



**City of Hermosa Beach,  
California**

**Comprehensive  
Annual  
Financial  
Report**

**For the Year Ended June 30, 2018**



# **City of Hermosa Beach**

Hermosa Beach, California

## **Comprehensive Annual Financial Report**

*For the Fiscal Year Ended June 30, 2018*

Prepared by the  
Finance Department of Hermosa Beach



**City of Hermosa Beach  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2018**

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# City of Hermosa Beach

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

December 28, 2018

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

## Introduction

Presented herein is the Comprehensive Annual Financial Report (CAFR) of the City of Hermosa Beach for the fiscal year ended June 30, 2018. 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.

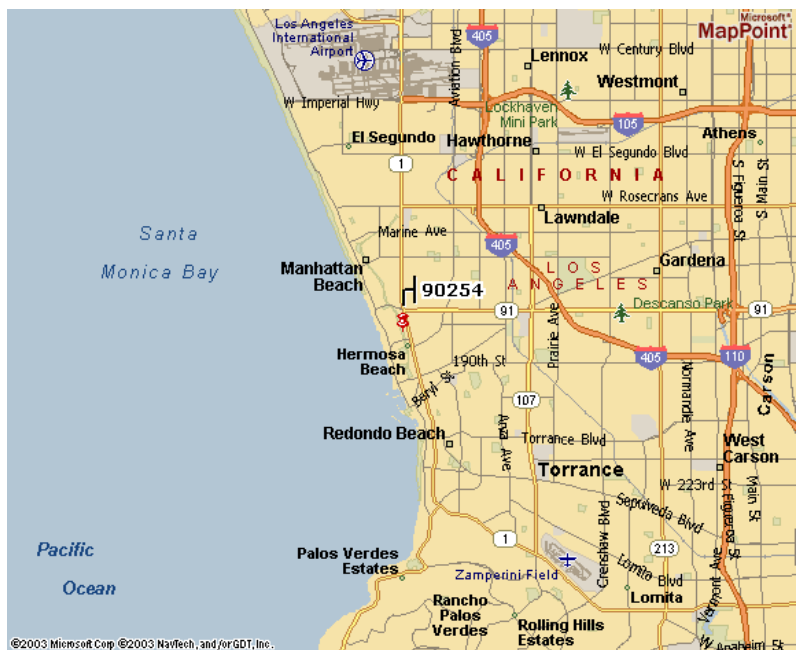
Management's representations concerning the finances of the City of Hermosa Beach are contained herein. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, 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 The Pun Group, LLP, 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, 2018, 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 unmodified opinion that the City of Hermosa Beach's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditors' 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 1.4 square miles and serves a population of 19,673, according to the State’s latest population estimate. However as a beach city, the City 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 2017-18 fiscal year, beach attendance ranged from a low of 84,900 in February 2018 to a high of 750,000 in July 2017, 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 terms of office for those elected in November of 2017 were extended by one year to accommodate the election date change from odd-numbered years to even-numbered years effective November 2022, as approved by the City Council.

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.

The City offers a full range of municipal services, including police, fire protection (provided by Los Angeles County beginning December 30, 2017), 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 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.

Summary information from the *May 2017 Profile of the City of Hermosa Beach*, produced in 2017, with data for 2016, by the Southern California Association of Governments (SCAG), is shown below along with selected information from the U.S. Census. The SCAG report is produced every two years, with the next release in May 2019.

<b>SCAG PROFILE OF THE CITY OF HERMOSA BEACH</b>		
<b>Category</b>	<b>2016 STATISTICAL SUMMARY</b>	<b>2014 STATISTICAL SUMMARY</b>
	<b>Hermosa Beach</b>	<b>Hermosa Beach</b>
Median Age	39.5	38.6
Non-Hispanic White	79.0%	79.5%
Hispanic	8.6%	8.8%
Non-Hispanic Asian	6.1%	6.0%
Non-Hispanic Black	1.3%	1.2%
Non-Hispanic American Indian	0.1%	0.2%
Non-Hispanic All Other	4.9%	4.3%
Homeownership Rate	44.7%	44.7%
Average Household Size	2.1	2.1
Median Household Income	\$104,756	\$95,050
Mean Travel Time to Work	34 minutes	33.3 minutes

U.S. CENSUS BUREAU QUICK FACTS					
Category	Hermosa Beach	California	Category	Hermosa Beach	California
Persons under 5 years, 2010	5.1%	6.8%	Per capita money income in the past 12 months (2015 dollars), 2012-2016	\$87,379	\$31,458
Persons under 18 years, 2010	15.9%	25.0%	Persons below poverty level, 2012-2016	4.6%	13.3%
Persons 65 years and over, 2010	9.0%	11.4%	Median value of owner-occupied housing units, 2012-2016	\$1,166,800	\$409,300
Female persons, 2010	47.3%	50.3%	Housing units in multi-unit structures, 2017	40.4%	33.1%
Bachelor's Degree or higher, persons age 25+, 2012-2016	73.5%	32.0%	High School graduate or higher, persons age 25+, 2012-2016	99.1%	82.1%

The U.S. Census Bureau Quick Facts are as of November 2017. Further data regarding the City may be found in the Statistical Section.

The annual budget serves as the foundation for the City of Hermosa Beach’s financial planning and control and is based on the Strategic Plan adopted by the City Council. 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 30. 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 page 118-143. 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.** Hermosa Beach is a “bedroom community” as evidenced by a household count of +10,000 and an in-city business count of under 1,000 (excluding apartments and home occupations) Hermosa Beach had growth of 7.4% in secured and unsecured assessed valuation, as compared to 6.0%

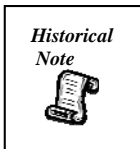
for Los Angeles County. The 7.4% growth was the 9th highest of 88 cities in Los Angeles County. Median home prices in Hermosa Beach as of June 2018 were \$1,740,000, compared to \$615,000 for Los Angeles County. The Hermosa Beach median home price for June 2017 was \$2,025,000, compared to \$597,000 for Los Angeles County. The average median home price for Hermosa Beach for fiscal year 2017-18 was \$2,026,432 and \$1,830,667 for fiscal year 2016-17. Home values adjacent to the beach increased for the eighth year in a row after declining 2009-2011.

As a beach city, the three highest occupations continue to be 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 2.2%, compared with 4.8% for Los Angeles County, and 4.5% for California as of June 2017.

General Fund Secured property taxes increased 8% in 2017-18, consistent with growth in assessed values. Historically, property adjacent to the beach has held its value better and has grown faster as compared to property in the other areas. Sales tax receipts for 2017-18 are up 12% primarily due to increases in the Eating/Drinking Places and Building Materials category.

Transient occupancy tax (the tax on hotel stays) grew 1.8% over 2016-17. Receipts of almost \$3.3 million are the highest level ever. The TOT tax rate increased from 10% to 12% on January 1, 2016 as a result of an initiative placed on the ballot by residents. Average occupancy for 2017-18 was 81.4% for Hermosa Beach which is consistent with last year's rate. Hermosa Beach has eight hotels and one youth hostel, with rooms capacity ranging from 17 rooms to 96 rooms.

Utility user tax (UUT) revenue was down 3% last year but is still the fourth highest source of tax revenue at \$2.2 million. The largest source of the decrease was overall phone service.



*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.*

**Accounting changes.** In 2014-15 the City implemented Government Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions, which required net pension liabilities to be included in the financial statements for the first time, and Statement No 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, which was essentially a cleanup provision. Net pension liabilities of \$49,464,514 were recorded in 2017-18 and the unrestricted net position was reduced accordingly. The change in accounting standards impacted only the government-wide financial statement, notes, and required supplemental information. There is no impact to the fund financial statements.

In 2017-18 the City implemented GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, effective July 1, 2017, which requires net OPEB liabilities to be included in the financial statements for the first time. Prior year balances were restated to reflect the impact. GASB 75 updates Other Postemployment Benefit (OPEB) accounting and financial reporting standards to be consistent with the pension standard in GASB 68. Similar to GASB 68, the change in accounting standards impacted only the government-wide financial statement, notes, and required supplemental information. There is no impact to the fund financial statements. See Note 10 for more information.

As a matter of record, the following GASB statements are effective for the June 30, 2018 financial statements, but have no impact. GASB Statement 81, Irrevocable Split-Interest Agreement, requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. GASB Statement 85, Omnibus 2017, addresses issues that have been identified during the implementation and application of

certain GASB Statements. GASB 86, Certain Debt Extinguishment Issues, requires that debt be considered defeased when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. For more information see Note 1, Section Q- Accounting Changes.

**National/State Economy.** As of November 2017, the Legislative Analyst's Office states that the State budget is in remarkably good shape. Estimates project that the state would have \$14.5 billion in the constitutional reserve at the end of 2019-20. They do warn, however, in the next paragraph, that change can occur quickly. They cite the example at the end of 2000 when the State's outlook was that the State's position was very strong and yet, as a result of the dot-com bust and the ensuing recession in 2001, state revenues declined precipitously and the surplus turned into a deficit of \$12.4 billion for the upcoming year. As always, the LAO points out that there are likely challenges, such as decisions by the federal government that may affect the state, potential pension cost increases, and natural disaster costs, all which could impact the State's position. Beacon Economics reports in their Fall 2018 forecast that even though the U.S. is on the edge of the longest economic expansion in the nation's history, that has not dampened their latest forecast. Christopher Thornberg says "There is simply nothing out there at the moment, whether it is the selloff in the stock market or rising interest rates, that has power or speed to knock the expansion of its track."

With respect to California's economy, Beacon's Executive Director of Research, Robert Kleihenz, indicates that the newly elected governor will inherit a state economy that is in good shape right now. To ensure its future economic vitality, California will need sustained labor force growth, which means providing the education and training residents' need for the 21<sup>st</sup> Century economy, and ensuring workers can afford to live here by addressing the state's housing problems.

**California Public Employees Retirement System (CalPERS).** The preliminary CalPERS investment return as of June 2018 was 8.6% and the funded status of the overall CalPERS fund increased by 3% from the previous year to 71%. This estimate is based on a 7% discount rate.

In 2014-15, CalPERS Board adopted a funding risk mitigation policy to incrementally lower the discount rate (assumed rate of return) in years of good investment returns. The risk mitigation policy was subsequently suspended until the 6/30/18 valuation (FY 2020-21).

The policy is implemented gradually (by a minimum of .05 percentage points to a maximum of .25 percentage points when investment returns outperform the existing discount rate of 7.5% by at least two percentage points). The policy is intended to offset increased employer contribution rates that would otherwise increase when the discount rate is lowered and help pay down CalPERS unfunded liability.

On December 20, 2016, the CalPERS Board approved a change in the discount rate from 7.5% to 7% over three years. This action does not impact rates until 2018-19. This change is expected to increase employer rates 1% to 3% for miscellaneous plans and 2% to 5% for safety plans. Additionally employers will see an increase in their current unfunded liability payments. Our independent actuary indicates however, that the change for the first year will have minimal impact, which is good news. The City's miscellaneous and safety plans have side funds (which are liabilities that existed in 2003 when CalPERS "pooled" the City's plans with other cities of similar size) that are paying off from 18-19 to 19-20 and will help mitigate the rate increases.

The City created a Retirement Stabilization Fund in 2003-04 to plan for anticipated rate increases. This amount now appears as part of the "committed" balance in the General Fund in the amount of \$1,000,000.

**Long-term financial planning.** Prior to 2017-18, the City's adopted financial policies addressed a range of items including accounting and reporting, internal controls, budget, revenue, debt service and investments. The policies are published in the budget and reviewed annually.

