Virgilio
Pete Tucker
Patrick "Kit" Bobko
Jeff Duclos
Howard Fishman

Mayor
Mayor Pro Tempore
Councilmember
Councilmember
Councilmember

Other Elected Officials

John Workman
Elaine Doerfling

City Treasurer
City Clerk

Administrative Officials

Stephen Burrell
Viki Copeland
Ken Robertson

Unfilled

Unfilled

Gregory Savelli
Richard Morgan
David Lantzer

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hermosa Beach, California (City), as of and for the year ended June 30, 2010, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2011, our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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 the Required Supplementary Information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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 basic 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 the Introductory and Statistical Sections.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
Irvine, California
January 18, 2011

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, 2010. 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 - x 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 \$80,738,000 (*net assets*). Of this amount, \$9,698,000 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$253,000. Net assets of governmental activities decreased \$285,000 (.4%) while net assets of business type activities increased \$32,000 (.4%).
- As of June 30, 2010, the City of Hermosa Beach's governmental funds reported combined ending fund balances of \$10,726,000, a decrease of \$973,000 in comparison with the prior year. The decrease is primarily a result of the expenditure of Proposition C Transit Funds on the Upper Pier Avenue Improvement Project. Approximately 33% of the fund balances are to indicate that funds are not available because they are 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, or 3) committed for other specific projects. Another 3% is designated for specific uses, with the remainder available for a variety of purposes.
- As of June 30, 2010, 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 2009-10. The balance in the Contingency Fund (or "rainy day fund") is \$3,651,000 or 13.7% of General Fund appropriations and serves as the City's cushion against economic uncertainties. The City's financial policy is to retain a fund balance of 15% of General Fund appropriations. These balances will be addressed as part of the Midyear Budget Review process for 2010-11. The City's financial goals and the progress toward those goals is always reviewed at midyear.
- 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 are in the Downtown Enhancement 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-five individual governmental funds. Three undergrounding improvement funds were closed because the projects were complete and two funds for undergrounding districts that will not be formed were closed which reduces the number of funds to thirty. 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 Grants Fund Contingency Fund

Major funds are governmental or enterprise funds whose revenues, expenditures/expenses, assets or liabilities are at least 10% of corresponding totals for all governmental or enterprise funds and at least 5% of the corresponding total for all governmental and enterprise funds combined.

Data from the other thirty-two 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* in the Supplementary Information section 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 in the Required Supplementary Information section to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 23-31 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. *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 equipment 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 because it is the only proprietary fund. 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 35-38 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 are held as fiduciary funds. Other Post Employment Benefits (OPEB) funds that were held previously as fiduciary funds by the City, were placed in a trust fund administered by Public Agency Retirement Services in August 2007.

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 43-77 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 major funds. 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 90-100 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, 2010, assets exceeded liabilities by \$80,738,000.

By far the largest portion of the City of Hermosa Beach's net assets, \$66,527,000 (82%), 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.

<i>Net Assets June 30, 2010 (dollars in thousands)</i>						
	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2010	2009	2010	2009	2010	2009
<i>Current and Other Assets</i>	\$ 26,628	\$ 27,312	\$ (776)	\$ (991)	\$ 25,852	\$ 26,321
<i>Capital Assets</i>	56,600	56,420	9,927	10,057	66,527	66,477
Total Assets	83,228	83,732	9,151	9,066	92,379	92,798
<i>Long-term Liabilities</i>						
<i>Outstanding</i>	4,954	4,407	-	-	4,954	4,407
<i>Other Liabilities</i>	6,388	7,154	299	246	6,687	7,400
Total Liabilities	11,342	11,561	299	246	11,641	11,807
Net Assets:	71,886	72,171	8,852	8,820	80,738	80,991
<i>Invested in Capital Assets</i>	56,600	56,420	9,927	10,057	66,527	66,477
<i>Restricted</i>	4,513	5,403	-	-	4,513	5,403
<i>Unrestricted</i>	10,773	10,348	(1,075)	(1,237)	9,698	9,111
Total Net Assets	\$ 71,886	\$ 72,171	\$ 8,852	\$ 8,820	\$ 80,738	\$ 80,991

A portion of the City of Hermosa Beach's net assets (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$9,698,000) 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 activities. The business-type activities show a deficit for unrestricted net assets due to the purchase of a storage lot facility with internal loans from the Contingency Fund, the Insurance Fund and the Equipment Replacement Fund. These loans are being repaid from revenue received from the lease of the facility and unrestricted net assets when available.

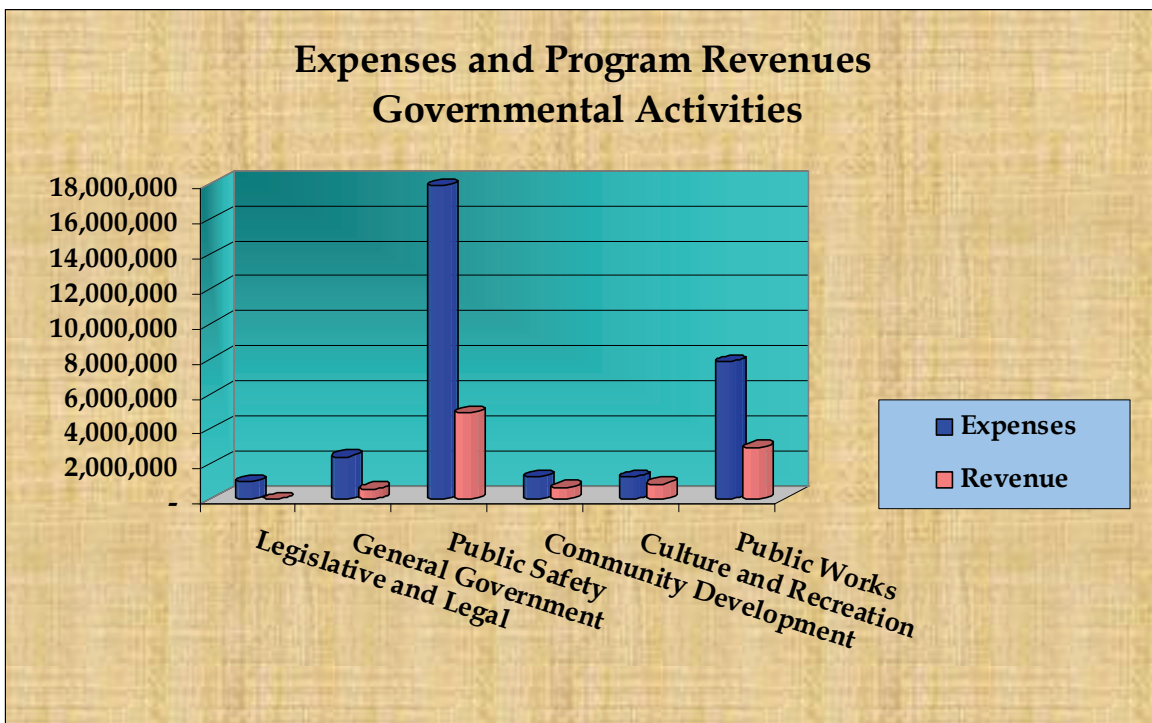
The government's net assets decreased by \$253,000 during the current fiscal year. The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ending June 30, 2009 and June 30, 2010.

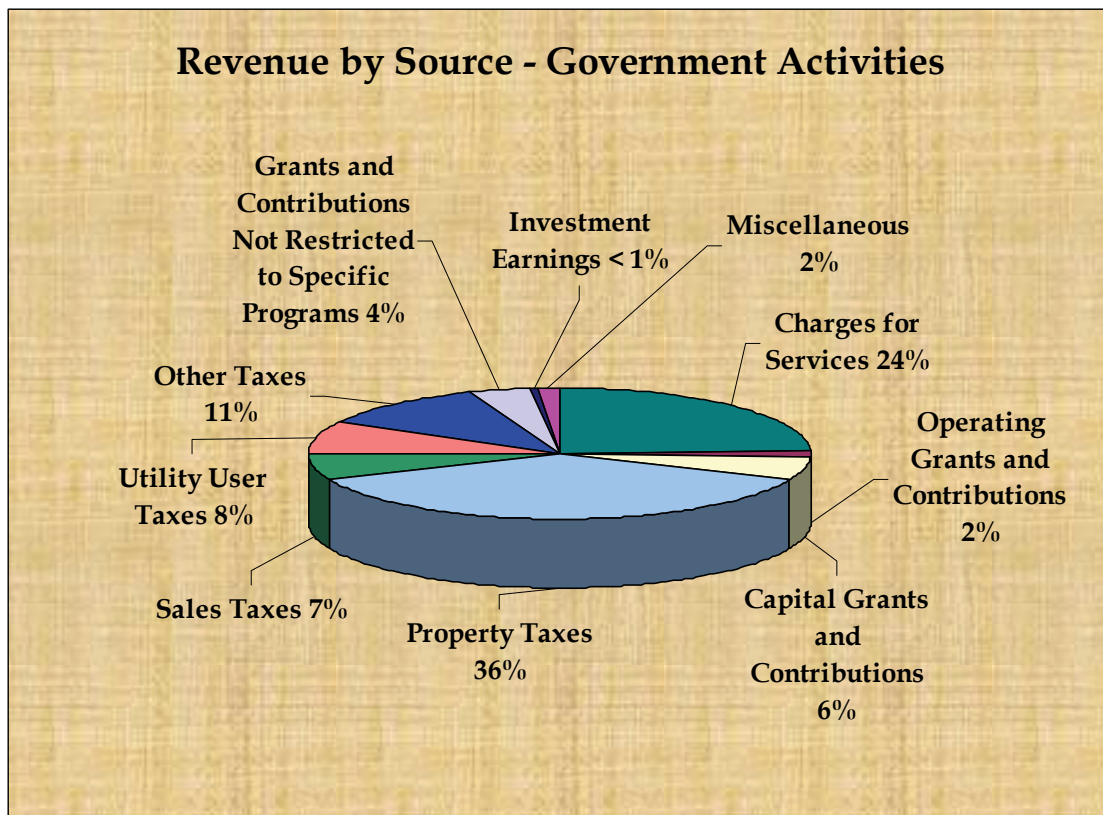
Governmental activities. Governmental activities decreased the City of Hermosa Beach's net assets by \$285,000. Key elements of this decrease are as follows:

Changes in Net Assets						
June 30, 2010						
(dollars in thousands)						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges For Services	\$7,566	\$7,843	\$1,026	\$1,021	\$8,592	\$8,864
Operating Grants and Contributions	544	540	-	-	544	540
Capital Grants and Contributions	1,818	850	-	-	1,818	850
General Revenues:						
Property Taxes	11,408	11,188	-	-	11,408	11,188
Other Taxes	8,076	8,460	-	-	8,076	8,460
Grants and Contributions Not Restricted to Specific Programs	1,242	1,454	-	-	1,242	1,454
Other	608	733	7	21	615	754
Total Revenues	31,262	31,068	1,033	1,042	32,295	32,110
Expenses:						
Legislative and Legal	980	1,060	-	-	980	1,060
General Government	2,410	3,579	-	-	2,410	3,579
Public Safety	17,842	17,471	-	-	17,842	17,471
Community Development	1,244	1,417	-	-	1,244	1,417
Culture and Recreation	1,252	1,421	-	-	1,252	1,421
Public Works	7,823	6,861	-	-	7,823	6,861
Downtown Enhancement	-	-	997	963	997	963
Total Expenses	31,551	31,809	997	963	32,548	32,772
Increase (Decrease) in Net Assets Before Transfers	(289)	(741)	36	79	(253)	(662)
Transfers	4	3	(4)	(3)	-	-
Increase (Decrease) in Net Assets	(285)	(738)	32	76	(253)	(662)
Net Assets - 7/1/09	72,171	72,909	8,820	8,744	80,991	81,653
Net Assets - 6/30/10	\$71,886	\$72,171	\$8,852	\$8,820	\$80,738	\$80,991

- Charges for services decreased \$277,000 primarily due to a major reduction in development related revenues as a result of the declining economy. Revenue received for facilities rentals and special events was less due to continued renovations and construction at the Community Center.
- Property Taxes overall increased by \$220,000 or approximately 2%. Assessed valuations increased 3.03% overall.
- Other Taxes decreased approximately 5% as a result of decreases in revenue from the transient occupancy tax (tax on hotel stays) and sales tax.
- Capital Grants and Contributions increased primarily because of four American Recovery and Reinvestment Act (ARRA) grants received from the Federal Government for improvements of the City's main arterial street, an innovative water filtration system and repairs made to other residential streets. Two of the grants are administered by the State of California Department of Transportation and two by the California State Water Resources Control Board.

- Grants and Contributions Not Restricted to Specific Programs decreased for the following reasons: motor vehicle license fees decreased by \$10,000; an increase of \$11,000 to traffic congestion relief funding; Proposition A and C Transit Funds decreased by \$61,000 since they are collected as a portion of the sales tax which is declining; the amount of State reimbursed claims for mandated costs was \$5,000 more. The City allocation of Proposition 1B funding was \$205,000 less than 08-09 because the program was suspended by the State. Transit Development Act Revenue was \$20,000 more for 09-10 as funds from the 08-09 reserve and the 09-10 allocation were drawn down for use on a project to begin in early 2010-11. The first allocations of Measure R, a ½ cent sales tax passed by Los Angeles County voters in November 2008 for transportation solutions for Los Angeles County, were received beginning July 2009.
- Other revenue decreased primarily due to a large donation for Community Center Theatre Improvements that was received in 2008-09 and a decrease of nearly 73% for investment earnings due to falling interest rates.





Expenses in total declined primarily due to a total of fourteen unfilled vacancies impacting all categories except the Legislative and Legal function. The Legislative and Legal function decreased by approximately 8% because of a decrease to legal costs related to the MacPherson Oil lawsuit and a one-time contribution to the Hermosa Beach School District in 08-09. The General Government function shows a decrease since changes in infrastructure assets were recorded in this category in 08-09. For 09-10, increased infrastructure costs are reflected in the Public Works category. The Public Safety function increased primarily due to the reinstatement of two employees. Community Development decreased because costs for inspections and plan checks were less due to fewer building projects. Culture and Recreation decreased because of vacancies, lower excursions and lower recreation class instructor payments due to lower enrollment in classes. The remodel of the Community Center impacted many activities. Legal costs for the ongoing MacPherson Oil Company litigation, discussed in Note 13 of the Notes to the Basic Financial Statements, impacted all governmental functions since these costs, recorded in the Insurance Fund, are allocated across all functions. The total amount for these legal costs for 2009-10 was \$795,000, a decrease from 2008-09 of approximately \$19,000.

Business-type activities. Business-type activities increased the net assets by \$32,000. The primary contributing factors to this increase were:

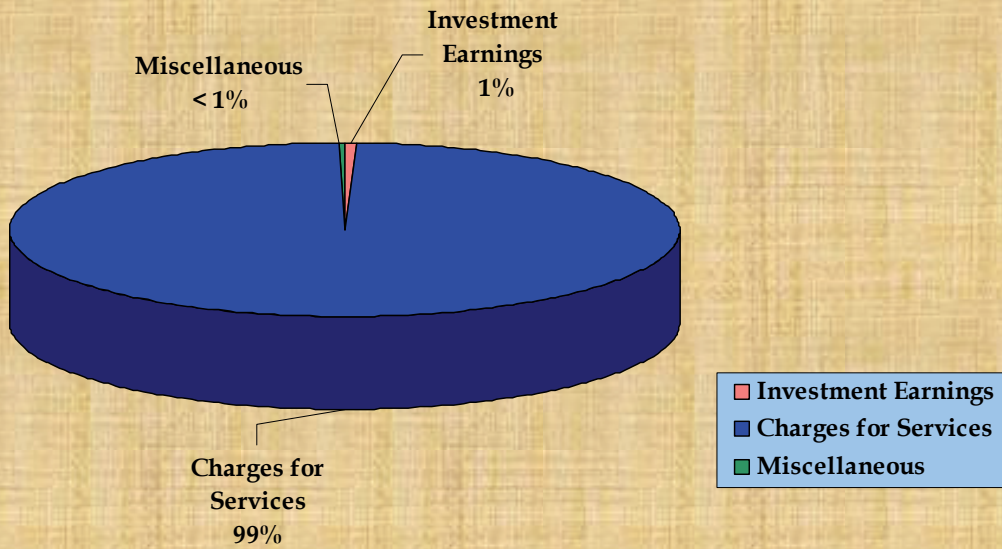
- Charges for Services increased slightly due to an increase in the renegotiated storage lot lease, the cell-site license annual adjustment and increased revenue for services provided for special events.
- Other revenue decreased due to the decrease in investment earnings from 2008-09 and fewer participants in the City's special event for St. Patrick's Day.
- The Downtown Enhancement operation shows increased expenses because of increased costs for special events cleanup and steam cleaning. The Los Angeles County Beaches and Harbors share of the parking structure net income also increased by 5% over 2008-09 due to reduced costs for the facility.

Expenses and Program Revenue Business-type Activities



Expenses	997,138
Program Revenue	1,026,185

Revenue by Source - Business-type 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 \$10,726,000, a decrease of \$973,000 (8%), in comparison with the prior year. Approximately 67% of this total amount, \$7,219,000, 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 (\$2,889,000), 2) fund transportation development act projects (\$20,000), 3) fund traffic congestion relief projects (\$302,000) 4) to account for an advance to the Downtown Enhancement proprietary fund for the purchase of a storage lot facility (\$237,000) , 5) to fund future parking facility projects (\$10,000), and 6) for future Theatre Improvements donated by a local resident (\$45,000) and 7) to fund future street improvement projects (\$4,000).

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, Grants Fund, and Contingency 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 \$700,000, with \$392,000 reserved for re-appropriations, \$45,000 reserved for Theatre Improvements, \$10,000 reserved for future parking facility projects and \$253,000 unreserved, but designated for certain purposes. The City's financial policies require that unspent funds in the General Fund transfer to other funds to meet specific funding targets at year end. As those targets or goals are met, transfers may be redirected where funds are needed. For 2009-10, the City Council redirected that funds left unspent in the General Fund at year end transfer to the Insurance Fund to help cover MacPherson Oil lawsuit legal costs and build equity in the fund. The transfer to the Insurance Fund was \$1,227,569. Funds were available at year end primarily because expenditures were 5% less than budgeted, mainly due to fourteen vacant positions that remain unfilled.