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

Insurance Fund—Goal of \$3,000,000 in net assets for aberrations in 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.

Contingency—Goal equal to 16% of the General Fund appropriations for economic uncertainties, unforeseen emergencies.

Compensated Absences—Goal 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 Insurance Fund, Equipment Replacement Fund, Capital Improvement Fund and to add to Contingency Funds as needed. 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 transfer for 2017-18 was \$1,577,889 to the Insurance Fund, per Council direction at the 2018-19 Budget Review. Funds were transferred to the Insurance Fund since the net position in that fund has decreased as a result of several settlement payments made in 2017-18. With the transfer, the balance in the Insurance Fund of \$2,516,161, is closer to our adopted goal of \$3,000,000.

Historically as part of the budget process, a five year financial forecast is developed and presented with the Preliminary Budget and Three to Five-Year Capital Improvement Program. The Fiscal Health Model is used as part of the forecast to present scenarios depicting the city's ability to fund each scenario.

**Financial plan/five year forecast.** A new Financial Plan, combined with the Five-Year Forecast was presented to City Council on June 6, 2018 with recommendations that the City utilize master plans presented in October 2017 to guide infrastructure planning for sewer, storm water and pavement management projects; establish a practice of evaluating the prepayment of retirement contributions annually; add a new Reserve for Capital Facilities funded by year-end fund transfers from unspent funds in the General Fund; utilize the CalPERS side fund payoff savings toward stabilizing retirement rates, with funds deposited into a retirement trust which restricts the use for that purpose only; place the \$1 million Retirement Stabilization Fund into the retirement trust to earn a greater return; move to a level dollar payment for Fire CalPERS plans starting in 2018-19 since the City has now contracted with the County of Los Angeles for fire services; approve the recommended additional financial policies and consider increases to restaurant encroachment fees, street sweeping violations, and parking citation late fees. All recommendations were approved except for increases to restaurant encroachment fees and parking citation fines which will come back separately. The City is planning to have a revenue workshop to review many sources of revenue, including those, in advance of the 2019-20 Budget.

Primary capital projects coming up, (other than street and sewer improvements, which occur every year) include the Citywide Park Master Plan, Storm Water/Urban Runoff Diversion Project, 8<sup>th</sup> Street Improvements, ADA Improvements, Downtown Strategic Plan Implementation, Restroom Improvements (Clark Field, South Park, Pier, Fort Lots-of-Fun, and Seaview Parkette), New Corporate Yard Facility, Municipal Pier Structural and Electrical Repairs, Community Center General Improvements- Phase III, and Clark Building Renovations.

**Cash management policies and practices.** Temporarily idle cash was invested during the year in obligations of the U.S. Treasury, corporate notes, certificates of deposit, the State Treasurer's investment pool and the Los Angeles County pool. The average maturity was 60 months, with an average weighted yield on investments of 2.1%. 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 the City.

The City 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, with excess coverage through Safety National Casualty Co., providing coverage up to the statutory limits.

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

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

**Pension and other post-employment benefits.** The City 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 was successful in negotiating two tier rates for new employees in all bargaining units beginning in 2011-12. With the State's pension reform implemented 1/1/13, the City now has three tiers. As of June 30, 2018, the City has nineteen (19) active Tier 2 employees and sixty-six (66) active employees in Tier 3. The City paid employee contributions as a negotiated benefit for many years however in 2012-13 the City negotiated that employees would begin paying the entire share of the employee contribution over three years with an offsetting increase in salaries, which was achieved as of 2014-15. All of these changes enacted reduce pension costs over time. City employer contributions are actuarially determined on an annual basis.

The City also provides post-employment health care benefits for certain retirees. As of the end of the current fiscal year, there were 62 retirees receiving these benefits.

The City 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. As mentioned under Financial Plan, a retirement trust was approved by City Council in June 2018.

Additional information on the City of Hermosa Beach's pension arrangements and other post-employment benefits can be found in Notes 9 and 10 in the Notes to the Basic Financial Statements.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a 2017 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, 2017. This was the twenty-eighth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a report must be published that satisfies 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. 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,

The Pun Group, LLP, 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





Government Finance Officers Association

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

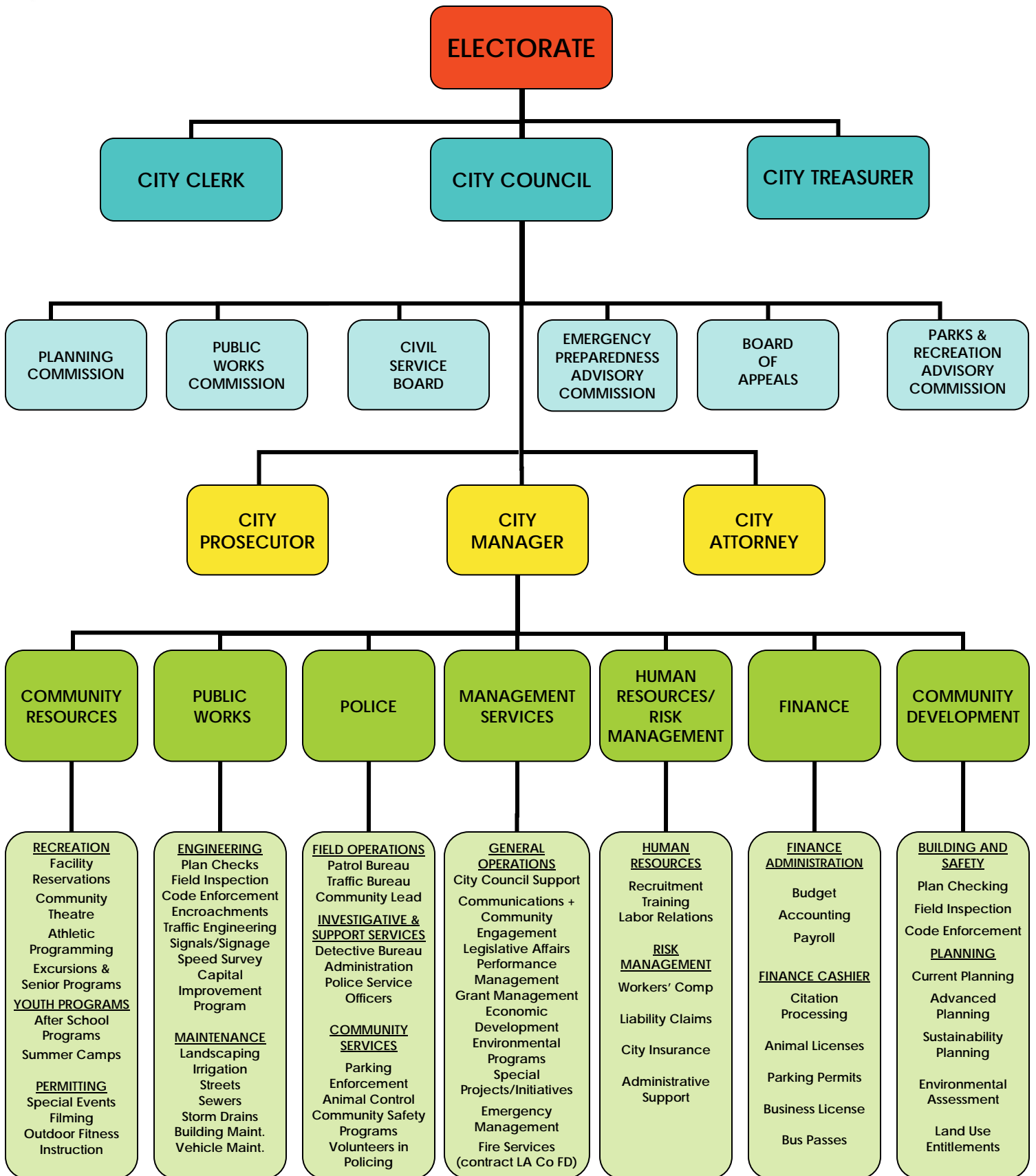
**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO



# CITY OF HERMOSA BEACH ORGANIZATIONAL CHART



PRINCIPAL OFFICIALS OF THE CITY OF HERMOSA BEACH, CALIFORNIA

June 30, 2018

Elected and Administrative Officials

City Council

Jeff Duclos  
Stacey Armato  
Mary Campbell, PhD  
Hany Fangary  
Justin Massey

Mayor  
Mayor Pro Tempore  
Councilmember  
Councilmember  
Councilmember

Other Elected Officials

Karen Nowicki  
Elaine Doerfling

City Treasurer  
City Clerk

Administrative Officials

John Jalili  
Ken Robertson  
  
Kelly Orta  
  
Viki Copeland  
Vanessa Godinez  
  
Sharon Papa  
Glen Kau

Interim City Manager  
Community Development  
Director  
Community Resources  
Manager  
Finance Director  
Human Resources  
Manager  
Police Chief  
Public Works Director

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Hermosa Beach, California (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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***Emphasis of Matter***

*Implementation of GASB Statement No. 75*

As discussed in Note 1 to the Basic Financial Statements, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this standard required retrospective application of previously reported net position as of July 1, as described in No 14 to the financial statements. In addition, the net other postemployment benefit (OPEB) liability is reported in the Statement of Net Position in the amount of \$591,000 as of the measurement date. Net OPEB Liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2017, the measurement date. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, Budgetary Comparison Schedule-General Fund, Budgetary Comparison Schedule-Sewer Special Revenue Fund, Budgetary Comparison Schedule-Capital Improvements Capital Projects Fund, Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of Contributions - Pension, Schedule of Changes in Net OPEB Liability and Related Ratios, and Schedule of City’s Contribution - OPEB on pages 7 to 17 and 91 to 96, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The Introductory Section, Combining and Individual Nonmajor Fund Financial Statements and the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.


The Combining and Individual Nonmajor Fund Financial Statements and the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial Statements and the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members of the City Council  
of the City of Hermosa Beach  
Hermosa Beach, California  
Page 3

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California  
December 28, 2018

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**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***

***Independent Auditors' Report***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Hermosa Beach, California (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon December 28, 2018.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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*.

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

**Purpose of this Report**

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

*The PwC Group, LLP*

Santa Ana, California  
December 28, 2018

## Management's Discussion and Analysis (Unaudited)

As management of the City of Hermosa Beach, we offer readers of the City'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, 2018. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found on pages v - xii of this report.

### Financial Highlights

- Beginning with the fiscal year ended June 30, 2018, the City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, which requires the City to include its net other postemployment benefits (OPEB) liability in the government-wide financial statements for the first time. The July 1, 2017 beginning balance was restated to reflect the impact. Similar to the City's long-term debt, the net OPEB liability is payable over an extended time horizon and does not represent a claim on current financial resources. For more information on the implementation of GASB 75, please refer to Note 10 and Note 14 in the Notes to the Basic Financial Statements.
- The assets and deferred outflows of resources of the City of Hermosa Beach exceeded its liabilities and deferred inflows of resources at the close of the last fiscal year by \$60,975,161 (net position). Excluding the \$49,464,514 net pension liability and \$591,000 net OPEB liability, \$37,418,687 represents unrestricted net position and may be used to meet the government's ongoing obligations.
- The City's net position increased by \$854,504.
- As of June 30, 2018, the City of Hermosa Beach's governmental funds reported combined ending fund balances of \$31,475,519 an increase of \$3,047,175 in comparison with the prior year. This increase is primarily due to a 6.8% increase in revenue, while expenditures only increased by 2.7% over prior year.
- At the end of the current fiscal year, the City of Hermosa Beach's governmental fund balances of \$31,475,519 are comprised of non-spendable funds; \$487,759, restricted; \$7,848,225, committed; \$2,289,384; and assigned; \$20,850,151, to indicate that funds are not available for new spending. Although funds are shown in the committed or assigned category, the City Council still does have discretion over the use of these funds and may change the committed or assigned use. Under that scenario, approximately 74%, or \$23,139,535 of the \$31,475,519 in funds could be redirected at the discretion of the City Council. See Note 11 in the Notes to the Basic Financial Statements.
- After the City Council approved a transfer of \$1,577,889 from the General Fund to the Insurance Fund, the committed and assigned fund balance in the General Fund was \$9,574,775 or 27% of total General Fund expenditures.