The Grants Fund qualifies as a major fund in 2009-10 because of the receipt of four ARRA grants; one for the improvement of the City's main arterial street, Pier Avenue, one for an innovative water filtration system and 2 for major repairs on other streets. The Pier Avenue project includes streetscape, enhanced landscaping, new street lights, widened sidewalks and bus transit improvements. Project construction began in January 2010 and was completed in October 2010.

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, undesignated balance of \$3,400,000 represents 13% of appropriations and is less than the financial goal because funds have been used for the MacPherson lawsuit. The status of financial goals is reviewed during the Midyear Budget Review Process as explained earlier.

Proprietary funds. The City of Hermosa Beach's proprietary fund financial statements for the Downtown Enhancement 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 (\$1,075,000). The deficit is due to the purchase of a storage lot facility with partial funding from internal loans from the Contingency, Insurance and Equipment Replacement Funds. The loans were recorded as if they were being made to the Downtown Enhancement Fund so that the balance payable is easily tracked. These loans are being repaid from revenue received from the lease of the facility and any unrestricted net assets that become available, which will ultimately eliminate the deficit.

General Fund Budgetary Highlights

The final amended budget for revenue is 3% less than the original budget. Actual revenue was higher than the final budget by 2% for the following reasons:

- Other tax revenue collections were 6% higher than budget primarily due to conservative estimates for transient occupancy tax, sales tax, and utility users' tax.
- Licenses and Permits were 3% under budget as a result of lower building permit activity.

The final amended budget for appropriations other than Transfers Out is more than the original budget by less than 1%.

Actual expenditures were less than the final appropriations by 5%. The largest variances can be summarized as follows:

- Public Safety expenditures were less than budget by \$780,000 primarily due to the partial year vacancy of one Police Lieutenant, elimination of one position in Community Services and lower leave cash out costs for both the Police and Fire Departments.
- Less coverage of the Senior Building Inspector vacancy and fewer plan check services were the main factors for Community Development expenditures being under budget by \$154,000.
- Expenditures in the Public Works category were less than budgeted by \$129,000 due to lower than anticipated street sweeping and landscape maintenance costs and unspent street repair funds that will be carried over to the following year.

Transfers Out increased due to funds remaining in the General Fund at year end, which transfer to meet funding goals as explained previously.

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, 2010, amounts to \$66,527,000 (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, improvements, machinery and equipment, park facilities, roads, highways, and monuments. The total increase in the City of Hermosa Beach's investment in capital assets for the 2009-10 fiscal year was less than 1% (a .32% increase for governmental activities and a 1.29% decrease for business-type activities) due to a freeze on vehicle replacement because of economic conditions.

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

Governmental Activities

- A variety of street projects (widening and expansion of existing streets) and sewer projects were completed during the fiscal year. A major renovation of the City's main arterial street was begun in January 2010 with an anticipated completion in October 2010.
- Construction on the Community Center Electrical Upgrades, Community Center General Improvements and the Community Center Senior Activity Center projects were completed during the fiscal year.
- Construction in progress on Beach Restroom Rehabilitation was \$150,000 at the end of the fiscal year.

Business type Activities

- There were no significant changes to the capital assets in business type activities.

Additional information on the City of Hermosa Beach's capital assets can be found in Note 6 on pages 62-64 of this report.

Economic Factors and Next Year's Budgets and Rates

- Overall, property tax revenue, the highest source of revenue for Hermosa Beach, rose 2% for 2009-10. Secured property tax, which is the tax on real property such as homes, grew by 4%. A decline of 2% is projected for 2010-11 due to the lower volume of sales, lower home prices and the -2% CPI adjustment applied by the County Assessor to all properties. With many areas of California showing double digit declines in value, Hermosa Beach is fortunate to still have positive growth.
- Sales tax revenue decreased 12% from 2008-09 and is 22% lower than the highest year of 2000-01. The highest sales tax producing category, Eating and Drinking Places, decreased 6% and represents 42% of the sales tax revenue.
- City retirement rates increased 3 points or 3% of payroll for 2009-10. Rates are projected to increase less than 1% for 2010-11 however rates for 2011-12 are projected to increase by 11% due to amortization of PERS investment losses. 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%; 2007, 19.1%; 2008, -2.5%; 2009, -23.4%; and 2010, 11.6%. While historically, CalPERS investment earnings have funded 65-85% of pension costs, recent investment losses will reduce this percentage for the future. The City does have its own Retirement Stabilization Fund to set aside funds for use in times of high retirement rates and has used these funds to offset rate increases. The City is negotiating with all bargaining units to implement a second tier for retirement benefits due to the high rates for the current plans.
- Significant expenditures from the Insurance Fund continue for the ongoing MacPherson Oil lawsuit. See the Notes to the Financial Statements for a complete history of this lawsuit.
- Proposition 1A (passed in November 2004), provided some protection for local government in that funds may only be borrowed twice in a 10 year period and only if previous loans have been repaid. In September 2009, the State enacted the second borrowing, with the first occurring in 2004. For this recent borrowing, at least the legislature provided a mechanism for local government to be reimbursed through a no-cost securitization of the amounts owed by the State to local government.
- Proposition 22, passed by voters in November 2010, further protects local government funds by preventing the state from borrowing property tax, motor vehicle fuel tax, Proposition 42 sales tax on gasoline and the public transportation account. The State of California's structural deficit, however, is still a source of great concern for local government.

- In balancing the budget for 2009-10, seven positions were left vacant, various line items such as overtime and contract services were reduced and the life of all vehicles was extended to reduce vehicle charges. For 2010-11, the vacant positions grew to fourteen, Fire Department minimum-manning was reduced from six per shift to five, special events were dropped from the budget, vehicle lives were extended another year, some parking rates were increased and parking lots were converted to metered parking to increase revenue. With retirement rates increasing substantially in 2011-12 and an uncertain economy continuing, the 2011-12 budget will once again be a challenge to prepare. While some revenue is flat rather than declining, we can not expect revenue to return to levels achieved prior to the “great recession” of the past few years.
- Hermosa Beach has no debt and therefore has no adverse affects in this area.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Hermosa Beach
Statement of Net Assets
June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 22,144,316	\$ 426,751	\$ 22,571,067
Property taxes receivable	432,307	-	432,307
Reimbursable grants receivable	1,238,310	-	1,238,310
Interest receivable on investments	39,841	1,789	41,630
Other accounts receivable	1,146,031	13,674	1,159,705
Internal balances	1,218,445	(1,218,445)	-
Deposits	140,000	-	140,000
Other assets	269,085	-	269,085
Total current assets	26,628,335	(776,231)	25,852,104
Noncurrent assets:			
Capital assets:			
Non-depreciable	18,124,458	5,188,092	23,312,550
Depreciable, net	38,475,133	4,738,769	43,213,902
Total capital assets, net	56,599,591	9,926,861	66,526,452
Total noncurrent assets	56,599,591	9,926,861	66,526,452
Total assets	83,227,926	9,150,630	92,378,556
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	1,969,968	239,873	2,209,841
Accrued wages and benefits payable	2,061,576	12,755	2,074,331
Refundable deposits	409,128	27,012	436,140
Unearned revenue	294,402	18,780	313,182
Other liabilities	78,365	-	78,365
Workers' compensation claims payable - due within one year	573,037	-	573,037
General liability claims payable - due within one year	407,146	-	407,146
Compensated absences - due within one year	594,761	-	594,761
Total current liabilities	6,388,383	298,420	6,686,803
Noncurrent liabilities:			
Workers' compensation claims payable	3,644,410	-	3,644,410
General liability claims payable	714,504	-	714,504
Compensated absences	594,286	-	594,286
Total noncurrent liabilities	4,953,200	-	4,953,200
Total liabilities	11,341,583	298,420	11,640,003
NET ASSETS			
Invested in capital assets	56,599,591	9,926,861	66,526,452
Restricted for:			
Capital projects	237,482	-	237,482
Street and sewer purposes	930,157	-	930,157
Transportation purposes	2,468,569	-	2,468,569
Public safety	494,522	-	494,522
Other purposes	382,058	-	382,058
Total restricted assets	4,512,788	-	4,512,788
Unrestricted	10,773,964	(1,074,651)	9,699,313
Total net assets	\$ 71,886,343	\$ 8,852,210	\$ 80,738,553

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, 2010

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	\$ 980,157	\$ -	\$ -	\$ -	\$ -
General government	2,409,611	543,259	25,069	-	568,328
Public safety	17,841,984	4,674,410	142,021	77,314	4,893,745
Community development	1,243,490	650,962	9,088	-	660,050
Culture and recreation	1,252,037	856,135	15,000	-	871,135
Public works	7,823,275	840,740	352,353	1,740,324	2,933,417
Total governmental activities	31,550,554	7,565,506	543,531	1,817,638	9,926,675
Business-type activities:					
Downtown enhancement	997,138	1,026,185	-	-	1,026,185
Total business-type activities	997,138	1,026,185	-	-	1,026,185
Total primary government	\$ 32,547,692	\$ 8,591,691	\$ 543,531	\$ 1,817,638	\$ 10,952,860

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
\$ (980,157)	\$ -	\$ (980,157)
(1,841,283)	-	(1,841,283)
(12,948,239)	-	(12,948,239)
(583,440)	-	(583,440)
(380,902)	-	(380,902)
(4,889,858)	-	(4,889,858)
(21,623,879)	-	(21,623,879)
-	29,047	29,047
-	29,047	29,047
(21,623,879)	29,047	(21,594,832)
11,407,964	-	11,407,964
2,112,971	-	2,112,971
162,562	-	162,562
650,115	-	650,115
1,559,048	-	1,559,048
863,781	-	863,781
2,559,369	-	2,559,369
168,103	-	168,103
19,483,913	-	19,483,913
1,242,064	-	1,242,064
135,423	5,609	141,032
473,559	1,550	475,109
4,356	(4,356)	-
21,339,315	2,803	21,342,118
(284,564)	31,850	(252,714)
72,170,907	8,820,360	80,991,267
\$ 71,886,343	\$ 8,852,210	\$ 80,738,553

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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.

Grants Special Revenue Fund - The Grants Fund is used to account for State and Federal grants for specific projects and for smaller grants from miscellaneous sources.

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

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, 2010

	Major Funds				
	General	Grants	Contingency Special Revenue	Other Governmental Funds	Total
ASSETS					
Cash and investments	\$ 2,482,105	\$ -	\$ 3,404,009	\$ 6,288,739	\$ 12,174,853
Property taxes receivable	432,307	-	-	-	432,307
Reimbursable grants receivable	-	1,142,145	-	96,165	1,238,310
Interest receivable on investments	10,686	-	9,623	19,532	39,841
Other accounts receivable	956,604	-	-	141,623	1,098,227
Other assets	168,097	-	-	-	168,097
Due from other funds	-	-	-	679,712	679,712
Advances to other funds	-	-	237,482	-	237,482
Total assets	\$ 4,049,799	\$ 1,142,145	\$ 3,651,114	\$ 7,225,771	\$ 16,068,829
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 600,366	\$ 533,796	\$ -	\$ 712,898	\$ 1,847,060
Accrued wages and benefits payable	1,967,107	-	-	66,986	2,034,093
Refundable deposits	409,128	-	-	-	409,128
Deferred revenue	294,402	-	-	-	294,402
Due to other funds	-	583,562	-	96,150	679,712
Other liabilities	78,365	-	-	-	78,365
Total liabilities	3,349,368	1,117,358	-	876,034	5,342,760
Fund Balances:					
Reserved for:					
Re-appropriations	392,834	9,382	-	2,486,407	2,888,623
Greenwald Theatre Improv Donation	45,000	-	-	-	45,000
Capital Outlay/Parking Facilities	9,592	-	-	-	9,592
Bike paths	-	-	-	19,758	19,758
Traffic congestion relief	-	-	-	302,788	302,788
In-lieu fees for street pavement	-	-	-	4,225	4,225
Storage lot purchase loan	-	-	237,482	-	237,482
Unreserved, designated for:					
Sales tax in-lieu	161,351	-	-	-	161,351
Affordable housing	41,831	-	-	-	41,831
General plant maintenance fees	23,709	-	-	-	23,709
Beach Plaza for community events	10,000	-	-	-	10,000
Clark building future renovations	1,000	-	-	-	1,000
Verizon PEG grant	15,114	-	-	-	15,114
Justice and treasury department	-	-	-	68,878	68,878
Unreserved, undesignated:					
Special revenue	-	15,405	3,413,632	3,467,681	6,896,718
Total fund balances	700,431	24,787	3,651,114	6,349,737	10,726,069
Total liabilities and fund balances	\$ 4,049,799	\$ 1,142,145	\$ 3,651,114	\$ 7,225,771	\$ 16,068,829

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, 2010

Total Fund Balances - Total Governmental Funds \$ 10,726,069

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	\$ 18,124,458	\$ (356,869)	17,767,589
Depreciable, net	38,475,133	(1,829,019)	36,646,114
Total capital assets	\$ 56,599,591	\$ (2,185,888)	54,413,703

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

Insurance Fund	2,248,455
Equipment Replacement Fund	5,687,163
Total internal service funds	7,935,618

Compensated absences were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. (1,189,047)

Net Assets of Governmental Activities \$ 71,886,343

City of Hermosa Beach
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010

	Major Funds				Total
	General	Grants	Contingency Special Revenue	Other Governmental Funds	
REVENUES:					
Property taxes	\$ 11,407,964	\$ -	\$ -	\$ 455,882	\$ 11,863,846
Other taxes	8,075,947	-	-	685,041	8,760,988
Licenses and permits	556,737	-	-	-	556,737
Fines and forfeitures	2,040,336	-	-	35,423	2,075,759
Use of money and property	309,946	-	-	312,900	622,846
Intergovernmental	164,496	1,816,753	-	670,708	2,651,957
Charges for services	3,998,342	-	-	82,108	4,080,450
Miscellaneous	314,113	15,000	-	(27,934)	301,179
Interest earned on investments	16,033	-	37,551	81,839	135,423
Total revenues	26,883,914	1,831,753	37,551	2,295,967	31,049,185
EXPENDITURES:					
Current:					
Legislative and legal	976,862	-	-	-	976,862
General government	2,205,661	-	-	145,031	2,350,692
Public safety	17,065,312	102,920	-	83,454	17,251,686
Community development	1,198,904	-	-	31,005	1,229,909
Culture and recreation	1,170,057	-	-	31,000	1,201,057
Public works	2,871,141	8,189	-	1,279,615	4,158,945
Capital outlay	4,237	1,698,687	-	2,473,642	4,176,566
Total expenditures	25,492,174	1,809,796	-	4,043,747	31,345,717
REVENUES OVER (UNDER) EXPENDITURES	1,391,740	21,957	37,551	(1,747,780)	(296,532)
OTHER FINANCING SOURCES (USES):					
Transfers in	699,726	-	755	1,616,517	2,316,998
Transfers out	(2,052,288)	-	(265,590)	(676,034)	(2,993,912)
Total other financing sources (uses)	(1,352,562)	-	(264,835)	940,483	(676,914)
Net change in fund balances	39,178	21,957	(227,284)	(807,297)	(973,446)
FUND BALANCES:					
Beginning of year	661,253	2,830	3,878,398	7,157,034	11,699,515
End of year	\$ 700,431	\$ 24,787	\$ 3,651,114	\$ 6,349,737	\$ 10,726,069

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, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ (973,446)
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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	4,176,566
Less repair and maintenance expenditures reported in public works	<u>(1,440,860)</u>
Total	<u>2,735,706</u>

The net effect of various miscellaneous adjustment involving capital assets.	<u>4,542</u>
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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 \$418,029 which are reported below.

Total depreciation reported in Government-Wide Statement of Activities	(2,865,761)
Less depreciation reported in Internal Service Funds	<u>418,029</u>
Total	<u>(2,447,732)</u>

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, compensated absences were not reported as expenditures in governmental funds.

<u>(261,211)</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>657,577</u>

Change in Net Assets of Governmental Activities	\$ (284,564)
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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.

City of Hermosa Beach
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Major Enterprise Fund Downtown Enhancement	Governmental Activities Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ 426,751	\$ 9,969,463
Interest receivable on investments	1,789	-
Other accounts receivable	13,674	47,804
Advances to other funds	-	980,963
Deposits	-	140,000
Other assets	-	100,988
Total current assets	442,214	11,239,218
Noncurrent assets:		
Nondepreciable capital assets	5,188,092	356,869
Depreciable capital assets, net of accumulated depreciation	4,738,769	1,829,019
Total noncurrent assets	9,926,861	2,185,888
Total assets	10,369,075	13,425,106
LIABILITIES		
Current liabilities:		
Accounts payable	239,873	122,908
Accrued wages and benefits payable	12,755	27,483
Refundable deposit	27,012	-
Advances from other funds	1,218,445	-
Unearned revenue	18,780	-
Current portion of long-term liabilities	-	980,183
Total current liabilities	1,516,865	1,130,574
Long-term liabilities:		
Workers' compensation claims payable	-	4,217,447
General liability claims payable	-	1,121,650
Less current portion above	-	(980,183)
Total long-term liabilities	-	4,358,914
Total liabilities	1,516,865	5,489,488
NET ASSETS		
Investment in capital assets	9,926,861	2,185,888
Reserved:		
Re-appropriations	-	-
Unrestricted	(1,074,651)	5,749,730
Total net assets	\$ 8,852,210	\$ 7,935,618

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, 2010

	Major Enterprise Fund Downtown Enhancement	Governmental Activities Internal Service Funds
OPERATING REVENUES:		
Lease revenues	\$ 251,391	\$ -
Charges for services	774,794	3,722,724
Miscellaneous revenue	1,550	207,449
Total operating revenues	1,027,735	3,930,173
OPERATING EXPENSES:		
Salaries and wages	67,185	255,464
Contractor services	553,185	1,852,102
Reimbursement agreement with Los Angeles County	156,353	-
Supplies	90,056	211,191
Claims expense	-	1,224,345
Depreciation	130,359	418,029
Total operating expenses	997,138	3,961,131
OPERATING INCOME (LOSS)	30,597	(30,958)
NONOPERATING REVENUES (EXPENSES):		
Interest earned on investments	5,609	-
Gain on disposal of capital assets	-	2,265
Total nonoperating revenues (expenses)	5,609	2,265
INCOME (LOSS) BEFORE CONTRIBUTION AND TRANSFERS	36,206	(28,693)
Contribution	-	5,000
Transfers in	-	1,608,542
Transfers out	(4,356)	(927,272)
Total contribution and transfers	(4,356)	686,270
Change in net assets	31,850	657,577
NET ASSETS:		
Beginning of the year	8,820,360	7,278,041
End of the year	\$ 8,852,210	\$ 7,935,618

See accompanying Notes to Basic Financial Statements.

City of Hermosa Beach
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2010

	Major Enterprise Fund Downtown Enhancement	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 1,042,380	\$ -
Cash received for services from other funds	-	3,721,199
Cash payments to suppliers for goods and services	(765,637)	(2,285,979)
Cash payments to employees for services	(67,471)	(256,774)
Insurance premiums and settlements	-	(714,330)
Net cash provided by (used for) operating activities	209,272	464,116
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Contribution	-	5,000
Transfers in	-	1,608,542
Transfers out	(4,356)	(927,272)
Net cash provided by (used for) noncapital financing activities	(4,356)	686,270
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Repayment of advances from other funds	(193,397)	-
Cash Receipts from advances to other funds	-	128,931
Acquisition of capital assets	-	(305,512)
Proceed from sale of capital assets	-	2,265
Net cash provided by (used for) capital and related financing activities	(193,397)	(174,316)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest receivable on investments	7,382	-
Net cash provided by (used for) investing activities	7,382	-
Net increase (decrease) in cash and cash equivalents	18,901	976,070
CASH AND CASH EQUIVALENTS:		
Beginning of year	407,850	8,993,393
End of year	\$ 426,751	\$ 9,969,463
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating income (loss)	\$ 30,597	\$ (30,958)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	130,359	418,029
Changes in operating assets and liabilities:		
Other accounts receivable	(4,135)	(1,525)
Other assets	-	(7,955)
Accounts payable	33,957	(214,731)
Accrued wages	(286)	(1,310)
Unearned revenue	18,780	-
Worker's compensation claims payable	-	485,408
General liability claims payable	-	(182,842)
Total adjustments	178,675	495,074
Net cash provided by (used for) operating activities	\$ 209,272	\$ 464,116

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, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 467,628
Interest receivable	1,344
Other accounts receivable	<u>18,375</u>
Total assets	<u>\$ 487,347</u>
LIABILITIES	
Assessment:	
Installment account	\$ 470,489
Reserve requirement	<u>16,858</u>
Total liabilities	<u>\$ 487,347</u>
NET ASSETS	

See accompanying Notes to Basic Financial Statements.

City of Hermosa Beach
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For the year ended June 30, 2010

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City of Hermosa Beach
Notes to Basic Financial Statements
For the year ended June 30, 2010

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 Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The City was incorporated on 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.

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. Each blended component unit has a June 30 year-end. 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 Sections 22500-22679.

Myrtle Underground Utility District Improvement Fund

This fund was used to account for the funds of the utility underground assessment district, which was created in October 1999 pursuant to Street and Highway Code Section 10000. The fund was closed out in 2009-10 because the project is complete.

Bayview Drive Underground District Improvement Fund

This fund was used to account for the funds of the utility underground assessment district, which was created in February 2005 pursuant to Street and Highway Code Section 10000. The fund was closed out in 2009-10 because the project is complete.

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 Section 10000. The fund was closed out in 2009-10 because the project is complete.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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

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 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 and proprietary funds, 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, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

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. The City has presented all major funds that met those qualifications. 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.

Grants Special Revenue Fund. This fund is used to account for State and Federal grants for specific projects and for smaller grants from miscellaneous sources.

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

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 2010. 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, except at year-end when they are accrued pursuant to the modified accrual basis of accounting. The City recognizes business license revenue collected within 60 days as revenue at June 30.

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, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

Deferred 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 deferred 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 fund:

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

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, if applicable.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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.

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 equivalent 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.

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, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Property Tax Receivable

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

The County is permitted by State law to levy taxes at 1% of full market value (at time of purchase) and can increase the assessed valuation no more than 2% per year. The City receives a share of this basic levy, or .203 cents of each \$1.00, 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 value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$5,000 and infrastructure at \$100,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

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

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Capital Assets, Continued

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, sewers and storm drains, parking meters and monuments. Each major infrastructure system can be divided into subsystems. For example the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights and landscaping. These subsystems were not delineated in the basic financial statements. The Finance Department, with the assistance of 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. Under the Basic Approach, the City reports depreciation in connection with infrastructure systems. 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 all or 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 "Fund Balances 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, 2010

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 - This amount consists of capital assets net of accumulated depreciation.

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

Unrestricted Net Assets - This amount represents remaining net assets that do not meet the definition of "invested in capital assets" or "restricted net assets."

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Fund Balances

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

Contingency Fund - Goal of fund balance equals to 15% of the General Fund operating budget 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 equals to the accumulated amount calculated for all equipment, based on replacement cost and useful life of equipment.

Compensated Absences Fund - Goal of fund balance equals 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.

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.

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, 2010:

	Government-Wide Statement of Net Assets			Fiduciary Funds	
	Governmental activities	Business-type activities	Total	Statement of Net Assets	Total
Cash and investments	\$ 22,144,316	\$ 426,751	\$ 22,571,067	\$ 467,628	\$ 23,038,695

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

The City's cash and investments at June 30 in more detail:

	<u>Fair value</u>
City Treasury	
<i>Cash deposits</i>	
Demand accounts	\$ 992,607
<i>Petty cash</i>	1,900
<i>Investments</i>	
Local Agency Investment Fund	20,525,118
U.S. government notes	1,519,070
Total investments	<u>22,044,188</u>
Total cash and investments	<u>\$ 23,038,695</u>

A. Cash Deposits

The carrying amounts of the City's cash deposits were \$992,607 at June 30, 2010. Bank balances at June 30, 2010, were \$1,133,558 which were fully insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. 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 \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures, if applicable. Interest income from cash and investments with fiscal agents is credited directly to the related fund. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest is not allocated to the Compensated Absences Fund, funds created to advance costs for utility undergrounding districts, reimbursable grant funds or internal service funds.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

B. Investments

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

- US Treasury Bills and US Treasury Notes
- US Government Sponsored Enterprise Securities
- Banker's Acceptances
- Time Certificates of Deposits
- Negotiable Certificates of Deposit
- California Local Agency Investment Fund
- Corporate Medium-Term Notes
- Los Angeles County Pooled Investment Fund

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 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, 2010, amounted to an unrealized decrease of \$2,795.

The City's investments with the Local Agency Investment Fund (LAIF), the State of California's investment pool, at June 30, 2010, 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, 2010, the City had \$20,525,118 invested in LAIF. 5.42% of pool investment funds were invested in Structured Notes and Asset-Backed Securities.

The City valued its investments in LAIF as of June 30, 2010 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 1.001643776.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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, 2010, the City had the following investment maturities:

Investment Type	Fair value	Investment maturities (in years)	
		Less than 1	1 to 2
Federal Home Loan Banks	\$ 502,970	\$ 502,970	\$ -
Federal Home Loan Mortgage Corporate Notes	501,725	-	501,725
Federal Farm Credit Bank	514,375	514,375	-
Local Agency Investment Fund	20,525,118	20,525,118	-
Total	\$ 22,044,188	\$ 21,542,463	\$ 501,725

Custodial Risk - For deposits, custodial credit risk is the risk that, in the event of the failure of a deposit financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. 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, savings and loans are held by the Federal Home Loan Bank or an approved agency of depository of the financial institution. The City's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the provision for deposits stated in Note 2A. \$883,558 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts.

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 Banks	Aaa	AAA
Federal Home Loan Mortgage Corporate Notes	Aaae	AAAe
Federal Farm Credit Bank	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 investments in Time Certificates of Deposits and Negotiable Certificates of Deposits in any one institution that is in excess of 5% of the government's total portfolio. The City's investment policy also does not allow more than 5% of the City's surplus fund be invested in the Banker's Acceptance of any one commercial bank. The City is in compliance with the investment policy related to the concentration of credit risk for the year ended June 30, 2010.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. RECEIVABLES

Government-Wide Financial Statements

At June 30, 2010, the Government-Wide Financial Statements show the following miscellaneous receivables net of allowances for uncollectible amounts, if any:

	Government-Wide Statement of Net Assets		Fiduciary Funds	Total
	Governmental activities	Business-type activities	Statement of Net Assets	
Accounts	\$ 1,146,031	\$ 13,674	\$ 18,375	\$ 1,178,080
Taxes	432,307	-	-	432,307
Interest	39,841	1,789	1,344	42,974
Grants	1,238,310	-	-	1,238,310
Total	\$ 2,856,489	\$ 15,463	\$ 19,719	\$ 2,891,671

Fund Financial Statements

At June 30, 2010, 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, 2010, were as follows:

<i>Governmental funds:</i>	
General Fund	\$ 956,604
Non-major Funds	141,623
<i>Internal Service funds</i>	47,804
Total governmental funds	1,146,031
<i>Enterprise fund:</i>	
Downtown Enhancement Fund	13,674
Total Enterprise fund	13,674
Total	1,159,705
<i>Agency funds</i>	18,375
Total account receivable	\$ 1,178,080

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. RECEIVABLES, Continued

B. Taxes Receivable

At June 30, 2010, the City had property taxes receivable, net of allowance for delinquent property taxes receivables, in the following major funds and non-major funds in the aggregate:

	Property taxes	Allowance for delinquent tax receivables	Property taxes, net of allowance
<i>Governmental Funds:</i>			
General Fund	\$ 1,552,085	\$ (1,119,778)	\$ 432,307
Non-major funds	20,949	(20,949)	-
Total	\$ 1,573,034	\$ (1,140,727)	\$ 432,307

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, 2010, was as follows:

	City pooled investments
<i>Governmental funds:</i>	
General Fund	\$ 10,686
Contingency Fund	9,623
Non-major Funds	19,532
Total governmental funds	39,841
<i>Enterprise fund:</i>	
Downtown Enhancement Fund	1,789
Total Enterprise fund	1,789
Total	41,630
<i>Agency funds</i>	
	1,344
Total interest receivable	\$ 42,974

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, 2010 were as follows:

<i>Governmental Funds:</i>	
Grants Fund	\$ 1,142,145
Non-major funds	96,165
Total governmental funds	\$ 1,238,310

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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 2009-2010 is \$156,353.

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 lease includes a provision for 5 lease extensions with a 5 year term for each. In February 2009, the lease was extended through January 31, 2014. The City receives a monthly lease payment in the amount of \$2,499.

In June 2005, the City purchased property adjacent to City Hall that is used as a self-storage facility. The existing lease for the storage facility was transferred to the City as a condition of the sale. The original lease term was through January 31, 2009, however the lease was extended for 3 years beginning February 1, 2009. 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 \$16,116.

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,	
2011	266,575
2012	172,605
2013	60,729
2014	47,630
2015	28,512
2016-2020	142,560
2021-2025	142,560
2026-2030	142,560
2031-2035	142,560
2036-2040	142,560
2041-2045	142,560
2046-2050	142,560
2051	14,256
Total	\$ 1,588,227

Lease revenue for fiscal year 2010 was \$302,588 with \$51,197 reflected in the General Fund and \$251,391 in the Downtown Enhancement Fund, an enterprise fund.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

5. INTERFUND TRANSACTIONS

A. Government-Wide Financial Statements

Transfers

At June 30, 2010, the City had the following transfers:

Transfers in	Governmental activities	Transfers out
		Business-type activities
		\$ 4,356

B. Fund Financial Statements

Due To/From Other Funds

The composition of due to/from other funds at June 30, 2010 is as follows:

Due from other funds	Grants Fund	Due to other funds
		Non-major Governmental Funds
		\$ 583,562
	Non-major governmental Funds	96,150
	Total	\$ 679,712

The balance of \$583,562 in the Grants Fund and \$96,150 in non-major governmental funds resulted from the time lag between the dates that reimbursable expenditures occur and payments are received from other agencies. All balances are scheduled to be collected in the subsequent year.

Advances From/To Other Funds

At June 30, 2010, the composition of advances to other funds is as follows:

Advances to other funds	Contingency Fund	Advances from other funds
		Downtown Enhancement Fund
		\$ 237,482
	Internal Service Funds	980,963
	Total	\$ 1,218,445

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Advances From/To Other Funds, Continued

The balance of \$237,482 and \$980,963 from the Contingency Fund and Internal Service funds, respectively, 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, 2010, the City had the following transfers:

	Transfers out				Total
	General	Contingency Fund	Non-major	Internal	
			Governmental funds	Service funds	
Transfers in					
General Fund	\$ -	\$ -	\$ 824,719	\$ 1,227,569	\$ 2,052,288
Contingency Fund	-	-	265,590	-	265,590
Non-major					
Governmental funds	395,370	755	279,909	-	676,034
Downtown Enhancement Fund	4,356	-	-	-	4,356
Internal Service Funds	300,000	-	246,299	380,973	927,272
Total	\$ 699,726	\$ 755	\$ 1,616,517	\$ 1,608,542	\$ 3,925,540

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, 2010, the following one-time transfers were made:

- The Contingency Special Revenue Fund transferred \$65,520 to the Beach Drive 2 Underground District and \$200,000 to the Prospect Utility Underground District Special Revenue funds to close the funds because the districts will not be formed.
- The Insurance Internal Service Fund made a transfer in the amount of \$300,000 to the General Fund to provide funding for employee reinstatement costs.
- The Equipment Replacement Internal Service Fund transferred \$380,073 to the Insurance Internal Service Fund to provide funding for the MacPherson Oil lawsuit legal costs.
- The Equipment Replacement Internal Service Fund transferred \$246,299 to the Retirement Stabilization Special Revenue Fund to provide for future retirement cost increases.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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, 2010, 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	572,381	-	572,381
Total non-depreciable assets	<u>18,124,458</u>	<u>5,188,092</u>	<u>23,312,550</u>
<i>Depreciable Assets:</i>			
Buildings and structures	5,577,213	5,879,099	11,456,312
Improvements other than buildings	14,058,737	5,610	14,064,347
Machinery and equipment	3,318,869	19,267	3,338,136
Vehicles	3,274,445	-	3,274,445
Infrastructure	44,056,239	59,650	44,115,889
Total depreciable assets	<u>70,285,503</u>	<u>5,963,626</u>	<u>76,249,129</u>
Less accumulated depreciation for:			
Buildings and structures	(2,012,136)	(1,203,383)	(3,215,519)
Improvements other than buildings	(7,463,934)	(1,403)	(7,465,337)
Machinery and equipment	(2,219,108)	(14,106)	(2,233,214)
Vehicles	(2,104,824)	-	(2,104,824)
Infrastructure	(18,010,368)	(5,965)	(18,016,333)
Total accumulated depreciation	<u>(31,810,370)</u>	<u>(1,224,857)</u>	<u>(33,035,227)</u>
Total depreciable assets, net	<u>38,475,133</u>	<u>4,738,769</u>	<u>43,213,902</u>
Total capital assets	<u><u>\$ 56,599,591</u></u>	<u><u>\$ 9,926,861</u></u>	<u><u>\$ 66,526,452</u></u>

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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, 2010:

	Balance July 1, 2009	Additions	Deletions/ Adjustments	Balance June 30, 2010
<i>Capital assets not being depreciated:</i>				
Land	\$ 17,552,077	\$ -	\$ -	\$ 17,552,077
Construction in progress	2,507,226	30,051	(1,964,896)	572,381
Total capital assets not being depreciated	<u>20,059,303</u>	<u>30,051</u>	<u>(1,964,896)</u>	<u>18,124,458</u>
<i>Capital assets being depreciated:</i>				
Buildings and structures	5,327,863	249,350	-	5,577,213
Improvements other than buildings	13,257,411	801,326	-	14,058,737
Machinery and equipment	3,114,284	251,440	(46,855)	3,318,869
Vehicles	3,090,564	208,881	(25,000)	3,274,445
Infrastructure	40,591,173	3,465,066	-	44,056,239
Total capital assets being depreciated	<u>65,381,295</u>	<u>4,976,063</u>	<u>(71,855)</u>	<u>70,285,503</u>
Less accumulated depreciation for:				
Buildings and structures	(1,897,876)	(114,260)	-	(2,012,136)
Improvements other than buildings	(6,460,084)	(1,003,850)	-	(7,463,934)
Machinery and equipment	(1,976,223)	(289,740)	46,855	(2,219,108)
Vehicles	(1,859,933)	(269,891)	25,000	(2,104,824)
Infrastructure	(16,826,890)	(1,188,020)	4,542	(18,010,368)
Total accumulated depreciation	<u>(29,021,006)</u>	<u>(2,865,761)</u>	<u>76,397</u>	<u>(31,810,370)</u>
Total capital assets being depreciated, net	<u>36,360,289</u>	<u>2,110,302</u>	<u>4,542</u>	<u>38,475,133</u>
Total governmental activities	<u>\$ 56,419,592</u>	<u>\$ 2,140,353</u>	<u>\$ (1,960,354)</u>	<u>\$ 56,599,591</u>

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

General government	\$ 65,417
Public safety	143,713
Community development	7,511
Culture and recreation	51,489
Public works	991,582
Infrastructure	1,188,020
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	<u>418,029</u>
Total depreciation expenses	<u>\$ 2,865,761</u>

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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, 2009	Additions	Deletions	Balance June 30, 2010
<i>Capital assets not being depreciated:</i>				
Land	\$ 5,188,092	\$ -	\$ -	\$ 5,188,092
Total capital assets not being depreciated	<u>5,188,092</u>	<u>-</u>	<u>-</u>	<u>5,188,092</u>
<i>Capital assets being depreciated:</i>				
Buildings and structures	5,879,099	-	-	5,879,099
Improvements other than buildings	5,610	-	-	5,610
Machinery and equipment	19,267	-	-	19,267
Infrastructure	59,650	-	-	59,650
Total capital assets, being depreciated	<u>5,963,626</u>	<u>-</u>	<u>-</u>	<u>5,963,626</u>
Less accumulated depreciation for:				
Buildings and structures	(1,077,604)	(125,779)	-	(1,203,383)
Improvements other than buildings	(1,122)	(281)	-	(1,403)
Machinery and equipment	(12,790)	(1,316)	-	(14,106)
Infrastructure	(2,982)	(2,983)	-	(5,965)
Total accumulated depreciation	<u>(1,094,498)</u>	<u>(130,359)</u>	<u>-</u>	<u>(1,224,857)</u>
Total capital assets being depreciated, net	<u>4,869,128</u>	<u>(130,359)</u>	<u>-</u>	<u>4,738,769</u>
Total business-type activities	<u><u>\$ 10,057,220</u></u>	<u><u>\$ (130,359)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,926,861</u></u>

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2010 are as follows:

Downtown Enhancement	<u>\$ 130,359</u>
Total depreciation expense	<u><u>\$ 130,359</u></u>

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, 2010

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, 2010:

	Balance			Balance June 30, 2010	Classification	
	July 1, 2009	Additions	Retirements		Due in one year	Due in more than one year
<i>Governmental activities:</i>						
Compensated absences	\$ 927,836	\$ 1,208,632	\$ (947,421)	\$ 1,189,047	\$ 594,761	\$ 594,286

The 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, 2010, was \$1,189,047.