### 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** 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 Position** presents information on all of the City of Hermosa Beach's assets plus deferred outflows or resources ("DOR") and liabilities plus deferred inflows of resources ("DIR"), with the difference between the assets plus DOR and liabilities plus DIR reported as net position. Over time, increases or decreases in net position 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 positions changed during the most recent fiscal year. All changes in net positions 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).

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 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 22-25 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** 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 twenty-nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the following funds, which are considered to be a major fund:

**General Fund  
Sewer Special Revenue Fund  
Capital Improvement Capital Projects Fund**

Major funds are governmental or enterprise funds whose revenues, expenditures/expenses, assets and DOR or liabilities and DIR 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 twenty-six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements 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, Sewer Special Revenue Fund, and Capital Improvement Capital Projects Fund in the Required Supplementary Information section to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 31-34 of this report.

**Proprietary funds.** The City of Hermosa Beach maintains one type of proprietary fund.

**Internal service funds** are 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 activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within **governmental activities** in the government-wide financial statements.

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 37-39 of this report.

**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 statements 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.

The fiduciary fund financial statements can be found on page 43 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 49-85 of this report.

**Required supplementary 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 pages 89-96 of this report.

**Other supplementary information.** 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. Other supplementary information can be found on pages 104-153 of this report.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2018, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$60,975,161. Without the net pension liability of \$49,464,514 and OPEB liability of \$591,000, the net position would be \$111,030,675.

The City implemented GASB 68, Accounting and Financial Reporting for Pensions for the June 30, 2015 financial statements and GASB 75, Accounting and Financial Reporting for Postemployment Benefits, for June 30, 2018 financial statements. These statements require the City to include its net pension and OPEB liabilities in the government-wide financial statements for the first time. Similar to the City's long-term debt, the net pension and OPEB liabilities are payable over an extended time horizon and do not represent a claim on current financial resources. The statements implement changes to accounting and reporting; they do not apply to the way pensions or other postemployment benefits are funded. For more information on the implementation of GASB 68 and 75, please refer to Notes 9 and 10 in the Notes to the Basic Financial Statements.

While the city is now required to show the net pension and OPEB liabilities in the government-wide statements, according to the Governmental Finance Officers Association (GFOA) the underlying factual situation has not changed. Standard and Poor's (the rating agency who rated the City's bonds in 2015 at AA+) indicated that GASB 68 will lead to more conservative liability estimates and provide some additional disclosure. They will continue to focus on commitment to funding, investment performance, trend analysis, affordability, and maintaining plan sustainability. The Annual Required Contribution (ARC) for pension will continue to be reported as the Actuarially Determined Contribution. Standard and Poor's believes this is an easily recognizable and understandable measure for governments. They currently estimate with what frequency governments fully fund their ARC (which Hermosa Beach does 100% of the time).

The major components of GASB 68 and GASB 75 that affect the Statement of Net Position for Government-wide are:

- Deferred Outflows of Resources- Includes the deferred pension and OPEB contributions, which are equal to the total amount of the 2017-18 contributions. The contributions are deferred to 2018-19 because the net liability balance is one year in arrears. Also included are changes in assumptions, the difference between projected and actual investment earnings and the difference between the employer contributions and the employer's proportionate share of contributions (for pensions).
- Net Pension and Net OPEB Liabilities (recorded in Long-Term Liabilities) - Represents the actuarially valued liabilities plans as of June 30, 2017.
- Deferred Inflows of Resources- Includes changes in assumptions, the difference between the expected and actual earnings on investments (amortized on a straight-line basis over five years), changes in employer's proportion (for pensions), and differences between employer contributions and the employer's proportionate share of contributions (for pensions).

<b>Net Position</b>		
<b>June 30, 2018</b>		
<b>(dollars in thousands)</b>		
	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
Current and Other Assets	\$ 51,549	\$ 48,318
Capital Assets	66,333	66,980
Total Assets	117,882	115,298
Deferred Outflows of Resources	18,175	15,084
Current Liabilities	6,414	7,475
Noncurrent Liabilities:		
Net Pension Liability	49,465	45,082
Net OPEB Liability	591	-
Long-term Liabilities- Other	16,643	16,823
Total Liabilities	73,113	69,380
Deferred Inflows of Resources	1,969	2,611
Net Position:	60,975	58,391
Net Invested in Capital Assets	66,333	66,417
Restricted	7,279	5,261
Unrestricted	(12,637)	(13,287)
Total Net Position	60,975	58,391
Impact of Restatement for GASB 75	-	1,730
Restated Net Position	\$ 60,975	\$ 60,121

\*See Note 14 for prior period adjustment.

The largest portion of the City of Hermosa Beach's net position, \$66,333,070 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.

A portion of the City of Hermosa Beach's net position, \$7,278,918 represents resources that are subject to external restrictions on how they may be used.

Compliance with GASB 68 and GASB 75 require that the City's net pension and OPEB liabilities are recorded on the Statement of Net Position, which reduces unrestricted net position and creates a negative unrestricted net position or deficit of (\$12,636,827). Excluding the \$49,464,514 net pension liability and \$591,000 net OPEB liability, \$37,418,687 is available to meet the City's ongoing obligations to residents.

At June 30, 2018, the City is able to report positive balances in all categories of net position for the government as a whole except for unrestricted due to the implementation of GASB 68 and the inclusion of the net pension liability, which will likely remain a long-term liability for several decades. The following is the condensed Statement of Activities and Changes in Net Position for the fiscal years ending June 30, 2018 and June 30, 2017.

**Governmental Activities.** Governmental activities increased the City of Hermosa Beach's net position by \$854,504. Significant elements of this change are as follows:

<b>Changes in Net Positions</b>		
<b>June 30, 2018</b>		
<b>(dollars in thousands)</b>		
	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
Revenues:		
Program Revenues:		
Charges For Services	\$ 12,709	\$ 12,807
Operating Grants and Contributions	712	602
Capital Grants and Contributions	28	328
General Revenues:		
Property Taxes	17,098	15,714
Other Taxes	11,029	10,747
Grants and Contributions Not		
Restricted to Specific Programs	2,093	1,305
Other	1,890	565
<b>Total Revenues</b>	<b>45,559</b>	<b>42,068</b>
Expenses:		
Legislative and Legal	1,870	2,044
General Government	4,129	3,599
Public Safety	25,496	18,912
Community Development	2,264	1,787
Culture and Recreation	1,770	1,311
Public Works	9,176	7,957
<b>Total Expenses</b>	<b>44,705</b>	<b>35,610</b>
Increase (Decrease) in Net Position	854	6,458
Net Position	\$ 60,975	\$ 51,933
Impact of Restatement for GASB 75*		1,730
<b>Net Position - Ending</b>	<b>\$ 60,975</b>	<b>\$ 60,121</b>

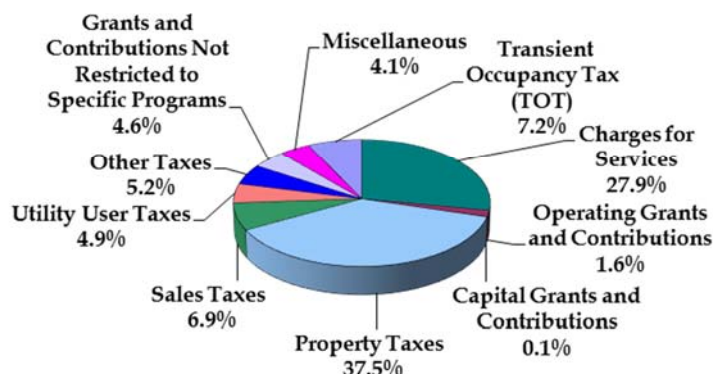
\*See Note 14 for prior period adjustment.

#### Revenue for Governmental Activities

- Charges for services decreased by \$98,584 or .8% primarily due a decrease in the utility trench service connect permit fees from prior year. There was an increase in permit fees in 2016-17 due to work performed by Southern California Edison.
- Property tax revenue increased \$1,383,618 or 8.8%, which is in line with continued growth in property values.
- Sales Tax revenue increased by \$264,909 or 9.2%. Sales tax revenue is up 9.2% from 2016-17 primarily due to increases in the Eating and Drinking Places under the Retail Group and the overall Manufacturing and Wholesale Group. The primary change in the Manufacturing and Wholesale Group is due to a home occupation business for computer sales.
- Transient Occupancy Tax (TOT) revenue increased \$58,181 or 1.8%. Reported occupancy rates were consistent at 81.4% in 2017-18 compared to 81.5% for 2016-17.
- Utility User Tax was down by \$72,118 or 3.1% and revenue from other taxes not listed separately was down \$38,038 or 1.6%.



## Revenue by Source - Government Activities



Revenues:	2018	2017
Property Taxes	\$ 17,097,712	\$ 15,714,094
Charges for Services	12,708,868	12,807,452
Transient Occupancy Tax (TOT)	3,295,207	3,237,026
Sales Taxes	3,151,207	2,886,298
Other Taxes	2,353,287	2,391,325
Utility Users Taxes	2,229,906	2,302,024
Grants & Contributions not Restricted to Specific Programs	2,093,173	1,304,880
Miscellaneous	1,890,404	564,798
Operating Grants & Contributions	712,612	601,816
Capital Grants & Contributions	27,821	327,534
<b>Total Revenues</b>	<b>\$ 45,560,197</b>	<b>\$ 42,137,247</b>

### Expenses for Governmental Activities

Expenses for Governmental Activities increased by 25.5%. The increase in expenses without the recording of pensions and OPEB is 3%.

Legislative and Legal expenses decreased by \$174,141 or 8.5%. The decrease is primarily due to a decrease in legal fees in 2017-18. Legal fees were up in 2016-17 due to oil and short-term vacation rental litigation.

General Government expenses increased by \$530,757 or 14.7%. The increase is primarily due to the GASB 68 and 75 recording of the department's share of the pension and OPEB obligation adjustments. See Notes 9 and 10 for further information. Without these adjustments, the general government expenses would have been \$28,362 higher than prior year.