B. Long-Term Debt without City Commitment

At June 30, 2010, 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 not 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
2011	\$ 20,000	\$ 13,975	\$ 33,975
2012	25,000	12,512	37,512
2013	25,000	10,888	35,888
2014	25,000	9,263	34,263
2015	30,000	7,475	37,475
2016-2018	100,000	10,075	110,075
Total	\$ 225,000	\$ 64,188	\$ 289,188

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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 not 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
2011	\$ 50,000	\$ 35,330	\$ 85,330
2012	55,000	32,573	87,573
2013	55,000	29,630	84,630
2014	60,000	26,495	86,495
2015	65,000	23,025	88,025
2016-2020	370,000	54,555	424,555
Total	\$ 655,000	\$ 201,608	\$ 856,608

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 not 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
2011	\$ 55,000	\$ 38,578	\$ 93,578
2012	55,000	35,690	90,690
2013	60,000	32,612	92,612
2014	65,000	29,205	94,205
2015	70,000	25,458	95,458
2016-2020	410,000	60,871	470,871
Total	\$ 715,000	\$ 222,414	\$ 937,414

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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 not 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
2011	\$ 15,828	\$ 15,770	\$ 31,598
2012	16,588	14,992	31,580
2013	17,385	14,177	31,562
2014	18,219	13,322	31,541
2015	19,094	12,427	31,521
2016-2020	110,126	47,123	157,249
2021-2025	139,219	17,332	156,551
	<u>\$ 336,459</u>	<u>\$ 135,143</u>	<u>\$ 471,602</u>

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 not 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
2011	\$ 31,779	\$ 28,392	\$ 60,171
2012	33,342	27,009	60,351
2013	34,972	25,557	60,529
2014	36,670	24,035	60,705
2015	38,442	22,438	60,880
2016-2020	196,522	88,098	284,620
2021-2025	253,553	40,480	294,033
2026	58,666	1,247	59,913
Total	<u>\$ 683,946</u>	<u>\$ 257,256</u>	<u>\$ 941,202</u>

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

8. OTHER REQUIRED FUND DISCLOSURES

A. Deficit Fund Balances

At June 30, 2010, the following fund had deficit unrestricted net assets:

Downtown Enhancement	<u>\$ (1,074,651)</u>
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The deficit in this fund represents advances from the Contingency Special Revenue Fund, the Insurance Internal Service Fund and the Equipment Replacement Internal Service Fund for the purchase of property adjacent to City Hall that is used as a storage facility. The deficit will be eliminated with future revenues received from an operating lease on the facility.

B. Fund Closures

Seven funds were permanently closed during the fiscal year ending June 30, 2010. The Building Improvement Special Revenue Fund was closed because building maintenance costs are now being captured in the Equipment Replacement Internal Service Fund. The California Law Enforcement Equipment Program Special Revenue Fund was closed because no future revenues are anticipated and the existing funds have been depleted.

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

The Beach Drive 2 Underground District and the Prospect Utility Underground District Special Revenue funds were closed because property owners no longer have an interest in forming these districts. Transfers were made from the Contingency Special Revenue Fund to cover all costs for the projects.

C. Expenditures Exceeding Appropriations

For the year ended June 30, 2010, expenditures exceeded appropriation in the Proposition "A" Transit Special Revenue Fund in public safety and community development functions in amount of \$2,852 and \$4,856, respectively.

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 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 \$20,000,000 per occurrence, as a member of the Independent Cities Risk Management Authority (ICRMA).

The City of Hermosa Beach purchases workers' compensation coverage through a self-insured program available through ICRMA. The City maintains a \$500,000 self-insured retention limit and participates in a self-insured risk sharing pool through the ICRMA and the California State Association of Counties (CSAC). Together, these two joint powers authorities provide a shared limit of coverage up to a maximum of \$200 million.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

9. RISK MANAGEMENT, Continued

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 actuarially determined member losses within the risk sharing layer, administrative expenses and excess insurance.

The City's premiums to ICRMA in the amount of \$502,802 for the fiscal year 2009-2010 are in accordance with formulas established by ICRMA. The City is liable for possible additional assessments and withdrawal costs under terms of the membership agreement, however there has never been an additional assessment since the pool was formed.

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

The workers' compensation and general liability claims payable of \$5,339,097 reported at June 30, 2010, 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	Amounts Due in More Than One Year
<i>Workers' Compensation</i>						
2007-2008	\$ 2,788,431	\$ 2,014,658	\$ (1,191,871)	\$ 3,611,218	\$ 538,526	\$ 3,072,692
2008-2009	3,611,218	921,435	(800,614)	3,732,039	711,902	3,020,137
2009-2010	3,732,039	1,229,619	(744,211)	4,217,447	573,037	3,644,410
<i>General Liability</i>						
2007-2008	1,109,734	1,334,987	(899,509)	1,545,212	626,436	918,776
2008-2009	1,545,212	499,302	(740,022)	1,304,492	471,313	833,179
2009-2010	1,304,492	(18,415)	(164,427)	1,121,650	407,146	714,504

Detailed financial information may be obtained from the ICRMA Program Administrator located at 3780 Kilroy Airport Way, Suite 470, Long Beach, California 90806.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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.

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 \$886,352 for the year ended June 30, 2010. The City, as the employer, is required to contribute for fiscal year 2009-2010 at actuarially determined rates which are applied to annual covered payroll. The 2009-2010 rate is 14.767% for miscellaneous employees, 47.822% for police employees and 37.618% 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 2009-2010, the City's annual pension cost of \$3,304,797 for CalPERS was equal to the City's required and actual contributions, of which \$820,766 is for the miscellaneous plan, \$1,642,334 for the police plan and \$841,697 for the fire plan. The required contribution was originally determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method as described below.

The following actuarial assumptions, while not required, are included to provide information deemed useful to the City Council: (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases ranging from 3.25% to 14.45% depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. 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 fifteen year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll over a closed period equal to the average amortization period at the plan's date of entry into the CalPERS Risk Pool. The amortization period at June 30, 2007 was 16 years for prior and current service unfunded liability.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. RETIREMENT PLANS, Continued

A. Public Employee Retirement System, Continued

Annual Pension Cost, Continued

THREE-YEAR TREND INFORMATION FOR PERS

<u>Fiscal Year</u>	<u>Miscellaneous Plan</u>		<u>Net Pension Obligation</u>
	<u>Pension Cost (APC)</u>	<u>APC Contributed</u>	
6/30/2008	\$ 849,334	100%	\$ -
6/30/2009	819,860	100%	-
6/30/2010	820,766	100%	-

<u>Fiscal Year</u>	<u>Police Plan</u>		<u>Net Pension Obligation</u>
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	
6/30/2008	\$ 1,950,264	100%	\$ -
6/30/2009	1,702,907	100%	-
6/30/2010	1,642,334	100%	-

<u>Fiscal Year</u>	<u>Fire Plan</u>		<u>Net Pension Obligation</u>
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	
6/30/2008	\$ 663,857	100%	\$ -
6/30/2009	742,265	100%	-
6/30/2010	841,697	100%	-

B. Other Post-Employment Benefits

On June 12, 2008, the City Council adopted a resolution authorizing participation in a post retirement health care plan trust to be administered by Public Agency Retirement Services (PARS) and Union Bank of California. In July 2007, the City signed an agreement with Public Agency Retirement Services to create and administer an irrevocable trust fund for the payment of other post employment benefits for city employees in compliance with Governmental Accounting Standards Board Statement 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Funds in the amount of \$1,401,000 that were previously set aside were forwarded to Union Bank pursuant to the agreement to establish the trust. Contributions were forwarded on a monthly basis.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. RETIREMENT PLANS, Continued

B. Other Post-Employment Benefits, Continued

Plan Description. The City of Hermosa Beach (City) participates in a post retirement health care plan trust (Plan) administered by Public Agency Retirement Services (PARS) and Union Bank of California. The Plan provides medical insurance benefits to eligible retirees. The City issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to City of Hermosa Beach, 1315 Valley Drive, Hermosa Beach, CA 90254.

The Plan is comprised of employees and retirees from several bargaining units, including General and Supervisory; Professional and Administrative Employees Association; Hermosa Beach Management Association; Police Management Association; Police Officers Association; and Firefighters Association.

The range of monthly benefits to be paid by the City ranges from \$40 to \$612 per month based on years of service from 10 years to 20 years provided to the City.

The monthly benefits paid by the City are subject to change with increases provided based on age at retirement and years of service.

Eligibility. All of the Plan’s employees became participants in accordance with negotiated Memorandum of Understanding (MOU) as negotiated by each group or bargaining unit. In order to receive benefits, eligible employees must meet the minimum requirements defined in their MOU. Participants of the Plan as of June 30, 2010 were as follows:

<u>Participants</u>	<u>Total</u>
Active employees	134
Retirees	30
Total	<u>164</u>

Funding Policy. The contribution requirements for Plan members and the City are established by a Memorandum of Understanding as negotiated by each group or bargaining unit. The City is funding 100% of the annual required contribution as calculated based on the actuarial valuation prepared in accordance with GASB statement 45. For fiscal year 2010, the City contributed \$595,482. Plan members receiving benefits contributed \$164,949 of the total premiums, as their required contributions.

Annual OPEB Cost and Net OPEB Obligation. The City’s Annual Other Postemployment Benefit (OPEB) cost (expense) is calculated based on the *Annual Required Contribution of the Employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years. The City has elected to amortize its Unfunded Actuarial Accrued Liability (UAAL) during the current fiscal year.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. RETIREMENT PLANS, Continued

B. Other Post-Employment Benefits, Continued

The following table shows the components of the City's Annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB Obligation to the Plan:

	<u>Total</u>
Annual required contribution	\$ 475,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>120,482</u>
Annual OPEB cost (expense)	595,482
Contribution Plan:	
2010 contribution	<u>595,482</u>
Contributions made	<u>(595,482)</u>
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u>\$ -</u>

The City's Annual OPEB cost, the percentage of Annual OPEB cost contributed to the Plan and the net OPEB obligation for years ended June 30, 2010 are as follows:

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>% of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
6/30/2008	\$ 475,000	100.00%	\$ -
6/30/2009	475,000	100.00%	-
6/30/2010	595,482	100.00%	-

Funded Status and Funding Progress. In August 2007, the City made an initial contribution of \$1,401,000. As of June 30, 2008, the Actuarial Accrued Liability for benefits was \$5,830,000 and the actuarial value of assets was \$2,637,242, resulting in an UAAL of \$3,192,758. The funded ratio was 45.2 percent. The covered payroll (annual payroll of active employees covered by the Plan) was \$10,930,488, and the ratio of UAAL to the covered payroll was 29.2 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare costs trend. Amounts determined regarding the funded status of the Plan and the Annual Required Contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of Plan Assets is increasing or decreasing over time relative to the Actuarial Accrued Liabilities for benefits.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. RETIREMENT PLANS, Continued

B. Other Post-Employment Benefits, Continued

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

In the June 30, 2008, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 7.0 percent investment rate of return (net of administrative expenses), which is based on the expected return on funds invested, and an annual healthcare cost trend rate of 10 percent initially reduced by decrements to an ultimate rate of 5 percent thereafter. The actuarial assumption for inflation was 3 percent, and the aggregate payroll increases was 3.25 percent used in the actuarial valuation.

The next actuarial valuation will take place in fiscal year 2010-2011.

11. COMMITMENTS AND CONTINGENCIES

A. Commitments

The City had several outstanding or planned construction projects as of June 30, 2010. These projects are evidenced by contractual commitments with contractors and include:

Project	Spent to Date	Commitment Remaining
Infrastructure - sewer	\$ 169,599	\$ 20,224
City Yard Renovation	253,027	22,922
Beach Restroom Rehabilitation	149,755	16,998
Total	\$ 572,381	\$ 60,144

The infrastructure project is a sewer project that is funded by multiple funds including the Capital Improvement Fund and the Sewer Fund. The City Yard Renovation is funded by the Equipment Replacement Fund. The Beach Restroom Rehabilitation Project is funded by a grant recorded in the Proposition A Open Space Fund, the Tyco Fund and the Tyco Tidelands 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.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

11. COMMITMENTS AND CONTINGENCIES, Continued

C. Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of non-compliance were disclosed by the audit of the financial statements or single audit of the Federal grant programs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

12. PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Hermosa Beach was \$951,144.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

13. MACPHERSON OIL PROJECT LITIGATION

The City entered into a lease with MacPherson Oil in 1992 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.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

13. MACPHERSON OIL PROJECT LITIGATION, Continued

MacPherson then 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 \$500 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.

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. The City engaged new trial counsel to defend it in the trial of this case, the Century City law firm of Bird Marella.

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. The City filed a motion to bifurcate the trial, so that liability issues can be litigated first, and the damages phase litigated only if MacPherson prevails in the liability phase. Judge O'Donnell granted the motion over MacPherson's strenuous objections. Thereafter, the parties actively engaged in pretrial discovery regarding liability, including production of documents, exchanges of interrogatories, and depositions of witnesses.

Cross-motions for summary judgment on liability were filed and heard, and in early 2008 Judge O'Donnell denied the City's motion and granted MacPherson's motion, ruling that the City bore the risk of a breach by way of Proposition E and that the "compliance with all laws" clause in the lease does not provide the City with a defense. The City's petitions to the Court of Appeal and the California Supreme Court seeking review of that decision were both denied. On October 16, 2008, Judge O'Donnell scheduled a trial date for the damages phase of the trial for August 12, 2009 (later continued to September 2, 2009). In July, 2009, the City brought another motion for summary adjudication on the issue of causation in order to limit the City's liability in damages; the basis of the motion was that the City Council had a contractual right to terminate the oil project in September, 1998 on the ground that it was hazardous. Judge O'Donnell denied the motion and the City petitioned the Court of Appeal for a writ, which was granted. The Court of Appeal vacated the trial date, ordered further briefing and scheduled an oral argument on the writ for December 7, 2009. Following oral argument, the Court of Appeal ruled that the City possessed the legal authority in 1998 to stop the oil project for safety reasons, but further held that the question of whether there was substantial evidence to support that decision (or whether the safety justification in support of that decision was merely pretextual) was a matter to be tried before a jury.

City of Hermosa Beach
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

13. MACPHERSON OIL PROJECT LITIGATION, Continued

The City filed a petition with the California Supreme Court seeking review of that decision, arguing that relegation of that decision to a jury necessarily involved an invasion of the deliberative process privilege in contravention of established law, and that the City's 1998 decision to stop the project should be affirmed based on the record. Review was not granted, and the case is back on track for a jury trial. The trial judge has yet to set a trial date.

The City continues to vigorously defend the case. To date, the City's effort to limit its damages liability through legislation has not succeeded, and neither have settlement negotiations. A two-day mediation in June 2009 presided over by retired federal bankruptcy court judge John Ryan failed to yield a settlement. Both the cost of defense and a potential adverse judgment in this case could have a material effect on the financial picture of the City.

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**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

City of Hermosa Beach
Required Supplementary Information (Unaudited)
For the year ended June 30, 2010

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.

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.

City of Hermosa Beach
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2010

BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule - General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund Balance, July 1, 2009	\$ 379,198	\$ 661,253	\$ 661,253	\$ -
Resources (inflows):				
Property taxes	11,301,193	11,377,422	11,407,964	30,542
Other taxes	8,804,110	7,601,531	8,075,947	474,416
Licenses and permits	766,383	568,668	556,737	(11,931)
Fines and forfeitures	2,070,835	2,100,211	2,040,336	(59,875)
Use of money and property	332,950	329,500	309,946	(19,554)
Intergovernmental	218,043	150,131	164,496	14,365
Charges for services	4,108,913	4,047,910	3,998,342	(49,568)
Miscellaneous	54,027	280,811	314,113	33,302
Interest earned on investments	35,561	12,075	16,033	3,958
Transfers in	435,069	699,727	699,726	(1)
Amount available for appropriation	28,506,282	27,829,239	28,244,893	415,654
Charges to appropriations (outflows):				
Legislative and legal	1,045,354	1,046,854	976,862	69,992
General government	2,149,857	2,222,103	2,205,661	16,442
Public safety	17,807,946	17,845,609	17,065,312	780,297
Community development	1,439,094	1,352,977	1,198,904	154,073
Culture and recreation	1,278,228	1,183,456	1,170,057	13,399
Public works	2,964,260	3,000,050	2,871,141	128,909
Capital outlay	150,000	167,380	4,237	163,143
Transfers out	1,396,401	2,052,288	2,052,288	-
Total charges to appropriations	28,231,140	28,870,717	27,544,462	1,326,255
Fund Balance, June 30, 2010	\$ 275,142	\$ (1,041,478)	\$ 700,431	\$ 1,741,909

City of Hermosa Beach
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2010

BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule - Grants Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund Balance, July 1, 2009	\$ 657	\$ 2,830	\$ 2,830	\$ -
Resources (inflows):				
Intergovernmental	8,709	3,069,987	1,816,753	(1,253,234)
Miscellaneous	-	15,000	15,000	-
Amount available for appropriation	9,366	3,087,817	1,834,583	(1,253,234)
Charges to appropriations (outflows):				
Public Safety	3,600	128,567	102,920	25,647
Public Works	5,109	8,463	8,189	274
Capital outlay	-	2,950,787	1,698,687	1,252,100
Total charges to appropriations	8,709	3,087,817	1,809,796	1,278,021
Fund Balance, June 30, 2010	\$ 657	\$ -	\$ 24,787	\$ 24,787

City of Hermosa Beach
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2010

BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule - Contingency Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund Balance, July 1, 2008	\$ 3,873,619	\$ 3,878,398	\$ 3,878,398	\$ -
Resources (inflows):				
Interest earned on investments	103,336	47,884	37,551	(10,333)
Transfers in	-	-	755	755
Amount available for appropriation	3,976,955	3,926,282	3,916,704	(9,578)
Charges to appropriations (outflows):				
Transfers out	265,520	265,520	265,590	(70)
Total charges to appropriations	265,520	265,520	265,590	(70)
Fund Balance, June 30, 2009	\$ 3,711,435	\$ 3,660,762	\$ 3,651,114	\$ (9,648)

City of Hermosa Beach
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2010

Schedule of Funding Progress for the City's OPEB Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Asset Value</u>	<u>Actuarial Accrued Liability Entry Age</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Liability as Percentage of Covered Payroll</u>
6/30/2008	\$ 2,637,242	\$ 5,830,000	\$ 3,192,758	45.2%	\$ 10,930,488	29.2%

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/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.

Building Improvement Fund - This fund was intended to provide funds for ongoing building maintenance. The fund was closed in 2009-10 as the Equipment Replacement Internal Service Fund is now accumulating these costs.

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

Lower Pier Administrative Expense Fund - This fund is used to account for all administrative expenditures required for the Lower Pier District. These funds are invested but interest is not allocated to this fund because it is not required by the bond documents.

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

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

NON-MAJOR GOVERNMENTAL FUNDS, Continued

Special Revenue Funds, Continued:

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" Fund - This 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.

Measure R Fund - This is a fund which was added July 1, 2009 to account for a 1/2 cent sales tax approved by Los Angeles County voters in November 2008 to meet the transportation needs of Los Angeles County. The program is to be used for transportation projects that have been approved by the Los Angeles County Metropolitan Transit Authority.

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

California Law Enforcement Equipment Program Fund (CLEEP) - Funds received for the purchase of high technology law enforcement equipment. The fund was closed in 2009-10 as no future revenues are anticipated and existing funds were depleted.

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

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.

NON-MAJOR GOVERNMENTAL FUNDS, Continued

Special Revenue Funds, Continued:

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

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 Contingency Special Revenue Fund transferred monies to close this fund in 2009-10 because the district will not be formed.

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. The fund was closed in 2009-10 because the project is complete.

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. The fund was closed in 2009-10 because the project is complete.

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. The fund was closed in 2009-10 because the project is complete.

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. The Contingency Special Revenue fund transferred monies to close this fund in 2009-10 because the district will not be formed.

City of Hermosa Beach
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010

	Special Revenue Funds				
	Lighting and Landscaping District	State Gas Tax	AB 939	Compensated Absences	Prop A Open Space
ASSETS					
Cash and investments	\$ 95,238	\$ 534,603	\$ 283,857	\$ 136,635	\$ -
Reimbursable grants receivable	-	-	-	-	94,388
Interest receivable					
on investments	272	1,533	816	-	-
Other accounts receivable	20,619	81,872	4,648	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 116,129	\$ 618,008	\$ 289,321	\$ 136,635	\$ 94,388
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 32,206	\$ 16,588	\$ 31,505	\$ -	\$ -
Accrued wages and benefits payable	19,165	-	8,168	-	-
Due to other funds	-	-	-	-	94,384
Total liabilities	51,371	16,588	39,673	-	94,384
Fund Balances:					
Reserved:					
Re-appropriations	-	-	-	-	-
Bike paths	-	19,758	-	-	-
Traffic congestion relief	-	302,788	-	-	-
In-lieu fees for street pavement					
Unreserved, designated:					
Special revenue					
Justice and treasury department	-	-	-	-	-
Unreserved, undesignated:					
Special revenue	64,758	278,874	249,648	136,635	4
Total fund balances	64,758	601,420	249,648	136,635	4
Total liabilities and fund balances	\$ 116,129	\$ 618,008	\$ 289,321	\$ 136,635	\$ 94,388

Special Revenue Funds

Tyco	Tyco Tidelands	Parks/ Recreation Facilities Tax	Building Improvement	Bayview Dr Admin Expense	Lower Pier Admin Expense	Myrtle Dist Admin Expense	Loma Dist Admin Expense
\$ 653,483	\$ 191,924	\$ 4,198	\$ -	\$ 1,718	\$ 4,723	\$ 14,467	\$ 18,569
-	-	-	-	-	-	-	-
1,924	550	-	-	5	-	42	53
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 655,407</u>	<u>\$ 192,474</u>	<u>\$ 4,198</u>	<u>\$ -</u>	<u>\$ 1,723</u>	<u>\$ 4,723</u>	<u>\$ 14,509</u>	<u>\$ 18,622</u>
\$ -	\$ 3,921	\$ -	\$ -	\$ 352	\$ 301	\$ 406	\$ 476
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	3,921	-	-	352	301	406	476
542,137	187,313	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
113,270	1,240	4,198	-	1,371	4,422	14,103	18,146
655,407	188,553	4,198	-	1,371	4,422	14,103	18,146
<u>\$ 655,407</u>	<u>\$ 192,474</u>	<u>\$ 4,198</u>	<u>\$ -</u>	<u>\$ 1,723</u>	<u>\$ 4,723</u>	<u>\$ 14,509</u>	<u>\$ 18,622</u>

(Continued)

City of Hermosa Beach
Combining Balance Sheet, Continued
Non-Major Governmental Funds, Continued
June 30, 2010

Special Revenue Funds

	Beach Drive Assessment Dist Admin Expense	Community Development Block Grant	Proposition "A" Transit	Proposition "C"	Measure "R"	Air Quality Management District
ASSETS						
Cash and investments	\$ 1,636	\$ -	\$ 1,096,065	\$ 1,604,658	\$ 124,297	\$ 58,514
Reimbursable grants receivable	-	1,777	-	-	-	-
Interest receivable on investments	5	-	3,148	4,566	358	167
Other accounts receivable	-	-	-	-	-	5,927
Due from other funds	-	-	-	-	-	-
Total assets	\$ 1,641	\$ 1,777	\$ 1,099,213	\$ 1,609,224	\$ 124,655	\$ 64,608
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 339	\$ -	\$ 104,820	\$ 239,965	\$ 19,420	\$ -
Accrued wages and benefits payable	-	-	318	-	-	3
Due to other funds	-	1,766	-	-	-	-
Total liabilities	339	1,766	105,138	239,965	19,420	3
Fund Balances:						
Reserved:						
Re-appropriations	-	-	256,648	1,369,259	19,420	-
Bike paths	-	-	-	-	-	-
Traffic congestion relief	-	-	-	-	-	-
In-lieu fees for street pavement	-	-	-	-	-	-
Unreserved, designated:						
Special revenue						
Justice and treasury department	-	-	-	-	-	-
Unreserved, undesignated:						
Special revenue	1,302	11	737,427	-	85,815	64,605
Total fund balances	1,302	11	994,075	1,369,259	105,235	64,605
Total liabilities and fund balances	\$ 1,641	\$ 1,777	\$ 1,099,213	\$ 1,609,224	\$ 124,655	\$ 64,608

Special Revenue Funds

Supplemental Law Enforcement Services	California Law Enforcement Equipment Program	Sewer	Asset Seizure and Forfeiture	Fire Protection	Retirement Stabilization	Capital Improvement	Artesia Blvd. Relinquish- ment
\$ 303,034	\$ -	\$ 172,182	\$ 181,177	\$ 8,067	\$ 750,986	\$ 37,101	\$ 11,607
-	-	-	-	-	-	-	-
868	-	1,373	521	-	2,163	1,121	47
7,548	-	13,688	7,321	-	-	-	-
-	-	300,000	-	-	-	379,712	-
<u>\$ 311,450</u>	<u>\$ -</u>	<u>\$ 487,243</u>	<u>\$ 189,019</u>	<u>\$ 8,067</u>	<u>\$ 753,149</u>	<u>\$ 417,934</u>	<u>\$ 11,654</u>
\$ 14,014	\$ -	\$ 131,052	\$ -	\$ -	\$ -	\$ 116,031	\$ 1,502
-	-	27,454	-	-	-	11,878	-
-	-	-	-	-	-	-	-
<u>14,014</u>	<u>-</u>	<u>158,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,909</u>	<u>1,502</u>
65,937	-	25,814	1,500	7,500	-	10,879	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	4,225	-
-	-	-	68,878	-	-	-	-
<u>231,499</u>	<u>-</u>	<u>302,923</u>	<u>118,641</u>	<u>567</u>	<u>753,149</u>	<u>274,921</u>	<u>10,152</u>
<u>297,436</u>	<u>-</u>	<u>328,737</u>	<u>189,019</u>	<u>8,067</u>	<u>753,149</u>	<u>290,025</u>	<u>10,152</u>
<u>\$ 311,450</u>	<u>\$ -</u>	<u>\$ 487,243</u>	<u>\$ 189,019</u>	<u>\$ 8,067</u>	<u>\$ 753,149</u>	<u>\$ 417,934</u>	<u>\$ 11,654</u>

(Continued)

City of Hermosa Beach
Combining Balance Sheet, Continued
Non-Major Governmental Funds, Continued
June 30, 2010

	Special Revenue Funds					
	Beach Drive 2 Underground District	Myrtle Utility Underground Improvement	Bayview Underground District	Beach Drive Underground District	Prospect Utility Underground District	Total Other Governmental Funds
ASSETS						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,288,739
Reimbursable grants receivable	-	-	-	-	-	96,165
Interest receivable on investments	-	-	-	-	-	19,532
Other accounts receivable	-	-	-	-	-	141,623
Due from other funds	-	-	-	-	-	679,712
Total assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,225,771
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 712,898
Accrued wages and benefits payable	-	-	-	-	-	66,986
Due to other funds	-	-	-	-	-	96,150
Total liabilities	-	-	-	-	-	876,034
Fund Balances:						
Reserved:						
Re-appropriations	-	-	-	-	-	2,486,407
Bike paths	-	-	-	-	-	19,758
Traffic congestion relief	-	-	-	-	-	302,788
In-lieu fees for street pavement	-	-	-	-	-	4,225
Unreserved, designated:						
Special revenue						
Justice and treasury department	-	-	-	-	-	68,878
Unreserved, undesignated:						
Special revenue						
	-	-	-	-	-	3,467,681
Total fund balances	-	-	-	-	-	6,349,737
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,225,771

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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, 2010

	Special Revenue Funds				
	Lighting and Landscaping District	State Gas Tax	AB 939	Compensated Absences	Prop A Open Space
REVENUES:					
Property taxes	\$ 455,882	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	-	-	-	-	-
Intergovernmental	-	516,891	-	-	20,557
Charges for services	-	-	57,183	-	-
Miscellaneous	-	-	-	-	-
Interest earned on investments	574	4,496	3,341	-	-
Total revenues	456,456	521,387	60,524	-	20,557
EXPENDITURES:					
Current:					
General government	-	-	78,436	-	-
Public safety	-	-	-	-	-
Community development	-	-	-	-	-
Culture & recreation	-	-	-	-	-
Public works	529,126	2,094	-	-	-
Capital outlay	-	57,145	-	-	-
Total expenditures	529,126	59,239	78,436	-	-
REVENUES OVER (UNDER) EXPENDITURES	(72,670)	462,148	(17,912)	-	20,557
OTHER FINANCING SOURCES (USES):					
Transfers in	98,871	-	-	-	-
Transfers out	(11,002)	(314,592)	-	-	(20,557)
Total other financing sources (uses)	87,869	(314,592)	-	-	(20,557)
CHANGE IN FUND BALANCES	15,199	147,556	(17,912)	-	-
FUND BALANCES:					
Beginning of year	49,559	453,864	267,560	136,635	4
End of year	\$ 64,758	\$ 601,420	\$ 249,648	\$ 136,635	\$ 4

Special Revenue Funds

Tyco	Tyco Tidelands	Parks/ Recreation Facility Tax	Building Improvement	Bayview Dr Admin Expense	Lower Pier Admin Expense	Myrtle Dist Admin Expense	Loma Dist Admin Expense
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	6,517	-	-	-	-	-
-	-	-	-	-	-	-	-
312,900	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	3,324	9,391	10,337
7,352	2,417	50	-	12	-	191	246
320,252	2,417	6,567	-	12	3,324	9,582	10,583
-	-	-	-	1,481	1,334	4,022	4,271
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	3,977	-	-	-	-	-
-	-	11,198	-	-	-	-	-
13	33,958	115,614	-	-	-	-	-
13	33,958	130,789	-	1,481	1,334	4,022	4,271
320,239	(31,541)	(124,222)	-	(1,469)	1,990	5,560	6,312
-	-	99,999	-	4,621	-	-	-
(175,000)	-	-	(882)	(2,718)	(1,143)	(3,310)	(3,783)
(175,000)	-	99,999	(882)	1,903	(1,143)	(3,310)	(3,783)
145,239	(31,541)	(24,223)	(882)	434	847	2,250	2,529
510,168	220,094	28,421	882	937	3,575	11,853	15,617
\$ 655,407	\$ 188,553	\$ 4,198	\$ -	\$ 1,371	\$ 4,422	\$ 14,103	\$ 18,146

(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, 2010

Special Revenue Funds

	Beach Drive Assessment Dist Admin Expense	Community Development Block Grant	Proposition "A" Transit	Proposition "C"	Measure "R"	Air Quality Management District
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	248,436	206,089	123,999	-
Fines and forfeitures	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-
Intergovernmental	-	9,088	-	-	-	22,069
Charges for services	-	-	5,772	-	-	-
Miscellaneous	-	-	14	-	-	-
Interest earned on investments	13	-	12,984	24,189	656	874
Total revenues	13	9,088	267,206	230,278	124,655	22,943
EXPENDITURES:						
Current:						
General government	1,499	-	52,878	-	-	1,110
Public safety	-	-	52,852	-	-	-
Community development	-	9,087	21,918	-	-	-
Culture & recreation	-	-	27,023	-	-	-
Public works	-	-	-	-	-	-
Capital outlay	-	-	160,494	1,050,692	19,420	55,481
Total expenditures	1,499	9,087	315,165	1,050,692	19,420	56,591
REVENUES OVER (UNDER) EXPENDITURES	(1,486)	1	(47,959)	(820,414)	105,235	(33,648)
OTHER FINANCING SOURCES (USES):						
Transfers in	2,958	-	-	-	-	-
Transfers out	(1,155)	-	-	-	-	-
Total other financing sources (uses)	1,803	-	-	-	-	-
CHANGE IN FUND BALANCES	317	1	(47,959)	(820,414)	105,235	(33,648)
FUND BALANCES:						
Beginning of year	985	10	1,042,034	2,189,673	-	98,253
End of year	\$ 1,302	\$ 11	\$ 994,075	\$ 1,369,259	\$ 105,235	\$ 64,605

Special Revenue Funds

Supplemental Law Enforcement	California Law Enforcement Equipment Program	Sewer	Asset Seizure and Forfeiture	Fire Protection	Retirement Stabilization	Capital Improvement	Artesia Blvd. Relinquish- ment
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
100,000	-	-	-	-	-	-	-
-	-	-	35,423	-	-	-	-
-	-	-	-	-	-	-	-
-	-	28,953	-	-	-	73,150	-
-	-	19,153	-	-	-	-	-
-	-	-	3,974	24,258	-	4,225	-
2,974	-	4,530	2,274	-	7,595	6,863	208
102,974	-	52,636	41,671	24,258	7,595	84,238	208
-	-	-	-	-	-	-	-
17,981	-	-	5,121	7,500	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	515,117	-	-	-	-	4,000
12,282	-	209,164	46,361	3,432	-	709,586	-
30,263	-	724,281	51,482	10,932	-	709,586	4,000
72,711	-	(671,645)	(9,811)	13,326	7,595	(625,348)	(3,792)
412	-	700,000	-	22,767	246,299	175,000	-
-	(412)	-	-	(36,228)	-	(96,918)	-
412	(412)	700,000	-	(13,461)	246,299	78,082	-
73,123	(412)	28,355	(9,811)	(135)	253,894	(547,266)	(3,792)
224,313	412	300,382	198,830	8,202	499,255	837,291	13,944
\$ 297,436	\$ -	\$ 328,737	\$ 189,019	\$ 8,067	\$ 753,149	\$ 290,025	\$ 10,152

(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, 2010

	Special Revenue Funds					
	Beach Drive 2 Underground District	Myrtle Utility Underground Improvement	Bayview Underground District	Beach Drive Underground District	Prospect Utility Underground District	Total Other Governmental Funds
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 455,882
Other taxes	-	-	-	-	-	685,041
Fines and forfeitures	-	-	-	-	-	35,423
Use of money and property	-	-	-	-	-	312,900
Intergovernmental	-	-	-	-	-	670,708
Charges for services	-	-	-	-	-	82,108
Miscellaneous	-	(3,425)	(60,962)	(19,070)	-	(27,934)
Interest earned on investments	-	-	-	-	-	81,839
Total revenues	-	(3,425)	(60,962)	(19,070)	-	2,295,967
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	145,031
Public safety	-	-	-	-	-	83,454
Community development	-	-	-	-	-	31,005
Culture & recreation	-	-	-	-	-	31,000
Public works	-	6,628	141,000	70,452	-	1,279,615
Capital outlay	-	-	-	-	-	2,473,642
Total expenditures	-	6,628	141,000	70,452	-	4,043,747
REVENUES OVER (UNDER) EXPENDITURES	-	(10,053)	(201,962)	(89,522)	-	(1,747,780)
OTHER FINANCING SOURCES (USES):						
Transfers in	65,520	70	-	-	200,000	1,616,517
Transfers out	-	-	(5,149)	(3,185)	-	(676,034)
Total other financing sources (uses)	65,520	70	(5,149)	(3,185)	200,000	940,483
CHANGE IN FUND BALANCES	65,520	(9,983)	(207,111)	(92,707)	200,000	(807,297)
FUND BALANCES:						
Beginning of year	(65,520)	9,983	207,111	92,707	(200,000)	7,157,034
End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,349,737

(Concluded)