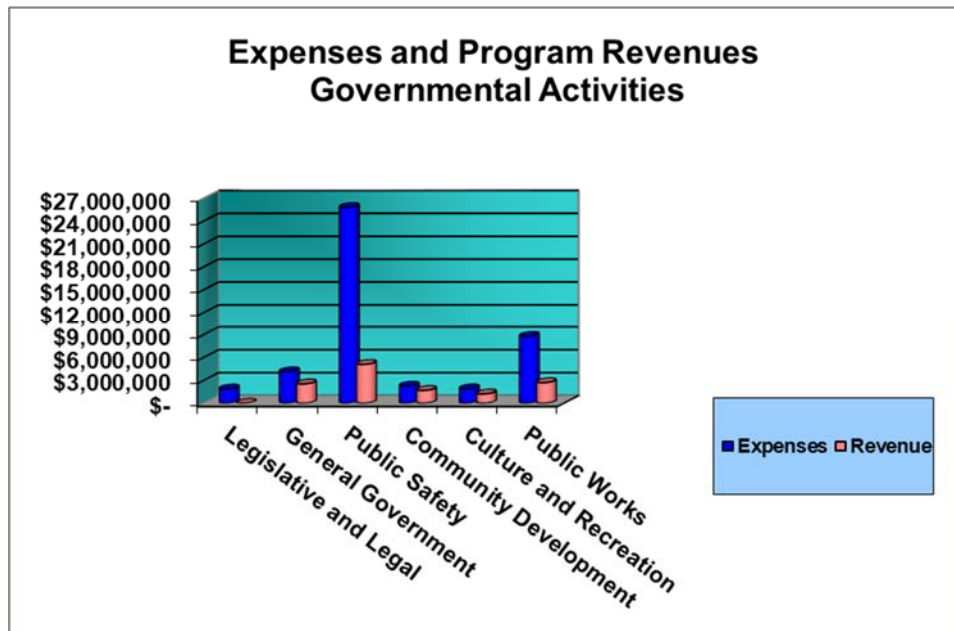
Public Safety expenses increased by \$6,584,664 or 34.8%. The increase is primarily due to the GASB 68 and 75 recording of the department's share of the pension and OPEB obligation adjustments. See Notes 9 and 10 for further information. Without these adjustments, the public safety expenses would have been \$75,772 higher than prior year.

Community Development costs increase by \$476,651 or 26.7%. The increase is primarily due to the GASB 68 and 75 recording of the department's share of the pension and OPEB obligation adjustments. See Notes 9 and 10 for further information. Without these adjustments, Community Development costs would have been up \$165,217 primarily due to personnel costs. The allocation of the full-time permanent Code Enforcement Officer/Fire

Inspector position changed from a 50-50 split between the Fire Department and Community Development to 100% for Community Development in 2017-18. Community Development staff (the Building and Code Enforcement Official, Community Development Director, and Planning Manager) were no longer allocated time to the Source Reduction/Recycling Program in 2017-18. There were staffing vacancies in the Assistant and Associate Planner positions in the previous year, which made costs appear higher for 2017-18.

Culture and Recreation expenses increased by \$459,153 or 35%. The increase is primarily due to the GASB 68 and 75 recording of the department’s share of the pension and OPEB obligation adjustments. See Notes 9 and 10 for further information. Without these adjustments, the culture and recreation expenses would have been up \$51,081 primarily due to an increase in part-time/temporary personnel costs. Hourly rates for part-time/temporary personnel were adjusted January 1, 2018 to align with the minimum wage increase. Additionally two new Recreation Specialists were hired during Monday –Thursday office hours, in place of utilizing Recreation Leaders, and the role of Lead Youth Programs Counselor was filled.

Public Works expenses increased by \$1,219,477 or 15.3%. The increase is primarily due to the GASB 68 and 75 recording of the department’s share of the pension and OPEB obligation adjustments. See Notes 9 and 10 for further information. Without these adjustments, the difference would be an increase of \$236,877 primarily due to higher personnel, contract services, and utility costs. The Associate Engineer position was filled a full year in 2017-18 in comparison to 6 months in 2016-17. There were also increased part-time/temporary hours for the Public Works Intern and Inspector positions over 2016-17. Both part-time positions were added in 2016-17. Contract services increased due to a new landscape maintenance contract, professional services related to the municipal separate storm sewer systems (MS4) permit implementation and clean bay inspection program, and citywide sweeping, steam cleaning and porter services.



**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. These funds are accounted for by using the modified accrual basis of accounting. Types of governmental funds reported by the City include the General Fund, Special Revenue funds, and Capital Projects funds.

As of the end of the current fiscal year, the City of Hermosa Beach's governmental funds reported combined ending fund balances of \$31,475,519 an increase of \$3,047,150, in comparison with the prior fiscal year. See Note 11 for more information. The total fund balances of the governmental funds consist of the following:

- Non-spendable fund balance of \$487,759 represents prepaid items.
- Restricted fund balance of \$7,848,225 which have restrictions imposed by external parties or enabling legislation. Funds in this category include Lighting District Funds, Proposition A and C Transportation Funds, Measure R and M Funds, Asset Forfeiture Funds, Supplemental Law Enforcement Funds (COPS), and Storm Drain Funds.
- Committed fund balance of \$2,289,384 which includes retirement stabilization funds and reserves for capital outlay and future renovations.
- Assigned fund balance of \$20,850,151 which includes the amounts to be used for specific purposes of the City, but do not meet the criteria to be classified as restricted or committed. Funds in this category include Contingency funds ("rainy day" funds), Compensated Absences funds, Capital Projects, Capital Improvements, and Sewer funds.

The General Fund, Sewer Special Revenue Fund, and Capital Improvement Capital Projects Fund qualified 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 balance decreased in 2017-18 by \$157,786. While the fund balance increased for prepaid items (due to the timing of the monthly payment for fire services) and contingencies ("rainy day" funds), there was a decrease in funds assigned for Public Works Capital Improvement Projects. In keeping with the City's financial policy to use restricted funds first, the City Council approved at the June 12, 2018 Budget Hearing that prior year funding be changed from unrestricted General, Tyco (undersea cable), and Capital Improvement Funds to restricted funding sources, where available.

Overall General Fund revenue increased by 2.2%. The increase is a result of the following: additional property tax revenue of 8.4%; sales tax increase of 9.2%; a decrease in other tax revenue of 9.5%; a decrease in licenses and permits of 18.6%; a decrease in fines and forfeitures of 7.2%; a decrease in use of money and property of 1.4%; an increase in intergovernmental revenues of 1.4%; an increase in charges for services of 2.9%, an increase in miscellaneous revenue of 40%; and increase in interest earned on investments. In 2017-18, \$700,000 in UUT was recorded as revenue in the Storm Drain Special Revenue Fund instead of a transfer from the General Fund for financial statement reporting purposes. Without this adjustment, overall General Fund revenue would have increased by 4.0% instead of 2.2% and other tax revenue would have decreased by .7% instead of 9.5%. Miscellaneous Revenue increased over prior year due to an adjustment made in 2016-17 to record unrealized losses on investments.

General Fund expenditures show an increase of 1%. The increase is primarily due to Public Works, Community Development, and Culture and Recreation for the aforementioned reasons under the Expenses for Governmental Activities heading.

## **General Fund Budgetary Highlights**

The final amended budget for revenue other than transfers did not increase over the original budget. Actual revenue was lower than the final budget by \$650,611 or 2% for the following reasons:

- Tax revenue collections were 1% over budget primarily due to conservative estimates for property tax, sales tax, and transient occupancy tax.
- Licenses and Permits were 38% under budget due to timing of building permit payments and a reduction in taxicab franchise fees due to a reduction in the franchise fee from \$1,100/cab to \$610/cab and a decrease in the number of cabs required per franchise. With new legislation passed regarding taxi franchises, the forecast for this revenue is uncertain.
- Fines and Forfeitures were down 6.9% due to staffing challenges, which also delayed the implementation of enforcement of late night hours.
- Current Service Charges were down 2.5% primarily due the timing of General Plan Maintenance Fees and In Lieu Parking Fees included in the 2017-18 Budget.

The final amended budget for appropriations other than Transfers Out is less than the original budget by 1%. The decrease was primarily due to lower than anticipated Fire Department expenditures from the first 6 months of the year, largely due to vacant positions. Several Capital Improvement Projects were also closed out with the midyear budget.

Actual expenditures other than Transfers Out were less than the final appropriations by 9% primarily due to capital improvement projects not completed in 2017-18 and staffing vacancies in the Police Department.

## **Capital Asset and Debt Administration**

**Capital assets.** The City of Hermosa Beach's net investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$66,333,070 (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 investment in capital assets for the 2017-18 fiscal year is consistent with 2016-17. Capital asset additions during the year were offset by the sale of surplus Fire Department equipment resulting from the transition to County Fire services and depreciation.

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

### **Governmental Activities**

- Street Improvements- Hermosa Avenue of \$440,104.
- Completion of Community Center Photovoltaic installation of \$240,338.
- Tree well grates and trash cans of \$111,126.
- Stormwater/Urban Run-Off Diversion Project of \$215,335.
- Sewer Improvements of \$147,247.
- Installation of playground equipment and parking lot improvements at South Park of \$154,032.
- Purchase of 9 vehicles, including 1 motorcycle.

Additional information on the City of Hermosa Beach's capital assets can be found in Note 6 on page 65 of this report.

## **Insurance Fund**

The City's established goal for net position in the Insurance Fund is \$3,000,000. Due to payouts of several settlements and the recording of year end claims liabilities, the balance at 6/30/18 was \$938,272. A year end transfer of unspent funds from the General Fund brought the 6/30/18 balance up to \$2,516,161.

## **Economic Factors and Next Year's Budgets and Rates**

- On April 25, 2017, the City Council voted to contract fire services in Hermosa Beach with the Los Angeles County Consolidated Fire District. The 2018-19 Budget includes the first full year with the County, equipment conversion costs, and the first of five annual payments for the renovation of the Fire Department facility. The 2018-19 Budget also includes the following:
- \$6,123,450 is committed for Contingency in the General Fund, which is 16% of operating expenditures and in line with our financial policy and the Council goal for a “Financially Sound City Government”.
- \$793,699 is transferred from the General Fund for the 2015 Lease Revenue Bonds debt service.
- \$16.4 million of Capital Improvement Projects are funded, which includes \$6.7 million in new funding.
- The City’s 5-Year Forecast for 2019-2024 projects retirement costs to decline in year one due to the Police Side fund payoff. The Miscellaneous side fund pays off in year two. The side funds were created by CalPERS for any unfunded liability that existed when the city was pooled with other cities in 2003. Years 3, 4, and 5 shows increases due to CalPERS lowering the discount rate (which increases employer rates). Council approved utilizing the savings from the side fund payoffs toward stabilizing the retirement rates.
- Healthcare benefits are assumed to increase 12% for medical. The actual rates are typically lower than the assumed increase.

## **Revenue Trends and Assumptions**

The 2018-19 Budget demonstrates continued strength in the local economy and a balanced budget, with funds reserved for the renovation of the City Yard, purchase of fourteen (14) vehicles, purchase of two hundred (200) smart parking meters to replace meters adjacent to the downtown area, additional porter and scrubbing services in the downtown area, update of the Zoning Ordinance to correspond with the General Plan, a new police canine, augmented information technology (IT) services, and funding for \$16.4 million in capital improvement projects, which includes funding for street improvements, a park master plan, restroom improvements, storm water/urban runoff diversion project, and projects to enhance energy efficiency. Added personnel include one Public Works Inspector converted from full-time temporary to full-time permanent. The budget also added one (1) part-time temporary position, Recreation Leader, as a “second” employee for security purposes on nights and weekends. One (1) part-time temporary Code Enforcement Officer was removed and replaced with a part-time temporary Senior Planner in order to allow full-time Community Development staff to focus on the zoning ordinance update and large scale, catalyst projects.

Hermosa Beach continues to have ongoing revenues exceed ongoing expenses. Revenue growth of less than 1% is anticipated in the 2018-19 Budget. There is growth in some revenue sources however it is offset by declines in other sources. Property tax is estimated to increase by 5%. Sales tax is estimated to be higher by 2.5% over 2017-18. Transient occupancy tax is estimated to continue at the 2017-18 level. Utility user’s tax is estimated to decline 2% from the 2017-18 budget estimate. Licenses and Permits are estimated to decline by 10% primarily due to building permit activity. Fines and Forfeitures reflect an increase of 3% due to the increase of enforcement hours and the anticipation of full staffing. If staffing issues occur again, part-time personnel will be used to supplement existing staffing.