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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Variance with Final Budget <u> </u>
Fund balance, July 1, 2009	\$ 49,559	\$ 49,559	\$ -
Resources (inflows):			
Property taxes	453,645	455,882	2,237
Interest earned on investments	531	574	43
Transfers in	<u>98,871</u>	<u>98,871</u>	<u>-</u>
Amount available for appropriation	<u>602,606</u>	<u>604,886</u>	<u>2,280</u>
Charges to appropriations (outflows):			
Public works	568,138	529,126	39,012
Transfers out	<u>11,002</u>	<u>11,002</u>	<u>-</u>
Total charges to appropriations	<u>579,140</u>	<u>540,128</u>	<u>39,012</u>
Fund balance, June 30, 2010	<u>\$ 23,466</u>	<u>\$ 64,758</u>	<u>\$ 41,292</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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Variance with Final Budget <u> </u>
Fund balance, July 1, 2009	\$ 453,864	\$ 453,864	\$ -
Resources (inflows):			
Intergovernmental	495,143	516,891	21,748
Interest earned on investments	4,395	4,496	101
Amount available for appropriation	<u>953,402</u>	<u>975,251</u>	<u>21,849</u>
Charges to appropriations (outflows):			
Public Works	2,094	2,094	-
Capital outlay	571,248	57,145	514,103
Transfers out	314,592	314,592	-
Total charges to appropriations	<u>887,934</u>	<u>373,831</u>	<u>514,103</u>
Fund balance, June 30, 2010	<u>\$ 65,468</u>	<u>\$ 601,420</u>	<u>\$ 535,952</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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Variance with Final Budget <u> </u>
Fund balance, July 1, 2009	\$ 267,560	\$ 267,560	\$ -
Resources (inflows):			
Charges for services	58,860	57,183	(1,677)
Interest earned on investments	4,111	3,341	(770)
Amount available for appropriation	<u>330,531</u>	<u>328,084</u>	<u>(2,447)</u>
Charges to appropriations (outflows):			
General government	<u>103,346</u>	<u>78,436</u>	<u>24,910</u>
Total charges to appropriations	<u>103,346</u>	<u>78,436</u>	<u>24,910</u>
Fund balance, June 30, 2010	<u>\$ 227,185</u>	<u>\$ 249,648</u>	<u>\$ 22,463</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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u></u>	Variance with Final Budget <u></u>
Fund balance, July 1, 2009	\$ 136,635	\$ 136,635	\$ -
Amount available for appropriation	136,635	136,635	-
Fund balance, June 30, 2010	<u>\$ 136,635</u>	<u>\$ 136,635</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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Variance with Final Budget <u> </u>
Fund balance, July 1, 2009	\$ 4	\$ 4	\$ -
Resources (inflows):			
Intergovernmental	270,557	20,557	(250,000)
Amount available for appropriation	<u>270,561</u>	<u>20,561</u>	<u>(250,000)</u>
Charges to appropriations (outflows):			
Capital outlay	250,000	-	250,000
Transfers out	20,557	20,557	-
Total charges to appropriations	<u>270,557</u>	<u>20,557</u>	<u>250,000</u>
Fund balance, June 30, 2010	<u>\$ 4</u>	<u>\$ 4</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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Variance with Final Budget <u> </u>
Fund balance, July 1, 2009	\$ 510,168	\$ 510,168	\$ -
Resources (inflows):			
Use of money and property	312,900	312,900	-
Interest earned on investments	8,535	7,352	(1,183)
Amount available for appropriation	<u>831,603</u>	<u>830,420</u>	<u>(1,183)</u>
Charges to appropriations (outflows):			
Capital outlay	542,151	13	542,138
Transfers out	175,000	175,000	-
Total charges to appropriations	<u>717,151</u>	<u>175,013</u>	<u>542,138</u>
Fund balance, June 30, 2010	<u>\$ 114,452</u>	<u>\$ 655,407</u>	<u>\$ 540,955</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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
Fund balance, July 1, 2009	<u>\$ 220,094</u>	<u>\$ 220,094</u>	<u>\$ -</u>
Resources (inflows):			
Interest earned on investment	<u>3,118</u>	<u>2,417</u>	<u>(701)</u>
Amount available for appropriation	<u>223,212</u>	<u>222,511</u>	<u>(701)</u>
Charges to appropriations (outflows):			
Capital outlay	<u>221,271</u>	<u>33,958</u>	<u>187,313</u>
Total charges to appropriations	<u>221,271</u>	<u>33,958</u>	<u>187,313</u>
Fund balance, June 30, 2010	<u><u>\$ 1,941</u></u>	<u><u>\$ 188,553</u></u>	<u><u>\$ 186,612</u></u>

City of Hermosa Beach

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

Parks/Recreation Facilities Tax

For the year ended June 30, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
Fund balance, July 1, 2009	\$ 28,421	\$ 28,421	\$ -
Resources (inflows):			
Other taxes	6,517	6,517	-
Interest earned on investments	225	50	(175)
Transfers in	99,999	99,999	-
Amount available for appropriation	<u>135,162</u>	<u>134,987</u>	<u>(175)</u>
Charges to appropriations (outflows):			
Culture and recreation	3,977	3,977	-
Public works	11,198	11,198	-
Capital outlay	116,907	115,614	1,293
Total charges to appropriations	<u>132,082</u>	<u>130,789</u>	<u>1,293</u>
Fund balance, June 30, 2010	<u>\$ 3,080</u>	<u>\$ 4,198</u>	<u>\$ 1,118</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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u></u>	Variance with Final Budget <u></u>
Fund balance, July 1, 2009	\$ 882	\$ 882	\$ -
Charges to appropriations (outflows):			
Transfers out	882	882	-
Total charges to appropriations	<u>\$ 882</u>	<u>\$ 882</u>	<u>\$ -</u>
Fund balance, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Variance with Final Budget <u> </u>
Fund balance, July 1, 2009	\$ 937	\$ 937	\$ -
Resources (inflows):			
Miscellaneous	4,620	-	(4,620)
Interest earned on investments	10	12	2
Transfers in		4,621	4,621
Amount available for appropriation	<u>5,567</u>	<u>5,570</u>	<u>3</u>
Charges to appropriations (outflows):			
General government	1,950	1,481	469
Transfers out	<u>2,718</u>	<u>2,718</u>	<u>-</u>
Total charges to appropriations	<u>4,668</u>	<u>4,199</u>	<u>469</u>
Fund balance, June 30, 2010	<u>\$ 899</u>	<u>\$ 1,371</u>	<u>\$ 472</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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
Fund balance, July 1, 2009	\$ 3,575	\$ 3,575	\$ -
Resources (inflows):			
Miscellaneous	3,324	3,324	-
Amount available for appropriation	6,899	6,899	-
Charges to appropriations (outflows):			
General government	1,650	1,334	316
Transfers out	1,143	1,143	-
Total charges to appropriations	2,793	2,477	316
Fund balance, June 30, 2010	<u>\$ 4,106</u>	<u>\$ 4,422</u>	<u>\$ 316</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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
Fund balance, July 1, 2009	\$ 11,853	\$ 11,853	\$ -
Resources (inflows):			
Miscellaneous	9,391	9,391	-
Interest earned on investments	202	191	(11)
Amount available for appropriation	<u>21,446</u>	<u>21,435</u>	<u>(11)</u>
Charges to appropriations (outflows):			
General government	6,250	4,022	2,228
Transfers out	3,310	3,310	-
Total charges to appropriations	<u>9,560</u>	<u>7,332</u>	<u>2,228</u>
Fund balance, June 30, 2010	<u>\$ 11,886</u>	<u>\$ 14,103</u>	<u>\$ 2,217</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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Variance with Final Budget <u> </u>
Fund balance, July 1, 2009	\$ 15,617	\$ 15,617	\$ -
Resources (inflows):			
Miscellaneous	10,337	10,337	-
Interest earned on investments	<u>264</u>	<u>246</u>	<u>(18)</u>
Amount available for appropriation	<u>26,218</u>	<u>26,200</u>	<u>(18)</u>
Charges to appropriations (outflows):			
General government	6,800	4,271	2,529
Transfers out	<u>3,783</u>	<u>3,783</u>	<u>-</u>
Total charges to appropriations	<u>10,583</u>	<u>8,054</u>	<u>2,529</u>
Fund balance, June 30, 2010	<u>\$ 15,635</u>	<u>\$ 18,146</u>	<u>\$ 2,511</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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Variance with Final Budget <u> </u>
Fund balance, July 1, 2009	\$ 985	\$ 985	\$ -
Resources (inflows):			
Miscellaneous	2958	-	(2,958)
Interest earned on investments	14	13	(1)
Transfers in		2,958	2,958
Amount available for appropriation	<u>3,957</u>	<u>3,956</u>	<u>(1)</u>
Charges to appropriations (outflows):			
General government	1,975	1,499	476
Transfers out	1,155	1,155	-
Total charges to appropriations	<u>3,130</u>	<u>2,654</u>	<u>476</u>
Fund balance, June 30, 2010	<u>\$ 827</u>	<u>\$ 1,302</u>	<u>\$ 475</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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u></u>	Variance with Final Budget <u></u>
Fund balance, July 1, 2009	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ -</u>
Resources (inflows):			
Intergovernmental	<u>9,241</u>	<u>9,088</u>	<u>(153)</u>
Amount available for appropriation	<u>9,251</u>	<u>9,098</u>	<u>(153)</u>
Charges to appropriations (outflows):			
Community development	<u>9,241</u>	<u>9,087</u>	<u>154</u>
Total charges to appropriations	<u>9,241</u>	<u>9,087</u>	<u>154</u>
Fund balance, June 30, 2010	<u><u>\$ 10</u></u>	<u><u>\$ 11</u></u>	<u><u>\$ 1</u></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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Variance with Final Budget <u> </u>
Fund balance, July 1, 2009	\$ 1,042,034	\$ 1,042,034	\$ -
Resources (inflows):			
Other taxes	317,658	248,436	(69,222)
Charges for services	5,410	5,772	362
Miscellaneous	-	14	14
Interest earned on investments	15,510	12,984	(2,526)
Amount available for appropriation	<u>1,380,612</u>	<u>1,309,240</u>	<u>(71,372)</u>
Charges to appropriations (outflows):			
General government	58,843	52,878	5,965
Public safety	50,000	52,852	(2,852)
Community development	17,062	21,918	(4,856)
Culture and recreation	30,000	27,023	2,977
Capital outlay	417,143	160,494	256,649
Total charges to appropriations	<u>573,048</u>	<u>315,165</u>	<u>257,883</u>
Fund balance, June 30, 2010	<u>\$ 807,564</u>	<u>\$ 994,075</u>	<u>\$ 186,511</u>

City of Hermosa Beach

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

For the year ended June 30, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Variance with Final Budget <u> </u>
Fund balance, July 1, 2009	\$ 2,189,673	\$ 2,189,673	\$ -
Resources (inflows):			
Other taxes	259,238	206,089	(53,149)
Interest earned on investments	<u>31,748</u>	<u>24,189</u>	<u>(7,559)</u>
Amount available for appropriation	<u>2,480,659</u>	<u>2,419,951</u>	<u>(60,708)</u>
Charges to appropriations (outflows):			
Capital outlay	<u>2,480,659</u>	<u>1,050,692</u>	<u>1,429,967</u>
Total charges to appropriations	<u>2,480,659</u>	<u>1,050,692</u>	<u>1,429,967</u>
Fund balance, June 30, 2010	<u>\$ -</u>	<u>\$ 1,369,259</u>	<u>\$ 1,369,259</u>

City of Hermosa Beach

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

For the year ended June 30, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Variance with Final Budget <u> </u>
Fund balance, July 1, 2009	\$ -	\$ -	\$ -
Resources (inflows):			
Other taxes	100,565	123,999	23,434
Interest earned on investments	421	656	235
Amount available for appropriation	<u>100,986</u>	<u>124,655</u>	<u>23,669</u>
Charges to appropriations (outflows):			
Capital outlay	<u>100,000</u>	<u>19,420</u>	<u>80,580</u>
Total charges to appropriations	<u>100,000</u>	<u>19,420</u>	<u>80,580</u>
Fund balance, June 30, 2010	<u>\$ 986</u>	<u>\$ 105,235</u>	<u>\$ 104,249</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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u></u>	Variance with Final Budget <u></u>
Fund balance, July 1, 2009	<u>\$ 98,253</u>	<u>\$ 98,253</u>	<u>\$ -</u>
Resources (inflows):			
Intergovernmental	23,000	22,069	(931)
Interest earned on investments	<u>1,145</u>	<u>874</u>	<u>(271)</u>
Amount available for appropriation	<u>122,398</u>	<u>121,196</u>	<u>(1,202)</u>
Charges to appropriations (outflows):			
General government	3,600	1,110	2,490
Capital outlay	<u>55,593</u>	<u>55,481</u>	<u>112</u>
Total charges to appropriations	<u>59,193</u>	<u>56,591</u>	<u>2,602</u>
Fund balance, June 30, 2010	<u><u>\$ 63,205</u></u>	<u><u>\$ 64,605</u></u>	<u><u>\$ 1,400</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, 2010

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Fund balance, July 1, 2009	<u>\$ 224,313</u>	<u>\$ 224,313</u>	<u>\$ -</u>
Resources (inflows):			
Other taxes	100,000	100,000	-
Interest earned on investments	2,820	2,974	154
Transfers In	<u>-</u>	<u>412</u>	<u>412</u>
Amount available for appropriation	<u>327,133</u>	<u>327,699</u>	<u>566</u>
Charges to appropriations (outflows):			
Public safety	50,269	17,981	32,288
Capital outlay	<u>51,063</u>	<u>12,282</u>	<u>38,781</u>
Total charges to appropriations	<u>101,332</u>	<u>30,263</u>	<u>71,069</u>
Fund balance, June 30, 2010	<u><u>\$ 225,801</u></u>	<u><u>\$ 297,436</u></u>	<u><u>\$ 71,635</u></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, 2010

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Fund balance, July 1, 2009	\$ 412	\$ 412	\$ -
Resources (inflows):			
Interest earned on investments	23	-	(23)
Amount available for appropriation	435	412	(23)
Charges to appropriations (outflows):			
Transfers out	-	412	(412)
Total charges to appropriations	-	412	(412)
Fund balance, June 30, 2010	\$ 435	\$ -	\$ (435)

City of Hermosa Beach

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

Sewer

For the year ended June 30, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Variance with Final Budget <u> </u>
Fund balance, July 1, 2009	<u>\$ 300,382</u>	<u>\$ 300,382</u>	<u>\$ -</u>
Resources (inflows):			
Intergovernmental	30,125	28,953	(1,172)
Charges for services	22,000	19,153	(2,847)
Interest earned on investments	5,162	4,530	(632)
Transfers in	<u>700,000</u>	<u>700,000</u>	<u>-</u>
Amount available for appropriation	<u>1,057,669</u>	<u>1,053,018</u>	<u>(4,651)</u>
Charges to appropriations (outflows):			
Public works	623,285	515,117	108,168
Capital outlay	<u>234,979</u>	<u>209,164</u>	<u>25,815</u>
Total charges to appropriations	<u>858,264</u>	<u>724,281</u>	<u>133,983</u>
Fund balance, June 30, 2010	<u>\$ 199,405</u>	<u>\$ 328,737</u>	<u>\$ 129,332</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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u></u>	Variance with Final Budget <u></u>
Fund balance, July 1, 2009	<u>\$ 198,830</u>	<u>\$ 198,830</u>	<u>\$ -</u>
Resources (inflows):			
Fines and forfeitures	32,300	35,423	3,123
Miscellaneous		3,974	3,974
Interest earned on investments	<u>2,653</u>	<u>2,274</u>	<u>(379)</u>
Amount available for appropriation	<u>233,783</u>	<u>240,501</u>	<u>6,718</u>
Charges to appropriations (outflows):			
Public Safety	17,121	5,121	12,000
Capital Outlay	<u>49,000</u>	<u>46,361</u>	<u>2,639</u>
Total charges to appropriations	<u>66,121</u>	<u>51,482</u>	<u>14,639</u>
Fund balance, June 30, 2010	<u><u>\$ 167,662</u></u>	<u><u>\$ 189,019</u></u>	<u><u>\$ 21,357</u></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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Variance with Final Budget <u> </u>
Fund balance, July 1, 2009	\$ 8,202	\$ 8,202	\$ -
Resources (inflows):			
Miscellaneous	45,000	24,258	(20,742)
Interest earned on investments	1,459	-	(1,459)
Transfers in	<u>22,767</u>	<u>22,767</u>	<u> </u>
Amount available for appropriation	<u>77,428</u>	<u>55,227</u>	<u>(22,201)</u>
Charges to appropriations (outflows):			
Public Safety	15,000	7,500	7,500
Capital outlay	3,433	3,432	1
Transfers out	<u>36,228</u>	<u>36,228</u>	<u>-</u>
Total charges to appropriations	<u>54,661</u>	<u>47,160</u>	<u>7,501</u>
Fund balance, June 30, 2010	<u>\$ 22,767</u>	<u>\$ 8,067</u>	<u>\$ (14,700)</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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
Fund balance, July 1, 2009	\$ 499,255	\$ 499,255	\$ -
Resources (inflows):			
Interest earned on investments	8,186	7,595	(591)
Transfers in	<u>246,299</u>	<u>246,299</u>	<u>-</u>
Amount available for appropriation	<u>753,740</u>	<u>753,149</u>	<u>(591)</u>
Fund balance, June 30, 2010	<u>\$ 753,740</u>	<u>\$ 753,149</u>	<u>\$ (591)</u>

City of Hermosa Beach

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

Capital Improvement

For the year ended June 30, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Variance with Final Budget <u> </u>
Fund balance, July 1, 2009	\$ 837,291	\$ 837,291	\$ -
Resources (inflows):			
Intergovernmental	73,150	73,150	-
Miscellaneous	-	4,225	4,225
Interest earned on investments	10,956	6,863	(4,093)
Transfers in	175,000	175,000	-
Amount available for appropriation	<u>1,096,397</u>	<u>1,096,529</u>	<u>132</u>
Charges to appropriations (outflows):			
Capital outlay	954,416	709,586	244,830
Transfers out	96,918	96,918	-
Total charges to appropriations	<u>1,051,334</u>	<u>806,504</u>	<u>244,830</u>
Fund balance, June 30, 2010	<u>\$ 45,063</u>	<u>\$ 290,025</u>	<u>\$ 244,962</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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
Fund balance, July 1, 2009	<u>\$ 13,944</u>	<u>\$ 13,944</u>	<u>\$ -</u>
Resources (inflows):			
Interest earned on investments	<u>273</u>	<u>208</u>	<u>(65)</u>
Amount available for appropriation	<u>14,217</u>	<u>14,152</u>	<u>(65)</u>
Charges to appropriations (outflows):			
Public works	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Total charges to appropriations	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Fund balance, June 30, 2010	<u><u>\$ 10,217</u></u>	<u><u>\$ 10,152</u></u>	<u><u>\$ (65)</u></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, 2010