## **Requests for Information**

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

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# **BASIC FINANCIAL STATEMENTS**

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# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**City of Hermosa Beach**  
**Statement of Net Position**  
**June 30, 2018**

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 46,028,598
Accounts receivable	3,430,558
Property taxes receivable, net	647,943
Reimbursable grants receivable	346,240
Interest receivable on investments	30,342
Other assets	1,064,856
Total current assets	51,548,537
Noncurrent assets:	
Capital assets:	
Nondepreciable	25,942,503
Depreciable, net	40,390,567
Total capital assets, net	66,333,070
Total noncurrent assets	66,333,070
<b>Total assets</b>	<b>117,881,607</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows of resources	16,606,185
OPEB related deferred outflows of resources	1,569,000
<b>Total deferred outflows of resources</b>	<b>18,175,185</b>

**City of Hermosa Beach**  
**Statement of Net Position (Continued)**  
**June 30, 2018**

	Primary Government
	Governmental Activities
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	2,209,633
Accrued wages and benefits payable	800,426
Refundable deposits	297,263
Unearned revenue	50,402
Workers' compensation claims payable - due within one year	795,327
General liability claims payable - due within one year	339,112
Compensated absences - due within one year	1,466,050
Long-term debt - due within one year	455,764
Total current liabilities	6,413,977
Noncurrent liabilities:	
Workers' compensation claims payable - due in more than one year	4,302,925
General liability claims payable - due in more than one year	701,326
Compensated absences - due in more than one year	1,085,917
Long-term debt	10,552,512
Aggregate net pension liability	49,464,514
OPEB liability	591,000
Total noncurrent liabilities	66,698,194
<b>Total liabilities</b>	73,112,171
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows of resources	1,659,460
OPEB deferred inflows of resources	310,000
<b>Total deferred inflows of resources</b>	1,969,460
<b>NET POSITION</b>	
Investment in capital assets	66,333,070
Restricted for:	
Capital projects	1,406,789
Street and sewer purposes	347,080
Transportation purposes	3,637,239
Public works	57,690
Public safety	829,888
Culture and recreation	178,641
Undergrounding districts	821,591
Total restricted	7,278,918
Unrestricted (Deficit)	(12,636,827)
<b>Total net position</b>	\$ 60,975,161

**City of Hermosa Beach**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

<b>Functions/Programs</b>	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
<b>Governmental activities:</b>					
Legislative and legal	\$ 1,869,599	\$ -	\$ -	\$ -	\$ -
General government	4,129,269	2,538,028	2,052	-	2,540,080
Public safety	25,496,398	4,958,292	131,191	2,293	5,091,776
Community development	2,264,015	1,696,505	-	-	1,696,505
Culture and recreation	1,769,893	1,223,789	58,127	-	1,281,916
Public works	9,176,519	2,292,254	521,242	25,528	2,839,024
Total governmental activities	<u>\$ 44,705,693</u>	<u>\$ 12,708,868</u>	<u>\$ 712,612</u>	<u>\$ 27,821</u>	<u>\$ 13,449,301</u>

**City of Hermosa Beach**  
**Statement of Activities (Continued)**  
**For the Year Ended June 30, 2018**

<b>Functions/Programs</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>
<b>Primary government:</b>	
<b>Governmental activities:</b>	
Legislative and legal	\$ (1,869,599)
General government	(1,589,189)
Public safety	(20,404,622)
Community development	(567,510)
Culture and recreation	(487,977)
Public works	(6,337,495)
Total governmental activities	(31,256,392)
 <b>General Revenues:</b>	
Taxes:	
Property taxes	17,097,712
Sales taxes	3,151,207
Real property transfer tax	326,224
Franchise fees	722,316
Transient occupancy tax	3,295,207
Business license	1,061,130
Utility users tax	2,229,906
½ cent sales tax for public safety	233,291
Other taxes	10,326
Total taxes	28,127,319
Grants and contributions not restricted to specific programs	2,093,173
Miscellaneous	1,890,404
<b>Total general revenues</b>	<b>32,110,896</b>
<b>Change in net position</b>	854,504
<b>Net position - beginning of year, as restated (Note 14)</b>	60,120,657
<b>Net position - end of year</b>	<b>\$ 60,975,161</b>

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# FUND FINANCIAL STATEMENTS

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*Governmental Fund Financial Statements*

*Proprietary Fund Financial Statements*

*Fiduciary Fund Financial Statements*

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# GOVERNMENTAL FUND FINANCIAL STATEMENTS

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The Governmental Funds of the City are outlined below:

***General Fund*** - The General 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.

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

***Capital Improvement Capital Projects Fund*** - Funds set aside for capital improvement projects.

***Nonmajor Governmental Funds*** - Nonmajor Governmental Funds is the aggregate of all the nonmajor governmental funds.

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**City of Hermosa Beach**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	Major Funds				Total
	General	Sewer Special Revenue Fund	Capital Improvements Capital Projects Fund	Nonmajor Governmental Funds	
<b>ASSETS</b>					
Cash and investments	\$ 9,359,020	\$ 5,913,769	\$ 7,244,067	\$ 8,595,501	\$ 31,112,357
Accounts receivable	2,956,537	224,930	-	197,996	3,379,463
Property taxes receivable, net	629,878	10,707	-	7,358	647,943
Reimbursable grants receivable	-	-	-	346,240	346,240
Interest receivable on investments	14,121	2,554	2,003	11,664	30,342
Other assets	1,005,560	728	-	9,280	1,015,568
Due from other funds	26,698	-	-	-	26,698
<b>Total assets</b>	<b>\$ 13,991,814</b>	<b>\$ 6,152,688</b>	<b>\$ 7,246,070</b>	<b>\$ 9,168,039</b>	<b>\$ 36,558,611</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 1,254,784	\$ 44,393	\$ 55,451	\$ 485,014	\$ 1,839,642
Accrued wages and benefits payable	757,284	4,956	-	15,692	777,932
Refundable deposits	297,263	-	-	-	297,263
Unearned revenues	50,402	-	-	-	50,402
Due to other funds	-	-	-	26,698	26,698
Compensated absences, due within one year	1,427,428	5,062	-	10,722	1,443,212
<b>Total liabilities</b>	<b>3,787,161</b>	<b>54,411</b>	<b>55,451</b>	<b>538,126</b>	<b>4,435,149</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable Revenues	629,878	10,707	-	7,358	647,943
<b>Total deferred inflows of resources</b>	<b>629,878</b>	<b>10,707</b>	<b>-</b>	<b>7,358</b>	<b>647,943</b>
<b>Fund Balances:</b>					
Nonspendable	478,479	-	-	9,280	487,759
Restricted	170,336	-	-	7,677,889	7,848,225
Committed	1,144,500	209,860	-	935,024	2,289,384
Assigned	7,781,460	5,877,710	7,190,619	362	20,850,151
<b>Total fund balances</b>	<b>9,574,775</b>	<b>6,087,570</b>	<b>7,190,619</b>	<b>8,622,555</b>	<b>31,475,519</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 13,991,814</b>	<b>\$ 6,152,688</b>	<b>\$ 7,246,070</b>	<b>\$ 9,168,039</b>	<b>\$ 36,558,611</b>

**City of Hermosa Beach**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2018**

<b>Total Fund Balances - Total Governmental Funds</b>	\$	31,475,519
<p>Amounts reported for governmental activities in the Statement of Net Position were reported differently because:</p> <p>Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.</p>		
Nondepreciable, net of Internal Service Fund of \$192,791	\$	25,749,712
Depreciable, net of Internal Service Fund of \$3,389,604		37,000,963
Total capital assets		62,750,675
<p>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 the governmental activities in the Government-Wide Statement of Net Position.</p>		
Insurance Fund	\$	2,516,161
Equipment Replacement Fund		9,528,845
Total Internal Service Funds		12,045,006
<p>Revenues in the Government-wide Statement of Activities that do not provide current financial resources and are not reported as revenue in the governmental funds.</p>		
		647,943
<p>Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position:</p>		
Lease revenue bonds and premium		(11,008,276)
Compensated absences, net of \$22,838 reported in Internal Service fund and \$1,443,212 reported in accrued payroll		(1,085,917)
		(12,094,193)
<p>Deferred amounts relates to pension not available for current expenditures and are not reported in the governmental fund financial statements:</p>		
Pension related deferred outflows of resources		16,606,185
Pension related deferred inflows of resources		(1,659,460)
<p>Net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds.</p>		
		(49,464,514)
<p>Deferred amounts relates to other postemployment benefits not available for current expenditures and are not reported in the governmental fund financial statements:</p>		
OPEB related deferred outflows of resources		1,569,000
OPEB related deferred inflows of resources		(310,000)
<p>Net OPEB liability is not due and payable in the current period and therefore is not reported in the governmental funds.</p>		
		(591,000)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>60,975,161</b>

**City of Hermosa Beach**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

	Major Funds				Total
	General	Sewer Special Revenue Fund	Capital Improvements Capital Projects Fund	Nonmajor Governmental Funds	
<b>REVENUES:</b>					
Property taxes	\$ 17,072,844	\$ -	\$ -	\$ 457,648	\$ 17,530,492
Other taxes	10,319,281	-	-	1,929,619	12,248,900
Licenses and permits	787,563	-	-	268,068	1,055,631
Fines and forfeitures	1,921,215	-	-	888,153	2,809,368
Use of money and property	708,505	-	-	631,513	1,340,018
Intergovernmental	117,774	11,482	-	229,266	358,522
Charges for services	7,170,767	1,130,531	-	957,913	9,259,211
Miscellaneous	177,509	-	39,212	32,427	249,148
Interest earned on investments	66,019	44,686	41,655	-	152,360
<b>Total revenues</b>	<b>38,341,477</b>	<b>1,186,699</b>	<b>80,867</b>	<b>5,394,607</b>	<b>45,003,650</b>
<b>EXPENDITURES:</b>					
Current:					
Legislative and legal	1,302,500	-	-	10,761	1,313,261
General government	3,684,961	-	-	66,082	3,751,043
Public safety	21,338,362	-	-	130,047	21,468,409
Community development	1,945,096	-	-	89,139	2,034,235
Culture and recreation	1,383,630	-	-	63,366	1,446,996
Public works	5,087,725	327,272	-	928,528	6,343,525
Capital outlay	544,259	147,248	427,973	1,045,337	2,164,817
Debt service:					
Principal	-	-	-	434,992	434,992
Interest and fiscal charges	-	-	-	355,738	355,738
<b>Total expenditures</b>	<b>35,286,533</b>	<b>474,520</b>	<b>427,973</b>	<b>3,123,990</b>	<b>39,313,016</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,054,944</b>	<b>712,179</b>	<b>(347,106)</b>	<b>2,270,617</b>	<b>5,690,634</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	351,298	-	-	920,544	1,271,842
Transfers out	(3,564,028)	-	-	(351,298)	(3,915,326)
<b>Total other financing sources (uses)</b>	<b>(3,212,730)</b>	<b>-</b>	<b>-</b>	<b>569,246</b>	<b>(2,643,484)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(157,786)</b>	<b>712,179</b>	<b>(347,106)</b>	<b>2,839,863</b>	<b>3,047,150</b>
<b>FUND BALANCES:</b>					
Beginning of year, as restated (Note 14)	9,732,561	5,375,391	7,537,725	5,782,692	28,428,369
End of year	\$ 9,574,775	\$ 6,087,570	\$ 7,190,619	\$ 8,622,555	\$ 31,475,519

**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**  
**For the Year Ended June 30, 2018**

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<b>Net Change in Fund Balances - Total Governmental Funds</b>		<u>\$ 3,047,150</u>
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, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount of capital assets recorded in the current period is listed below.		
Total capital outlay expenditures reported in governmental funds	2,315,605	
Less: repair and maintenance expenditures	<u>(75,394)</u>	
Total capital outlay (net of \$496,464 reported in internal service fund)		2,240,211
The net effect on disposal of capital assets.		(351,364)
Depreciation expense of capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds except for the Internal Service Fund amounts listed below.		
Total depreciation reported in Government-Wide Statement of Activities	(2,435,850)	
Less: depreciation reported in Internal Service Funds	<u>368,103</u>	
Total		(2,067,747)
Earned but unavailable revenues reported in the governmental funds balance sheet as deferred inflows of resources should be recognized in the government-wide statement of activities as revenue regardless of availability.		24,868
Certain pension expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(1,908,863)
Certain other postemployment benefit expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as an expenditures in governmental funds.		(1,565,000)
Compensated absences were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, compensated absences were not reported as expenditures in the governmental funds.		(77,925)
The issuance of long-term debt provides current financial resources to governmental funds. However, the repayment reduces long-term liabilities in the governmental activities statement of net position.		434,992
Amortization of premium does not use current financial resources and therefore not reported as expenditure in the governmental funds.		20,772
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 in governmental activities.		<u>1,057,410</u>
<b>Change in Net Position of Governmental Activities</b>		<u><u>\$ 854,504</u></u>

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# PROPRIETARY FUND FINANCIAL STATEMENTS

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*Internal Service Funds* - To account for the costs associated with the City's insurance and for funding equipment replacement.

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**City of Hermosa Beach**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

	Governmental Activities
	Internal Service Funds
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 14,916,241
Accounts receivable	51,095
Other assets	49,288
Total current assets	15,016,624
Noncurrent assets:	
Nondepreciable capital assets	192,791
Depreciable capital assets, net of accumulated depreciation	3,389,604
Total noncurrent assets	3,582,395
<b>Total assets</b>	18,599,019
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	369,991
Accrued wages and benefits payable	22,494
Workers' compensation claims payable - due within one year	795,327
General liability claims payable - due within one year	339,112
Compensated absences due within one year	22,838
Total current liabilities	1,549,762
Long-term liabilities:	
Workers' compensation claims payable - due in more than one year	4,302,925
General liability claims payable - due in more than one year	701,326
Total long-term liabilities	5,004,251
<b>Total liabilities</b>	6,554,013
<b>NET POSITION</b>	
Investment in capital assets	3,582,395
Unrestricted	8,462,611
<b>Total net position</b>	\$ 12,045,006

**City of Hermosa Beach**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	Governmental Activities
	Internal Service Funds
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 4,117,636
Miscellaneous revenue	531,682
<b>Total operating revenues</b>	4,649,318
<b>OPERATING EXPENSES:</b>	
Salaries and wages	386,248
Contractor services	1,827,100
Supplies	300,372
Claims expense	3,126,092
Depreciation	368,103
<b>Total operating expenses</b>	6,007,915
<b>OPERATING INCOME</b>	(1,358,597)
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Interest expense	(187,443)
Gain on disposal of capital assets	(40,034)
<b>Total nonoperating revenues (expenses)</b>	(227,477)
<b>INCOME BEFORE TRANSFERS</b>	(1,586,074)
<b>TRANSFERS:</b>	
Transfers in	3,089,382
Transfers out	(445,898)
<b>Total transfers</b>	2,643,484
<b>Change in net position</b>	1,057,410
<b>NET POSITION:</b>	
Beginning of the year	10,987,596
End of the year	\$ 12,045,006

**City of Hermosa Beach**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	Governmental Activities
	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received for services from other funds	\$ 4,117,636
Cash received from insurance recovery	46,029
Cash payments to suppliers for goods and services	(1,711,274)
Cash payments to employees for services	(379,737)
Cash payment for insurance premiums	(2,560,324)
<b>Net cash (used in) operating activities</b>	<b>(487,670)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Interest paid	(187,443)
Transfers in	3,089,383
Transfers out	(445,899)
<b>Net cash provided by noncapital financing activities</b>	<b>2,456,041</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition of capital assets	(496,464)
Proceeds from sale of capital assets	(99,918)
<b>Net cash (used in) capital and related financing activities</b>	<b>(596,382)</b>
<b>Net change in cash and cash equivalents</b>	<b>1,371,989</b>
<b>CASH AND CASH EQUIVALENTS:</b>	
Beginning of year	13,544,252
End of year	<b>\$ 14,916,241</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN) OPERATING ACTIVITIES:</b>	
Operating (loss)	\$ (1,358,597)
Adjustments to reconcile operating income to net cash (used in) operating activities:	
Depreciation	368,103
(Increase) decrease in:	
Other assets	117,028
Increase (decrease) in:	
Accounts payable	299,170
Accrued wages and benefits payable	5,981
Workers' compensation claims payable	187,443
General liability claims payable	(107,328)
Compensated absences	530
Total adjustments	870,927
<b>Net cash (used in) operating activities</b>	<b>\$ (487,670)</b>

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# FIDUCIARY FUND FINANCIAL STATEMENTS

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*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. The Agency Funds of the City were 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.

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**City of Hermosa Beach**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2018**

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	Agency Funds
<b>ASSETS</b>	
Cash and investments	\$ 487,885
Interest receivable	552
Other receivable	5,955
Other assets	90
<b>Total assets</b>	<b>\$ 494,482</b>
 <b>LIABILITIES</b>	
Assessment:	
Installment account	\$ 481,482
Reserve requirement	13,000
<b>Total liabilities</b>	<b>\$ 494,482</b>

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# NOTES TO THE BASIC FINANCIAL STATEMENTS

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**City of Hermosa Beach**  
**Index to the Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2018**

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**City of Hermosa Beach**  
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**For the Year Ended June 30, 2016**

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**City of Hermosa Beach**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2018**

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**Note 1 – Summary of Significant Accounting Policies**

The basic financial statements of the City of Hermosa Beach, California, (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States (“U.S. 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 following is a summary of the City’s significant policies:

**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. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization’s governing body and either the City is able to impose its will on that organization or there is a potential for the organization to provide financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City’s financial statement to be misleading or incomplete. 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.

Management determined that the following entities should be reported as blended component units based on the criteria above. Each blended component unit has a June 30 year-end, has a governing board that is substantially the same as the City’s, there is a financial benefit or burden relationship between the City and the blended component unit, and the City is financially accountable for each of the blended component units.

*Hermosa Beach Street Lighting and Landscaping District* – The Hermosa Beach Street Lighting and Landscaping Assessment District was created for street lighting/median maintenance purposes pursuant to Street and Highway Code Sections 22500-22679.

*Lower Pier Avenue Assessment District* – The Lower Pier Avenue Assessment District was created for improvement of the assessment district in November 1997 pursuant to Street and Highway Code Section 10000.

*Myrtle Avenue Underground Utility District* – The Myrtle Avenue Underground Utility District was created in October 1999 pursuant to Street and Highway Code Section 10000.

*Loma Drive Underground Utility District* – The Loma Drive Underground Utility District was created in October 1999 pursuant to Street and Highway Code Section 10000.

*Beach Drive Assessment District* – The Beach Drive Assessment District was created in July 2004 pursuant to Street and Highway Code Section 10000.

*Bayview Drive Underground District* – The Bayview Drive Underground District was created in February 2005 pursuant to Street and Highway Code Section 10000.

*Hermosa Beach Public Financing Authority* – The Hermosa Beach Public Financing Authority was created on July 14, 2015 to authorize the issuance and sale of 2015 Lease Revenue Bonds.

The above component units do not issue separate financial statements.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 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 by providing 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 purposes for which they are to be spent and the means by which spending activities are controlled.

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

*Deferred Outflows of Resources* represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

*Deferred Inflows of Resources* represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

*Government-Wide Financial Statements*

The government-wide 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 position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Fiduciary activities of the City are not included in these statements.

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

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

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated. In the statement of activities, internal service fund transactions have been included in the governmental activities. The following interfund activities have been eliminated:

- Due from and to other funds, which are short-term loans within the primary government
- Transfers in and out, which are flows of assets between funds without the requirement for repayment

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

Governmental Fund Financial Statements

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 fund balances. 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 taxes, intergovernmental revenues and other taxes. Sales tax is received on a monthly basis. 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.

Reconciliations of the fund financial statements to the government-wide financial statements are provided to explain the differences.

The City reports the following major governmental fund:

General Fund – The General Fund 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.

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

Capital Improvement Capital Projects Fund – This fund is set aside for capital improvement projects.

Proprietary Fund Financial Statements

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

*Proprietary Fund Financial Statements (Continued)*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Internal service funds are the only funds presented in the proprietary fund financial statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements. The internal service funds are used to account for equipment replacement and insurance provided to other City departments on a cost-reimbursement basis.

*Fiduciary Fund Financial Statements*

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. The fiduciary funds are accounted for using the accrual basis of accounting. The City maintains seven fiduciary funds which 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 (Lower Pier Avenue). The assets are used to repay bonds secured by the private property in the district.

***C. Cash and Investments***

The City's cash and cash equivalents are comprised of cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. All cash and investments of proprietary funds are held in the City's investment pool. These cash pools have the general characteristics of a demand deposit account, therefore, all cash and investments in the proprietary funds are considered cash and cash equivalents for statement of cash flows purposes.

***D. Fair Value Measurement***

Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

The three levels of the fair value measurement hierarchy are described below:

- Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.



**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***E. Property Taxes Receivable***

Property taxes attach as an enforceable lien on property as of January 1 each year. The property tax year runs from July 1 to June 30. Property is taxed as of January 1 for payment in the following fiscal year. Taxes are payable in two installments: December 10 and April 10 of each year. The County of Los Angeles, California (the “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, net of estimated refunds and uncollectible amounts, in the period for which the taxes are levied. 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 “due from/to other funds” (i.e., current portion of interfund loans).

***G. Capital Assets***

In the government-wide financial statements, capital assets, which include land, buildings, improvements, equipment, furniture, and infrastructure assets (e.g., roads, sidewalks, and similar items), are recorded at historical cost or estimated historical if purchased or constructed. Donated capital assets, donated works of art or similar items, and capital assets received in a service concession arrangement are reported at acquisition value on the date donated rather than fair value. City policy has set the capitalization threshold for reporting capital assets at \$5,000 and infrastructure at \$100,000.

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 incurred during capital assets construction, if any, is capitalized for the proprietary funds as part of the asset cost.

For all infrastructure systems, the City elected to use the “Basic Approach” and depreciate over its estimated useful life.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method. The lives used for depreciation purposes are as follows:

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

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**H. Unearned and Unavailable Revenue**

In the government-wide and fund financial statements, unearned revenue is reported 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, facility rentals paid in advance, and quarterly encroachment fees, and advance registration for recreation classes.

In the governmental fund financial statements, unavailable revenue is reported when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City reports an unavailable revenue when an asset is reported in governmental fund financial statements but the revenue is not available.

**I. 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.

**J. 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. The City's goal is to accumulate 25% of the funding for the accrued liability for compensated absences in the assigned fund balance for compensated absences.