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Fund balance, July 1, 2009	<u>\$ (65,520)</u>	<u>\$ (65,520)</u>	<u>\$ -</u>
Resources (inflows):			
Transfers in	<u>65,520</u>	<u>65,520</u>	<u>-</u>
Amount available for appropriation	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2010	<u><u>\$ -</u></u>	<u><u>\$ -</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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Variance with Final Budget <u> </u>
Fund balance, July 1, 2009	\$ 9,983	\$ 9,983	\$ -
Resources (inflows):			
Miscellaneous	(3,425)	(3,425)	-
Transfers in	<u>-</u>	<u>70</u>	<u>70</u>
Amount available for appropriation	<u>6,558</u>	<u>6,628</u>	<u>70</u>
Charges to appropriations (outflows):			
Public works	<u>6,628</u>	<u>6,628</u>	<u>-</u>
Total charges to appropriations	<u>6,628</u>	<u>6,628</u>	<u>-</u>
Fund balance, June 30, 2010	<u>\$ (70)</u>	<u>\$ -</u>	<u>\$ 70</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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Variance with Final Budget <u> </u>
Fund balance, July 1, 2009	\$ 207,111	\$ 207,111	\$ -
Resources (inflows):			
Miscellaneous	(60,963)	(60,962)	1
Amount available for appropriation	<u>146,148</u>	<u>146,149</u>	<u>1</u>
Charges to appropriations (outflows):			
Public works	141,000	141,000	-
Transfers out	4,620	5,149	(529)
Total charges to appropriations	<u>145,620</u>	<u>146,149</u>	<u>(529)</u>
Fund balance, June 30, 2010	<u>\$ 528</u>	<u>\$ -</u>	<u>\$ (528)</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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Variance with Final Budget <u> </u>
Fund balance, July 1, 2009	\$ 92,707	\$ 92,707	\$ -
Resources (inflows):			
Miscellaneous	(19,070)	(19,070)	-
Amount available for appropriation	<u>73,637</u>	<u>73,637</u>	<u>-</u>
Charges to appropriations (outflows):			
Public works	70,452	70,452	-
Transfers out	<u>2,958</u>	<u>3,185</u>	<u>(227)</u>
Total charges to appropriations	<u>73,410</u>	<u>73,637</u>	<u>(227)</u>
Fund balance, June 30, 2010	<u>\$ 227</u>	<u>\$ -</u>	<u>\$ (227)</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, 2010

	Budgeted Amounts <u>Final</u>	Actual Amounts <u></u>	Variance with Final Budget <u></u>
Fund balance, July 1, 2009	\$ (200,000)	\$ (200,000)	\$ -
Resources (inflows):			
Transfers in	200,000	200,000	-
Amount available for appropriation	-	-	-
Fund balance, June 30, 2010	<u>\$ -</u>	<u>\$ -</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, 2010

	Insurance Fund	Equipment Replacement Fund	Total
ASSETS			
Current assets:			
Cash and investments	\$ 6,888,909	\$ 3,080,554	\$ 9,969,463
Other accounts receivables	44,306	3,498	47,804
Deposits	140,000	-	140,000
Advances to other funds	490,481	490,482	980,963
Other assets	79,942	21,046	100,988
Total current assets	<u>7,643,638</u>	<u>3,595,580</u>	<u>11,239,218</u>
Capital assets			
Nondepreciable	-	356,869	356,869
Depreciable, net	-	1,829,019	1,829,019
Total capital assets	<u>-</u>	<u>2,185,888</u>	<u>2,185,888</u>
Total assets	<u>7,643,638</u>	<u>5,781,468</u>	<u>13,425,106</u>
LIABILITIES			
Current liabilities:			
Accounts payable	49,930	72,978	122,908
Accrued wages and benefits payable	6,156	21,327	27,483
Current portion of long-term liabilities	980,183	-	980,183
Total current liabilities	<u>1,036,269</u>	<u>94,305</u>	<u>1,130,574</u>
Long-term liabilities:			
Workers' compensation claims payable	4,217,447	-	4,217,447
General liability claims payable	1,121,650	-	1,121,650
Less current portion above	<u>(980,183)</u>	<u>-</u>	<u>(980,183)</u>
Total long-term liabilities	<u>4,358,914</u>	<u>-</u>	<u>4,358,914</u>
Total liabilities	<u>5,395,183</u>	<u>94,305</u>	<u>5,489,488</u>
NET ASSETS			
Invested in capital assets	-	2,185,888	2,185,888
Unrestricted	<u>2,248,455</u>	<u>3,501,275</u>	<u>5,749,730</u>
Total net assets	<u>\$ 2,248,455</u>	<u>\$ 5,687,163</u>	<u>\$ 7,935,618</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, 2010

	Insurance Fund	Equipment Replacement Fund	Total
OPERATING REVENUES:			
Charges for services	\$ 2,279,925	\$ 1,442,799	\$ 3,722,724
Miscellaneous	187,895	19,554	207,449
Total operating revenues	2,467,820	1,462,353	3,930,173
OPERATING EXPENSES:			
Salaries and wages	50,543	204,921	255,464
Contractor services	1,453,306	398,796	1,852,102
Supplies	157	211,034	211,191
Claims expense	1,224,345	-	1,224,345
Depreciation	-	418,029	418,029
Total operating expenses	2,728,351	1,232,780	3,961,131
OPERATING INCOME (LOSS)	(260,531)	229,573	(30,958)
NONOPERATING REVENUES (EXPENSES):			
Gain on disposal of capital assets	-	2,265	2,265
Total nonoperating revenues (expenses)	-	2,265	2,265
INCOME (LOSS) BEFORE CONTRIBUTION AND TRANSFERS	(260,531)	231,838	(28,693)
Contribution	-	5,000	5,000
Transfers in	1,608,542	-	1,608,542
Transfers out	(300,000)	(627,272)	(927,272)
Total contribution and transfers	1,308,542	(622,272)	686,270
Change in net assets	1,048,011	(390,434)	657,577
NET ASSETS			
Beginning of the year	1,200,444	6,077,597	7,278,041
End of the year	\$ 2,248,455	\$ 5,687,163	\$ 7,935,618

City of Hermosa Beach
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2010

	Insurance Fund	Equipment Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received for services from other funds	\$ 2,281,898	\$ 1,439,301	\$ 3,721,199
Cash payments to suppliers of goods and services	(1,685,670)	(600,309)	(2,285,979)
Cash payments to employees for services	(49,250)	(207,524)	(256,774)
Insurance premiums, settlements and recovery	(733,884)	19,554	(714,330)
Net cash provided by (used for) operating activities	(186,906)	651,022	464,116
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Contribution	-	5,000	5,000
Transfers in	1,608,542	-	1,608,542
Transfers out	(300,000)	(627,272)	(927,272)
Net cash provided by (used for) noncapital financing activities	1,308,542	(622,272)	686,270
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Repayment of advances to other funds	64,465	64,466	128,931
Acquisition of capital assets	-	(305,512)	(305,512)
Proceed from sale of capital assets	-	2,265	2,265
Net cash provided by (used for) capital and related financing activities	64,465	(238,781)	(174,316)
Net increase (decrease) in cash and cash equivalents	1,186,101	(210,031)	976,070
CASH AND CASH EQUIVALENTS:			
Beginning of year	5,702,808	3,290,585	8,993,393
End of year	\$ 6,888,909	\$ 3,080,554	\$ 9,969,463
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	\$ (260,531)	\$ 229,573	\$ (30,958)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	418,029	418,029
Changes in current assets and liabilities:			
Other accounts receivable	1,973	(3,498)	(1,525)
Other assets	11,900	(19,855)	(7,955)
Accounts payable	(244,107)	29,376	(214,731)
Accrued wages	1,293	(2,603)	(1,310)
Worker's compensation claims payable	485,408	-	485,408
General liability claims payable	(182,842)	-	(182,842)
Total adjustments	73,625	421,449	495,074
Net cash provided by (used for) operating activities	\$ (186,906)	\$ 651,022	\$ 464,116

FIDUCIARY FUNDS

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

City of Hermosa Beach
Combining Statement of Fiduciary Net Assets
All Agency Funds
June 30, 2010

	Bayview Drive	Bayview Drive Reserve	Lower Pier Avenue Assessment District	Beach Drive Assessment District	Beach Drive Assessment Reserve	Myrtle Avenue Utility Undergrounding Assessment District	Loma Drive Utility Undergrounding Assessment District	Total
ASSETS								
Cash and investments	\$ 136,849	\$ 12,886	\$ 41,905	\$ 65,687	\$ 3,924	\$ 97,977	\$ 108,400	\$ 467,628
Interest receivable	396	37	120	187	11	282	311	1,344
Other accounts receivable	-	-	-	787	-	7,525	10,063	18,375
Total assets	\$ 137,245	\$ 12,923	\$ 42,025	\$ 66,661	\$ 3,935	\$ 105,784	\$ 118,774	\$ 487,347
LIABILITIES								
Assessment:								
Installment account	\$ 137,245	\$ -	\$ 42,025	\$ 66,661	\$ -	\$ 105,784	\$ 118,774	\$ 470,489
Reserve requirement	-	12,923	-	-	3,935	-	-	16,858
Total liabilities	\$ 137,245	\$ 12,923	\$ 42,025	\$ 66,661	\$ 3,935	\$ 105,784	\$ 118,774	\$ 487,347

City of Hermosa Beach
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the year ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
ASSETS				
Bayview Drive Redemption Fund:				
Cash and investments	\$ 53,949	\$ 149,147	\$ (66,247)	\$ 136,849
Interest receivable	319	396	(319)	396
Other accounts receivable	555	844	(1,399)	-
Bayview Drive Reserve Fund				
Cash and investments	12,676	284	(74)	12,886
Interest receivable	75	37	(75)	37
Lower Pier District Redemption Fund:				
Cash and investments	38,695	39,681	(36,471)	41,905
Interest receivable	229	120	(229)	120
Other accounts receivable	3,027	-	(3,027)	-
Beach Drive Assessment District Redemption Fund:				
Cash and investments	21,352	79,284	(34,949)	65,687
Interest receivable	126	187	(126)	187
Other accounts receivable	5,205	787	(5,205)	787
Beach Drive Assessment District Reserve Fund:				
Cash and investments	3,860	87	(23)	3,924
Interest receivable	23	11	(23)	11
Myrtle Avenue Assessment Fund:				
Cash and investments	99,260	89,025	(90,308)	97,977
Interest receivable	589	282	(589)	282
Other accounts receivable	5,102	7,525	(5,102)	7,525
Loma Drive Assessment Fund:				
Cash and investments	101,950	101,759	(95,309)	108,400
Interest receivable	605	311	(605)	311
Other accounts receivable	6,539	10,063	(6,539)	10,063
Total assets	\$ 354,136	\$ 479,830	\$ (346,619)	\$ 487,347
LIABILITIES				
Bayview Drive Redemption Fund:				
Assessment installment account	\$ 54,823	\$ 150,387	\$ (67,965)	\$ 137,245
Bayview Drive Reserve Fund				
Reserve requirement	12,751	321	(149)	12,923
Lower Pier District Redemption Fund:				
Assessment installment account	41,951	39,801	(39,727)	42,025
Beach Drive Assessment District Redemption Fund:				
Assessment installment account	26,683	80,258	(40,280)	66,661
Beach Drive Assessment District Reserve Fund:				
Reserve requirement	3,883	98	(46)	3,935
Myrtle Avenue Assessment Funds:				
Assessment installment account	104,951	96,832	(95,999)	105,784
Loma Drive Assessment Fund:				
Assessment installment account	109,094	112,133	(102,453)	118,774
Total liabilities	\$ 354,136	\$ 479,830	\$ (346,619)	\$ 487,347

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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*
For the year ended June 30, 2010

GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	\$ 17,448,235
Buildings and improvements	5,305,361
Improvements other than buildings	14,054,192
Machinery and equipment	1,994,280
Vehicles	64,708
Construction in progress	319,354
Infrastructure	44,056,239
Total governmental funds capital assets	83,242,369
Accumulated depreciation	(28,828,669)
Total governmental funds capital assets, net	\$ 54,413,700

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

State grants	\$ 1,819,789
General fund revenues	32,394,299
Special revenue funds revenues	48,553,063
Donated assets	475,218
Total governmental funds capital assets	83,242,369
Accumulated depreciation	(28,828,669)
Total governmental funds capital assets, net	\$ 54,413,700

* 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*
For the year ended June 30, 2010

	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	\$ 2,111,825	\$ 97,728	\$ 301,702	\$ -	\$ -	\$ -	\$ 2,818,604
Public safety	-	534,812	751,295	1,332,635	64,708	-	-	2,683,450
Community development	-	-	99,858	12,755	-	-	-	112,613
Culture and recreation	650,000	1,713,398	1,004,480	131,157	-	-	-	3,499,035
Public works	16,490,886	945,326	12,100,831	216,031	-	44,056,239	319,354	74,128,667
Total governmental funds capital assets	17,448,235	5,305,361	14,054,192	1,994,280	64,708	44,056,239	319,354	83,242,369
Accumulated depreciation	-	(1,990,388)	(7,461,322)	(1,339,162)	(27,429)	(18,010,368)	-	(28,828,669)
Total governmental funds capital assets	\$ 17,448,235	\$ 3,314,973	\$ 6,592,870	\$ 655,118	\$ 37,279	\$ 26,045,871	\$ 319,354	\$ 54,413,700

* 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, 2010

	Capital Assets July 1, 2009	Additions	Deletions	Capital Assets June 30, 2010
Function and Activity:				
General government	\$ 2,818,604	\$ -	\$ -	\$ 2,818,604
Public safety	2,547,868	135,582	-	2,683,450
Community development	112,613	-	-	112,613
Culture and recreation	2,447,558	1,051,477	-	3,499,035
Public works	72,580,021	3,513,543	(1,964,897)	74,128,667
Total governmental funds capital assets	80,506,664	4,700,602	(1,964,897)	83,242,369
Accumulated depreciation	(26,385,479)	(2,447,732)	4,542	(28,828,669)
Total governmental funds capital assets, net	<u>\$ 54,121,185</u>	<u>\$ 2,252,870</u>	<u>\$ (1,960,355)</u>	<u>\$ 54,413,700</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	146
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	160
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	164
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	166
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

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities:								
Invested in capital assets, net of related debt	\$ 52,434,822	\$ 54,115,206	\$ 57,049,484	\$ 56,667,910	\$ 58,249,212	\$ 57,117,532	\$ 56,419,592	\$ 56,599,591
Restricted	524,561	2,217,823	3,305,478	3,590,623	3,813,004	5,171,642	5,403,000	4,518,727
Unrestricted	15,165,745	15,218,039	14,932,486	15,221,233	12,424,195	10,619,806	10,348,315	10,768,025
Total governmental activities net assets	\$ 68,125,128	\$ 71,551,068	\$ 75,287,448	\$ 75,479,766	\$ 74,486,411	\$ 72,908,980	\$ 72,170,907	\$ 71,886,343
Business-type activities:								
Invested in capital assets, net of related debt	\$ 6,796,868	\$ 6,880,925	\$ 8,081,080	\$ 8,297,790	\$ 10,311,365	\$ 10,187,758	\$ 10,057,219	\$ 9,926,861
Restricted	864,024	-	-	-	-	-	-	-
Unrestricted	780,346	827,781	502,758	237,824	(1,604,154)	(1,443,914)	(1,236,859)	(1,074,651)
Total business-type activities net assets	\$ 8,441,238	\$ 7,708,706	\$ 8,583,838	\$ 8,535,614	\$ 8,707,211	\$ 8,743,844	\$ 8,820,360	\$ 8,852,210
Primary government:								
Invested in capital assets, net of related debt	\$ 59,231,690	\$ 60,996,131	\$ 65,130,564	\$ 64,965,700	\$ 68,560,577	\$ 67,305,110	\$ 66,476,811	\$ 66,526,450
Restricted	1,388,585	2,217,823	3,305,478	3,590,623	3,813,004	5,171,642	5,403,000	4,518,727
Unrestricted	15,946,091	16,045,820	15,435,244	15,459,057	10,820,041	9,175,892	9,111,456	9,693,374
Total primary government net assets	\$ 76,566,366	\$ 79,259,774	\$ 83,871,286	\$ 84,015,380	\$ 83,193,622	\$ 81,652,644	\$ 80,991,267	\$ 80,738,551

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

City of Hermosa Beach
Changes in Net Assets
Last Eight 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	18,790,831	20,465,889	24,360,143	28,609,403
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	2,840,506	2,929,901	1,868,507	1,130,499
Total primary government expenses	21,631,337	23,395,790	26,228,650	29,739,902
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 ²
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:	3,721,009	4,752,557	8,826,674	9,306,211
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	- ¹	-
Proposition C Transit	-	-	- ¹	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues:	3,292,576	3,789,022	4,154,335	1,187,249
Total primary government program revenues:	7,013,585	8,541,579	12,981,009	10,493,460

City of Hermosa Beach
Changes in Net Assets, Continued
Last Eight 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 eight 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
Changes in Net Assets, Continued
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Expenses:				
Governmental activities:				
Legislative and legal	867,481	990,342	1,059,528	980,157
General government	2,523,060	2,544,004	3,579,453	2,409,611
Public safety	17,237,156	19,569,031	17,471,578	17,841,984
Community development	1,424,766	1,358,051	1,416,714	1,243,490
Culture and recreation	1,253,882	1,343,223	1,420,956	1,252,037
Public works	7,106,083	6,942,529	6,860,854	7,823,275
Total governmental activities expenses	30,412,428	32,747,180	31,809,083	31,550,554
Business-type activities:				
Downtown Enhancement	1,096,039	1,133,746	963,304	997,138
Parking	-	- ²	- ²	- ²
Proposition "A" Transit	-	-	- ¹	- ¹
Proposition "C" Transit	-	-	- ¹	- ¹
Total business-type activities expenses	1,096,039	1,133,746	963,304	997,138
Total primary government expenses	31,508,467	33,880,926	32,772,387	32,547,692
Program revenues:				
Governmental activities:				
Charges for services:				
General government	497,423	563,583	569,772	543,259
Public safety	4,078,709	4,423,335	4,633,478	4,674,410
Community development	1,179,786	1,262,109	782,904	650,962
Culture and recreation	944,229	1,092,512	949,439	856,135
Public works	835,845	877,367	907,579	840,740
Operating grants and contributions	755,716	731,097	539,518	543,531
Capital grants and contributions	286,930	68,862	850,357	1,817,638
Total governmental activities program revenues:	8,578,638	9,018,865	9,233,047	9,926,675
Business-type activities:				
Charges for services:				
Downtown Enhancement	1,144,666	1,088,298	1,021,114	1,026,185
Parking	-	- ²	- ²	- ²
Proposition A Transit	-	-	- ¹	- ¹
Proposition C Transit	-	-	- ¹	- ¹
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues:	1,144,666	1,088,298	1,021,114	1,026,185
Total primary government program revenues:	9,723,304	10,107,163	10,254,161	10,952,860