**K. Pensions**

For purposes of measuring the aggregate net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 9). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

<u>CalPERS</u>	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**L. Other Postemployment Benefits (“OPEB”)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the plan (Note 10). For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for OPEB reporting:

<u>OPEB</u>	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over 5 years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

**M. Net Position**

In the government-wide financial statements and proprietary fund financial statements, net position is classified as follows:

Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation.

Restricted - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted - This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**N. Fund Balances**

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Nonspendable fund balances include amounts that cannot be spent because they are not in a spendable form, such as inventory or prepaid items, or because resources legally or contractually must remain intact.

Restricted – Restricted fund balances are the portion of fund balance that have externally enforceable limitations on their usage through legislation or limitations imposed by creditors, grantor, laws and regulations of other governments or enabling legislation.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**N. Fund Balances (Continued)**

Committed – Committed fund balances are self-imposed limitations by the highest level of decision-making authority, namely the City Council, prior to the end of the reporting period. City Council adoption of a resolution is required to commit resources or to rescind the commitment.

Assigned – Assigned fund balances are limitations imposed by management based on the intended use of the funds. Modifications or rescissions of the constraints can be removed by the same type of action that limited the use of the funds. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has authorized the Finance Director for that purpose.

Unassigned – Unassigned fund balances represent the residual net resources in excess of the other classifications. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental fund other than general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

**O. Spending Policy**

Government – Wide Financial Statements and Proprietary Fund Financial Statements

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the City's policy is to apply restricted component of net position first, then the unrestricted component of net position as needed.

Governmental Fund Financial Statements

When expenditures are incurred for purposes for which restricted, committed, assigned and unassigned fund balances are all available, the City's policy is to use these balances in the following order unless an ordinance specifies the fund balance to be used: restricted, committed, assigned and unassigned.

Long-term financial planning

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

Insurance Fund - Goal of \$3,000,000 in net position for claims reserves and catastrophic losses.

Equipment Replacement Fund - Goal of net position equal to the accumulated amount calculated for all equipment, based on replacement cost and useful life of equipment.

Contingency - Goal equal to 16% of the General Fund appropriations for economic uncertainties, unforeseen emergencies.

Compensated Absences - Goal equal to 25% funding for accrued liabilities for employee vacation, sick and compensatory time.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***O. Spending Policy (Continued)***

*Long-term financial planning (Continued)*

The City also has a financial policy of transferring funds unspent in the General Fund at year-end to the Insurance Fund, Equipment Replacement Fund, and Capital Improvement Capital Projects Fund and to add to Contingency funds. The City Council makes changes as necessary to the year-end transfer, depending on the equity in the funds or based on other needs.

***P. Use of Estimates***

The preparation of the basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Q. Accounting Changes***

GASB has issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This statement had an impact on the City's financial statements for the year ended June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreement* (GASB 81) This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2018.

GASB Statement NO. 85, *Omnibus 2017* (GASB 85). This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* (GASB 86). Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2018.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 2 – Cash and Investments**

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds.

The City had the following cash and investments at June 30, 2018:

	Government-Wide Statement of Net Position Governmental Activities	Statement of Fiduciary Net Position	Total
Cash and investments	\$ 46,031,598	\$ 487,885	\$ 46,519,483

The City's cash and investments at June 30, 2018 in more detail:

Cash and cash equivalents:	
Demand deposits	\$ 13,138,169
Petty cash	2,000
Total cash and cash equivalents	13,140,169
Investments:	
Local Agency Investment Fund	44,277
Los Angeles County Pooled Investments Funds	25,880,375
Negotiable Certificates of Deposit	6,960,927
U.S. Government Sponsored Enterprise Securities	493,735
Total investments	33,379,314
<b>Total cash and investments</b>	<b>\$ 46,519,483</b>

**A. Deposits**

The carrying amounts of the City's demand deposits were \$13,138,169 at June 30, 2018. Bank balances at that date were \$14,645,017, the total amount of which was collateralized or insured with accounts held by the pledging financial institutions in the City's name as discussed below.

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

The 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 ("FDIC"). 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 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, however, interest is not allocated to funds created to advance costs for utility undergrounding districts, reimbursable grant funds or internal service funds.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 2 – Cash and Investments (Continued)**

**B. Investments**

Under the provisions of the City’s investment policy, the City’s investments are limited to those authorized by the California Government Code, except as follows:

- There is no maximum amount or maximum maturity period of the City’s idle funds that may be invested with the Local Agency Investment Fund (“LAIF”) or the Los Angeles County Pooled Investment Fund (“LACPIF”)
- Negotiable Certificates of Deposit shall not exceed 30 percent of the City’s surplus money and mature in 5 years or less.
- Medium-term corporate notes shall have a Moody or Standard & Poor’s rating of at least AA and mature in 5 years or less

The City is a participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City’s investments with LAIF at June 30, 2018 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities, which included the following:

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

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

As of June 30, 2018, the City had \$44,277 invested in LAIF, which had invested 2.67% of the pool investment funds in Structured Notes and Asset-Backed Securities.

**C. Investment in Los Angeles County Investment Pool**

The City is a voluntary participant in the Los Angeles County Investment Pool pursuant to Government Code Section 53684. The cash flow needs of participants are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of those participants. At the time deposits are made, the Los Angeles County Investment Pool’s Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of \$1 million. Projections are to be performed no less than semi-annually. In accordance with Government Code Section 27136, all requests for withdrawal of funds for the purpose of investing or depositing the funds elsewhere shall be evaluated to ensure the proposed withdrawal will not adversely affect the principal deposits of the other participants. As of June 30, 2018, the City had \$25,880,375 invested in the Los Angeles County Investment Pool.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

**Note 2 – Cash and Investments (Continued)**

**D. Fair Value Measurement**

At June 30, 2018, investments are reported at fair value. The following table presents the fair value measurement of investments on a recurring basis and the levels within fair value hierarchy in which the fair value measurements fall at June 30, 2018:

Investment Type	Value	Level 2	Uncategorized
Local Agency Investment Fund	\$ 44,277	\$ -	\$ 44,277
Los Angeles County Pooled Investments Fund	25,880,375	25,880,375	-
Negotiable Certificates of Deposit	6,960,927	6,960,927	-
U.S. Government Sponsored Enterprise Securities	493,735	493,735	-
<b>Total</b>	<b>\$33,379,314</b>	<b>\$33,335,037</b>	<b>\$ 44,277</b>

**E. 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, 2018, the City had the following investment maturities:

Investment Type	Fair value	Investment Maturities (in Years)				
		Less than 1	1 to 2	2 to 3	3 to 4	4 to 5
Local Agency Investment Fund	\$ 44,277	\$ 44,277	\$ -	\$ -	\$ -	\$ -
Los Angeles County Pooled Investments Fund	25,880,375	25,880,375	-	-	-	-
Negotiable Certificates of Deposit	6,960,927	-	1,467,961	1,695,904	1,859,463	1,937,599
U.S. Government Sponsored Enterprise Securities	493,735	-	493,735	-	-	-
<b>Total</b>	<b>\$33,379,314</b>	<b>\$25,924,652</b>	<b>\$ 1,961,696</b>	<b>\$ 1,695,904</b>	<b>\$ 1,859,463</b>	<b>\$ 1,937,599</b>

**Credit Risk** – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. It is the City's policy to limit its investments in these investment types to the top rating issued by Standard & Poor's and Moody's Investor Service. At June 30, 2018, the City's credit risks, expressed on a percentage basis, were as follows:

Credit Quality Distribution for Securities with Credit Exposure as a Percentage of Total Investments			
Investment Type	Moody's Credit Rating	S&P's Credit Rating	% of Investments with Interest Rate Risk
Local Agency Investment Fund (LAIF)	Not Rated	Not Rated	0.13%
Los Angeles County Pooled Investments Fund	Not Rated	Not Rated	77.53%
Negotiable Certificates of Deposits	Not Rated	Not Rated	20.85%
U.S. Government Sponsored Enterprise Securities:			
Federal Home Loan Mortgage Corporation	Aaa	AA+	1.48%
<b>Total</b>			<b>100.00%</b>



**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

**Note 2 – Cash and Investments (Continued)**

**E. Risk Disclosures (Continued)**

Custodial Risk – For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City 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. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer), the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Concentration of credit risk – The City’s investment policy does not allow for investments in any one institution that is in excess of 5% of the City’s total portfolio, except for LAIF and LACIPIF, where there is no limit. The City is in compliance with the investment policy related to the concentration of credit risk for the year ended June 30, 2018.

**Note 3 - Receivables**

**A. Government-Wide Financial Statements**

At June 30, 2018, the government-wide financial statements show the following receivables, net of allowances for uncollectible amounts, if any:

	Government-Wide Statement of Net Position Governmental Activities	Statement of Fiduciary Net Position	Total
Accounts receivable	\$ 3,357,549	\$ -	\$ 3,357,549
Property taxes receivable, net	647,943	-	647,943
Reimbursable grants receivable	346,333	-	346,333
Interest receivable on investments	30,249	552	30,801
Other receivables	-	5,955	5,955
<b>Total</b>	<b>\$ 4,382,074</b>	<b>\$ 6,507</b>	<b>\$ 4,388,581</b>

**B. Fund Financial Statements**

Receivables

Receivables consisted of amounts accrued in the ordinary course of operations. The total amount of receivables for each major and nonmajor funds in the aggregate as of June 30, 2018, were as follows:

<b>Governmental funds:</b>	
General Fund	\$ 3,600,536
Sewer Special Revenue Fund	238,191
Capital Improvements Capital Projects Fund	2,003
Nonmajor Funds	560,258
<b>Total governmental funds</b>	<b>4,400,988</b>
<b>Total accounts receivable</b>	<b>\$ 4,382,074</b>

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

**Note 3 – Receivables (Continued)**

**B. Fund Financial Statements (Continued)**

Taxes Receivable

At June 30, 2018, the City had property taxes receivable, net of allowance for delinquent property taxes receivables, in the following major fund and nonmajor funds in the aggregate:

	Property taxes	Allowance for delinquent tax receivables	Property taxes, net of allowance
<b>Governmental Funds:</b>			
General Fund	\$ 1,206,731	\$ (576,853)	\$ 629,878
Sewer Special Revenue Fund	36,200	(25,493)	10,707
Nonmajor funds	23,890	(16,532)	7,358
<b>Total</b>	<b>\$ 1,266,821</b>	<b>\$ (618,878)</b>	<b>\$ 647,943</b>

Reimbursable Grants Receivable

Grants receivable consists of a variety of reimbursable grants from other agencies. The total amount of reimbursable grants receivable as of June 30, 2018 was as follows:

<b>Governmental Funds:</b>	
Bullet Proof Vest Partnership	\$ 3,130
Prop A Open Space Grant	290,933
Other	52,270
<b>Total reimbursable grants receivable</b>	<b>\$ 346,333</b>

**Note 4 – Lease Revenues**

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 \$2,985. The lease includes a negotiated increase to the monthly lease payment to be calculated every 60 months based on the consumer price index. In February 2016, the lease was increased to \$3,235.

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, 2015. In February 2016, the lease was extended through January 31, 2020. The City received a monthly lease payment in the amount of \$2,984 to January 2018 and \$3,074 from February 2018.

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, and was extended beginning February 1, 2009 to April 30, 2015 through various amendments. In April, 2015, the lease was amended to extended extend the term to April 30, 2020 and that lease can be terminated without cause at any time after April 2017 with one year of written notice to the City. The City receives a monthly lease payment in the amount of \$15,000.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 4 – Lease Revenues (Continued)**

In February 2014, the City entered into a 5-year lease agreement with Verizon wireless, a cellular telephone company, for the placement of 12 panel antennas and 6 remote radio units at the Municipal Parking Facility. The annual lease rate is expected to increase at a rate of 3% with base monthly payment amount of \$2,400. The City received a monthly lease payment in the amount of \$2,546 to February 2018 and \$2,623 from March 2018.