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

	Fiscal Year			
	2007	2008	2009	2010
Net revenues (expenses):				
Governmental activities	(21,833,790)	(23,728,315)	(22,576,036)	(21,623,879)
Business-type activities	48,627	(45,448)	57,810	29,047
Total net revenues (expenses)	<u>(21,785,163)</u>	<u>(23,773,763)</u>	<u>(22,518,226)</u>	<u>(21,594,832)</u>
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Property taxes	9,383,544	10,458,034	11,188,377	11,407,964
Sales tax	2,395,390	2,500,659	2,390,658	2,112,971
Other taxes	6,414,534	6,456,786	6,069,339	5,962,978
Grants and contributions not restricted to specific programs	1,273,625	1,472,191	1,454,006	1,242,064
Investment income	1,097,128	850,176	429,087	135,423
Other general revenues	170,325	503,414	303,035	473,559
Transfers	11,255	4,259	3,461	4,356
Total governmental activities	<u>20,745,801</u>	<u>22,245,519</u>	<u>21,837,963</u>	<u>21,339,315</u>
Business-type activities:				
Investment income	48,113	28,320	17,749	5,609
Other general revenues	-	-	-	-
Miscellaneous	86,112	57,840	4,597	1,550
Transfers	(11,255)	(4,259)	(3,461)	(4,356)
Total business-type activities	<u>122,970</u>	<u>81,901</u>	<u>18,885</u>	<u>2,803</u>
Total primary government	<u>20,868,771</u>	<u>22,327,420</u>	<u>21,856,848</u>	<u>21,342,118</u>
Changes in net assets				
Governmental activities:	(1,087,989)	(1,482,796)	(738,073)	(284,564)
Business-type activities:	171,597	36,453	76,695	31,850
Total primary government	<u>(916,392)</u>	<u>(1,446,343)</u>	<u>(661,378)</u>	<u>(252,714)</u>

The City of Hermosa Beach has elected to show only eight 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 Eight 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
2007	9,383,544	2,395,390	279,219	606,572	189,852	1,769,015	2,769,113	800,763	18,193,468
2008	10,458,034	2,500,659	226,349	634,421	187,277	1,892,363	2,714,029	802,347	19,415,479
2009	11,188,377	2,390,658	140,113	674,947	167,427	1,645,571	2,575,209	866,072	19,648,374
2010	11,407,964	2,112,971	162,562	650,115	168,103	1,559,048	2,559,369	863,781	19,483,913

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

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General Fund:								
Reserved	\$ 231,701	\$ 230,527	\$ 103,014	\$ 158,854	\$ 142,604	\$ 241,142	\$ 312,880	\$ 447,426
Unreserved	461,115	403,455	373,817	211,191	168,089	257,599	348,373	253,005
Total general fund	<u>692,816</u>	<u>633,982</u>	<u>476,831</u>	<u>370,045</u>	<u>310,693</u>	<u>498,741</u>	<u>661,253</u>	<u>700,431</u>
All other governmental funds:								
Reserved	909,806	1,459,679	4,107,762	3,845,091	3,875,682	1,734,658	1,273,762	3,060,042
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>	<u>8,864,333</u>	<u>11,135,309</u>	<u>9,764,500</u>	<u>6,965,596</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>	<u>\$ 12,740,015</u>	<u>\$ 12,869,967</u>	<u>\$ 11,038,262</u>	<u>\$ 10,025,638</u>

The City of Hermosa Beach has elected to show only eight 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 Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Revenues:								
Property taxes	\$ 5,736,937	\$ 6,339,123	\$ 6,668,515	\$ 8,818,051	\$ 9,834,400	\$ 10,907,119	\$ 11,639,348	\$ 11,863,846
Other taxes	7,323,267	8,262,205	9,085,304	9,404,925	9,488,447	9,630,365	9,079,246	8,760,988
Licenses and permits	571,682	664,169	701,468	868,085	772,832	877,775	678,477	556,737
Fines and forfeitures	278,334	371,802	459,106	1,627,274	1,615,777	1,994,522	2,111,467	2,075,759
Use of money and property	2,185,382	590,605	871,782	612,248	656,966	679,528	716,215	622,847
Intergovernmental	2,175,932	2,168,077	4,333,949	2,278,769	1,299,426	1,277,080	1,788,584	2,578,807
Charges for services	1,254,917	1,414,665	1,852,726	3,905,640	4,125,954	4,171,165	4,102,959	4,080,450
Miscellaneous	645,335	793,633	2,053,250	388,532	349,856	737,112	436,138	301,179
Interest earned on investments	450,116	177,757	467,925	753,746	1,097,128	850,176	429,092	135,423
Total revenues	20,621,902	20,782,036	26,494,025	28,657,270	29,240,786	31,124,842	30,981,526	30,976,036
Expenditures								
Current:								
Legislative and legal	832,157	752,541	727,026	963,031	858,017	967,423	1,057,092	976,862
General government	1,245,306	1,259,275	1,340,435	2,220,062	2,426,179	2,433,226	2,513,647	2,350,692
Public safety	10,040,618	10,555,169	12,139,133	14,444,334	16,236,080	17,374,613	16,974,820	17,251,686
Community development	951,856	1,089,056	1,325,219	1,346,996	1,417,596	1,283,317	1,400,933	1,229,909
Culture and recreation	966,621	932,447	940,158	1,124,347	1,205,653	1,249,251	1,372,611	1,201,057
Public works	3,082,096	3,189,361	3,374,363	3,785,554	3,895,291	3,993,055	4,288,179	4,158,945
Capital outlay	4,281,144	3,119,265	6,425,895	3,406,570	4,722,412	1,672,441	3,294,817	4,176,566
Debt service:	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total expenditures	21,399,798	20,897,114	26,272,229	27,290,894	30,761,228	28,973,326	30,902,099	31,345,717
Excess (deficiency) of revenues over (under) expenditures	(777,896)	(115,078)	221,796	1,366,376	(1,520,442)	2,151,516	79,427	(369,681)
Other financing sources (uses)								
Transfers in	4,016,062	6,962,841	7,368,202	4,273,743	2,550,370	1,755,358	1,919,303	2,316,998
Transfers out	(3,625,668)	(5,371,555)	(6,621,149)	(5,625,788)	(3,094,756)	(3,588,874)	(3,667,923)	(2,993,912)
Total other financing sources (uses)	390,394	1,591,286	747,053	(1,352,045)	(544,386)	(1,833,516)	(1,748,620)	(676,914)
Net change in fund balances	\$ (387,502)	\$ 1,476,208	\$ 968,849	\$ 14,331	\$ (2,064,828)	\$ 318,000	\$ (1,669,193)	\$ (1,046,595)
Debt service as a percentage of noncapital expenditures								
	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

The City of Hermosa Beach has elected to show only eight 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 Eight 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
2007	9,834,400	2,395,390	279,219	606,572	1,769,015	2,769,113	1,669,138	19,322,847
2008	10,907,119	2,500,659	226,349	634,421	1,892,363	2,714,029	1,662,544	20,537,484
2009	11,639,348	2,390,658	140,113	674,947	1,645,571	2,575,209	1,652,748	20,718,594
2010	11,863,846	2,112,971	162,562	650,115	1,559,048	2,559,369	1,716,923	20,624,834

The City of Hermosa Beach has elected to show only eight 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
2001	\$ 1,959,668	\$ 148,003	\$ 7,004	\$ 105,278	\$ (30,692)	\$ 2,189,260	1.00	\$ 2,219,952	
2002	2,163,509	163,177	7,552	91,586	(26,278)	2,399,546	1.00	2,425,824	9.61%
2003	2,342,017	175,517	7,340	101,252	(29,039)	2,597,087	1.00	2,626,126	8.23%
2004	2,581,409	191,355	7,867	93,753	(27,925)	2,846,459	1.00	2,874,384	9.60%
2005	2,834,252	201,708	7,276	98,635	(31,158)	3,110,712	1.00	3,141,870	9.28%
2006	3,158,374	228,948	7,853	102,802	(29,415)	3,468,562	1.00	3,497,977	11.50%
2007	3,579,546	258,573	8,653	83,453	(35,325)	3,894,900	1.00	3,930,225	12.29%
2008	3,978,216	305,364	11,695	108,583	(45,501)	4,358,357	1.00	4,403,858	11.90%
2009	4,261,900	355,516	12,724	96,991	(45,381)	4,681,750	1.00	4,705,847	7.42%
2010	4,350,467	378,930	12,442	128,227	(46,338)	4,823,728	1.00	4,870,066	3.03%

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 direct rate		Overlapping rates				Total
	Basic rate	Hermosa Beach School District	El Camino Community College District	Los Angeles County	Flood Control District	Metropolitan Water District	
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
2007	1.000000	0.020430	0.035700	0.000660	0.000050	0.004700	1.061540
2008	1.000000	0.017139	0.016467	-	-	0.004500	1.038106
2009	1.000000	0.016398	0.017026	-	-	0.004300	1.037724
2010	1.000000	0.017250	0.014868	-	-	0.004300	1.036418

Source: Los Angeles County Auditor-Controller

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

Taxpayer	2010		2001	
	Taxable assessed value	Percent of total city taxable assessed value	Taxable assessed value	Percent of total city taxable assessed value
Crico of Fountain Place Limited Partnership (1)	\$ 73,026,747	1.51%		
EQR Gallery Apartments Limited Partnership (1)	67,128,838	1.39%		
Diana Albergate Trust (4)	24,906,150	0.52%		
Barbara K. Robinson (4)	20,798,407	0.43%		
Hermosa Hotel Investments	16,463,287	0.34%		
Regency Centers Limited Partnership (7)	14,304,448	0.30%	\$ 11,985,000	0.55%
Time Warner Cable (1)	12,351,868	0.26%		
Beta Group (2)	12,351,698	0.26%	9,290,367	0.42%
Robert J. & Ranae R. Desantis Trust (1)	11,935,338	0.25%		
Sepulveda Blvd Properties, LLC (5)	11,765,700	0.24%		
Playa Pacifica Limited (2)			11,110,584	0.51%
International Church of the Foursquare (7)			7,617,690	0.35%
Cheng Yi and Ying Yin Chang (1)			6,934,460	0.32%
Roger E. Bacon (5)			5,485,396	0.25%
SII Trust (1)			5,200,000	0.24%
Vasek Polak Properties, Incorporated (12)			4,792,422	0.22%
Shook Development Corporation (2)			4,559,116	0.21%
California Water Service Company (4)			4,524,576	0.21%
	<u>\$ 62,709,052</u>	<u>5.50%</u>	<u>71,499,611</u>	<u>3.28%</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
2001	\$ 4,370,463	\$ 4,239,808	97.01%	\$ 130,655	\$ 4,370,463	100.00%
2002	4,790,920	4,576,910	95.53%	214,010	4,790,920	100.00%
2003	5,193,796	5,017,148	96.60%	176,648	5,193,796	100.00%
2004	5,688,428	5,489,332	96.50%	199,096	5,688,428	100.00%
2005	6,215,435	5,708,000	91.84%	359,852	6,067,852	97.63%
2006	6,938,764	6,717,516	96.81%	142,471	6,859,987	98.86%
2007	8,256,383	7,778,209	94.21%	209,018	7,987,227	96.74%
2008	9,192,162	8,237,323	89.61%	406,013	8,643,336	94.03%
2009	9,859,343	8,065,980	81.81%		8,065,980	81.81%
2010	10,210,015	9,165,388	89.77%		9,165,388	89.77%

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	
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
2007	526	26,041,241	52	4,595,140	3,894,900,286
2008	531	29,341,001	73	4,600,100	4,358,356,873
2009	416	16,284,748	72	5,004,689	4,705,847,448
2010	377	9,596,415	64	2,454,027	4,823,727,991

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

City of Hermosa Beach
Direct and Overlapping Debt
June 30, 2010

		\$ 4,823,727,991	
City assessed valuation		\$ 4,823,727,991	
Redevelopment agency incremental valuation		-	
Total assessed valuation		<u>\$ 4,823,727,991</u>	
	Percentage applicable	Outstanding debt 6/30/10	Estimated share of overlapping debt
Overlapping debt repaid with property taxes:			
West Basin Water District debt service	0.560%	121,475,156	679,728
El Camino Community College District 2002 series 2003A	5.999%	6,680,000	400,703
El Camino Community College District 2005 refunding	5.999%	29,413,943	1,764,410
El Camino Community College District 2002 series 2006B	5.999%	<u>139,150,000</u>	<u>8,346,982</u>
Total overlapping debt repaid with property taxes		<u>\$ 296,719,099</u>	<u>11,191,823</u>
City direct debt			
Hermosa Beach City School District debt service 2002	100.000%		1,449,401
Hermosa Beach School District debt service 2005	100.000%		3,994,298
Hermosa Beach School District debt service 2005 refunding	100.000%		<u>5,985,074</u>
Total city direct debt			<u>11,428,773</u>
Total direct and overlapping debt			<u>\$ 22,620,596</u>

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

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

	Fiscal Year			
	2001	2002	2003	2004
Assessed valuation	\$ 2,219,952,219	\$ 2,425,823,846	\$ 2,626,125,947	\$ 2,874,383,847
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	\$ 554,988,055	\$ 606,455,962	\$ 656,531,487	\$ 718,595,962
Debt limit percentage	15%	15%	15%	15%
Debt limit	\$ 83,248,208	\$ 90,968,394	\$ 98,479,723	\$ 107,789,394
Total net debt applicable to limit	\$ -	\$ -	\$ -	\$ -
Legal debt margin	<u>\$ 83,248,208</u>	<u>\$ 90,968,394</u>	<u>\$ 98,479,723</u>	<u>\$ 107,789,394</u>
Total debt applicable to the limit as a percentage of debt limit	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									
		2005	2006	2007	2008	2009	2010				
\$	3,141,870,060	\$	3,497,977,443	\$	3,930,224,784	\$	4,382,493,918	\$	4,705,847,448	\$	4,823,727,991
	25%		25%		25%		25%		25%		25%
\$	785,467,515	\$	874,494,361	\$	982,556,196	\$	1,095,623,480	\$	1,176,461,862	\$	1,205,931,998
	15%		15%		15%		15%		15%		15%
\$	117,820,127	\$	131,174,154	\$	147,383,429	\$	164,343,522	\$	176,469,279	\$	180,889,800
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
\$	<u>117,820,127</u>	\$	<u>131,174,154</u>	\$	<u>147,383,429</u>	\$	<u>164,343,522</u>	\$	<u>176,469,279</u>	\$	<u>180,889,800</u>
	0%		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)
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	58,927	1.8%	1,498
2005	19,608	342,231,121	34,426	70,777	2.3%	1,475
2006	19,435	369,174,348	37,362	124,479	1.9%	1,462
2007	19,474	390,295,865	39,794	102,630	2.0%	1,449
2008	19,527	413,316,582	42,265	-	2.9%	1,518
2009	19,491	-	-	-	4.7%	1,521
2010	19,599	-	-	-	5.5%	1,278

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 2009 or 2010.
- (3) Personal Income figures for 2001, 2002, 2004, 2005, 2006 and 2007 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	2010		2001	
	Number of employees	Percent of total employment	Number of employees	Percent of total employment
24 Hour Fitness	185	4.64%		
City of Hermosa Beach	176	4.54%	194	0.00%
Von's Companies	118	3.25%	105	0.00%
Hope Chapel	99	2.28%	130	0.00%
Hermosa Beach School District	91	1.54%	100	0.00%
Shorewood Realtors, Incorporated	87	2.16%		
Hennesey's Tavern	79		100	0.00%
Ralph's Grocery	74	1.59%	65	0.00%
Intensive Behavior Intervention	59	1.37%		
Comedy & Magic Club	52	1.29%	55	0.00%
Albertson's			65	0.00%
Brewski's			50	0.00%
Rocky Cola			47	0.00%

Source: City of Hermosa Beach Finance Department

¹Percent of total employment is not available for 2000.

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

<u>Function</u>	Full-time employees as of June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	19	19	20	20	19	18	19	23	19	16
Public safety	88	95	88	89	98	89	90	87	92	95
Community development	9	8	9	9	8	8	9	6	8	8
Culture and recreation	4	5	4	5	5	5	4	4	4	2
Public works	22	22	23	20	23	20	20	24	20	20
Total	142	149	144	143	153	140	142	144	143	141

<u>Function</u>	Part-time employees as of June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	-	-	-	-	-	-	-	-	-	-
Public safety	17	14	26	17	17	23	13	9	14	13
Community development	1	1	2	2	3	3	1	2	2	-
Culture and recreation	38	21	25	27	32	35	32	29	24	22
Public works	-	-	-	1	-	2	1	-	-	-
Total	56	36	53	47	52	63	47	40	40	35

Source: City of Hermosa Beach Finance Department

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

	Fiscal Year					Fiscal Year				
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public safety										
Police:										
Physical arrests	873	1,027	1,343	1,413	1,064	887	896	933	648	665
Traffic citations issued	2,870	3,086	3,631	3,372	2,101	1,518	1,681	2,490	2,503	2,798
Parking citations issued	43,139	45,339	46,342	49,379	54,010	47,770	48,329	59,656	52,080	47,620
Fire:										
Number of emergency calls	-	1,681	1,717	1,923	2,023	2,136	2,255	2,088	2,273	2,162
Inspections	-	-	391	28	182	467	751	312	965	908
Community development:										
Building permits issued	594	636	691	676	696	762	597	637	511	451
Culture and recreation:										
Number of recreation classes	115	139	139	135	159	165	186	171	138	165
Total enrollment	4,039	5,112	4,778	4,616	5,969	5,228	5,128	4,272	3,744	3,776
Public works:										
Graffiti removal (hours)	422	285	410	456	217	414	474	461	341	540
Permits issued	1,335	528	567	529	706	875	821	1,071	643	611

Source: Various city departments.

Note:

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

Emergency calls for 2003-2008 were only available for January through June.

Fire Inspection totals for 2003 through 2005 were only available for January through June.

City of Hermosa Beach

Capital Asset Statistics by Function

Last Ten Fiscal Years

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	1,666	1,666	1,666	1,663
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)	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5
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	34	34	34	34	34	34	34
Streets (miles)	40	40	40	40	40	40	40	40	40	40
Streetlights	399	399	399	399	399	392	392	392	392	392
Storm drains (miles)	1	1	1	1	1	1	1	1	1	1
Traffic Signals	17	17	17	17	17	17	17	18	18	18

Source: City of Hermosa Beach Finance Department

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



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

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

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

We have audited the basic financial statements of the City of Hermosa Beach, California (City), as of and for the year ended June 30, 2010, and have issued our report thereon dated January 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Honorable Mayor and City Council
of the City of Hermosa Beach
Hermosa Beach, California
Page 2

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the City Council and others within the City and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
Irvine, California
January 18, 2011