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,	Amounts
2019	287,994
2020	214,221
2021	65,849
2022	42,075
2023	42,075
2024-2028	219,195
2029-2033	237,577
2034-2038	257,502
2039-2043	279,095
2044-2048	302,500
2049-2051	157,337
<b>Total</b>	<b>\$ 2,105,420</b>

Lease revenue for the year ended June 30, 2018 was \$316,537.

**Note 5 – Interfund Transactions**

**Due From/To Other Funds** – At June 30, 2018, the City had the following due from/to other funds:

Due To Other Funds	Due From Other Funds
	General Fund
Nonmajor Governmental funds	\$ 26,698
<b>Total</b>	<b>\$ 26,698</b>

The above amount resulted from the time lag between the dates that reimbursable expenditures occur and payments are received from other agencies.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

**Note 5 – Interfund Transactions (Continued)**

*Transfers*

During the year ended June 30, 2018, the City had the following transfers:

	Transfers in			Total
	General Fund	Nonmajor Governmental Funds	Internal Service Funds	
<b>Transfers out</b>				
General Fund	\$ -	\$ 920,544	\$ 2,643,484	\$ 3,564,028
Nonmajor Governmental Funds	351,298	-	-	351,298
Internal Service funds	-	-	445,898	445,898
<b>Total</b>	<b>\$ 351,298</b>	<b>\$ 920,544</b>	<b>\$ 3,089,382</b>	<b>\$ 4,361,224</b>

In general, transfers are used to 1) use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 2) to transfer to the General Fund to fund administration services.

General Fund transferred \$920,544 to the Lighting/Landscaping Fund for operating costs and to the 2015 Lease Revenue Bond Fund for debt service payment.

General Fund transferred \$2,643,484 to Insurance Internal Service Fund to pay for settlement related payments.

Non-major Governmental Funds transferred \$351,298 for Lighting/Landscaping administration, street maintenance and traffic safety operations, parks maintenance allocation and agency administration.

Equipment Replacement Internal Service Fund transferred \$445,898 to Insurance Internal Service Fund to replenish funds used for settlements.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

**Note 6 – Capital Assets**

The following is a summary of changes in capital assets for the governmental activities for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Reclassifications	Balance June 30, 2018
<i>Capital assets not being depreciated:</i>					
Land	\$ 22,740,168	\$ -	\$ -	\$ -	\$ 22,740,168
Construction in progress	2,483,633	1,982,195	(59,687)	(1,203,806)	3,202,335
Total capital assets not being depreciated	<u>25,223,801</u>	<u>1,982,195</u>	<u>(59,687)</u>	<u>(1,203,806)</u>	<u>25,942,503</u>
<i>Capital assets being depreciated:</i>					
Buildings and structures	13,049,377	11,762	-	654,671	13,715,810
Improvements other than buildings	14,918,376	-	-	481,671	15,400,047
Machinery and equipment	6,085,634	358,166	(510,368)	-	5,933,432
Vehicles	4,230,888	351,090	(694,351)	-	3,887,627
Infrastructure	53,454,740	-	-	67,464	53,522,204
Total capital assets being depreciated	<u>91,739,015</u>	<u>721,018</u>	<u>(1,204,719)</u>	<u>1,203,806</u>	<u>92,459,120</u>
Less accumulated depreciation for:					
Buildings and structures	(4,452,030)	(99,269)	-	-	(4,551,299)
Improvements other than buildings	(12,269,104)	(258,119)	-	-	(12,527,223)
Machinery and equipment	(3,889,510)	(296,644)	146,735	-	(4,039,419)
Vehicles	(2,392,948)	(262,876)	766,306	-	(1,889,518)
Infrastructure	(27,542,152)	(1,518,942)	-	-	(29,061,094)
Total accumulated depreciation	<u>(50,545,744)</u>	<u>(2,435,850)</u>	<u>913,041</u>	<u>-</u>	<u>(52,068,553)</u>
Total capital assets being depreciated, net	<u>41,193,271</u>	<u>(1,714,832)</u>	<u>(291,678)</u>	<u>1,203,806</u>	<u>40,390,567</u>
<b>Total governmental activities</b>	<u>\$ 66,417,072</u>	<u>\$ 267,363</u>	<u>\$ (351,365)</u>	<u>\$ -</u>	<u>\$ 66,333,070</u>

Depreciation expense was charged to functions/programs of governmental activities for the year ended June 30, 2018 as follows:

General government	\$ 64,458
Public safety	360,895
Community development	1,834
Culture and recreation	58,682
Public works	431,038
Infrastructure	1,518,943
<b>Total depreciation expense</b>	<u>\$ 2,435,850</u>

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

**Note 7 – Long-Term Liabilities**

Summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2018 is as follows:

	Balance			Balance June 30, 2018	Classification	
	July 1, 2017	Additions	Deletions		Due within One Year	Due in more than One Year
2015 Lease revenue bond	\$ 11,265,000	\$ -	\$ (435,000)	\$ 10,830,000	\$ 460,000	\$ 10,370,000
Bonds Premium	188,660	-	(10,384)	178,276	10,384	167,892
	<u>\$ 11,453,660</u>	<u>\$ -</u>	<u>\$ (445,384)</u>	<u>\$ 11,008,276</u>	<u>\$ 470,384</u>	<u>\$ 10,537,892</u>

**2015 Lease Revenue Bonds**

On July 14, 2015, the PFA issued \$11,600,000 Hermosa Beach Public Financing Authority 2015 Lease Revenue Bonds to (i) make certain payments under an agreement entered into for the purpose of settling certain claims made against the City, and (ii) pay the costs of issuing the 2015 Bonds. Interest rate ranges from 2.00% to 5.00% is payable semiannually on May 1 and November 1 of each year, commencing November 1, 2016. The outstanding balance at June 30, 2018 was \$10,830,000.

The annual debt service requirements by year are as follows:

Year ending June 30,	Principal	Interest	Total
2019	460,000	333,713	793,713
2020	480,000	310,212	790,212
2021	500,000	285,713	785,713
2022	510,000	268,112	778,112
2023	520,000	257,812	777,812
2024-2028	2,810,000	1,104,580	3,914,580
2029-2033	3,290,000	662,286	3,952,286
2034-2036	2,260,000	119,944	2,379,944
	<u>\$10,830,000</u>	<u>\$ 3,342,372</u>	<u>\$14,172,372</u>

**Note 8 – 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”).

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

**Note 8 – Risk Management (Continued)**

The City 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 of coverage up to statutory limits.

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 \$1,116,478 for the fiscal year 2017-2018 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 \$6,138,690 reported at June 30, 2018 includes the liability for claims in which 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 City'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><u>Workers' Compensation</u></i>						
2015-2016	4,821,345	748,213	(892,908)	4,676,650	719,617	3,957,033
2016-2017	4,676,650	1,114,765	(880,606)	4,910,809	749,469	4,161,340
2017-2018	4,910,809	1,127,793	(940,350)	5,098,252	795,327	4,302,925
<i><u>General Liability</u></i>						
2015-2016	888,300	362,802	(550,532)	700,570	316,291	384,279
2016-2017	700,570	459,706	(12,510)	1,147,766	502,887	644,879
2017-2018	1,147,766	2,017,449	(2,124,777)	1,040,438	339,112	701,326

Detailed financial information may be obtained from the ICRMA Program Administrator located at 18201 Von Karman, Suite 200, Irvine, CA 92612.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

**Note 9 – Defined Benefit Pension Plans**

The following is a summary of net pension liabilities, related deferred outflows and inflows of resources as of June 30, 2018 and pension expenses for the year then ended June 30, 2018:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
<b>Deferred outflows of resources:</b>			
Pension contribution after measurement date	\$ 1,516,745	\$ 4,226,782	\$ 5,743,527
Difference between expected and actual experience	17,979	329,140	347,119
Changes of assumptions	2,230,772	4,773,359	7,004,131
Difference between projected and actual earning on pension plan investments	504,509	1,040,779	1,545,288
Adjustment due to differences in proportions	194,553	204,807	399,360
Difference between City contributions and proportionate share of contributions	-	1,566,760	1,566,760
<b>Total deferred outflows of resources</b>	<u>\$ 4,464,558</u>	<u>\$ 12,141,627</u>	<u>\$ 16,606,185</u>
<b>Aggregate Net pension liabilities:</b>			
Aggregate Net pension liabilities	<u>\$ 14,542,712</u>	<u>\$ 34,921,802</u>	<u>\$ 49,464,514</u>
<b>Total net pension liabilities</b>	<u>\$ 14,542,712</u>	<u>\$ 34,921,802</u>	<u>\$ 49,464,514</u>
<b>Deferred inflows of Resources:</b>			
Difference between expected and actual experience	\$ 257,583	\$ 85,816	\$ 343,399
Changes of assumptions	170,098	366,225	536,323
Adjustment due to differences in proportions	231,001	356,392	587,393
Difference between City contributions and proportionate share of contributions	192,345	-	192,345
<b>Total deferred inflows of Resources</b>	<u>\$ 851,027</u>	<u>\$ 808,433</u>	<u>\$ 1,659,460</u>
<b>Pension expenses:</b>	<u>\$ 1,751,346</u>	<u>\$ 4,205,553</u>	<u>\$ 5,956,899</u>

***General Information about the Pension Plan***

***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.

The City contracted with Los Angeles County for Fire Services (Fire District) on 12/30/2017. The City will continue to be responsible for paying the retirement costs for fire employees related to the value of past service benefits, referred to as the unfunded actuarial liability.



**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

**Note 9 – Defined Benefit Pension Plans (Continued)**

***General Information about the Pension Plan (Continued)***

*Employees Covered by Benefit Terms*

At June 30, 2016, the following employees were covered by the benefit terms:

	Plans					
	Fire Tier 1	Fire Tier 2	Fire PEPRAs	Police Tier 1	Police Tier 2	Police PEPRAs
Active employees	13	-	2	25	4	7
Transferred and terminated employees	8	-	1	9	1	1
Separated	4	1	1	3	1	1
Retired Employees and Beneficiaries	51	-	-	91	1	-
Total	<u>76</u>	<u>1</u>	<u>4</u>	<u>128</u>	<u>7</u>	<u>9</u>

	Plans		
	Misc. Tier 1	Misc. Tier 2	Misc. PEPRAs
Active employees	51	18	41
Transferred and terminated employees	57	5	4
Separated	49	1	6
Retired Employees and Beneficiaries	123	-	-
Total	<u>280</u>	<u>24</u>	<u>51</u>

*Benefit Provided*

CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Classic and PEPRAs Safety CalPERS member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. PEPRAs miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay.

Following are the benefit provisions for each plan:

- Fire Tier 1: 3% (at age 55) of the average final 12 months compensation
- Fire Tier 2: 2% (at age 50) of the average final 12 months compensation
- Fire PEPRAs: 2.7% (at age 57) of the average final 36 months compensation
- Police Tier 1: 3% (at age 50) of the average final 12 months compensation
- Police Tier 2: 2% (at age 50) of the average final 12 months compensation
- Police Tier PEPRAs: 2.7% (at age 57) of the average final 36 months compensation
- Miscellaneous Tier 1: 2% (at age 55) of the average final 12 months compensation
- Miscellaneous Tier 2: 2% (at age 60) of the average final 12 months compensation
- PEPRAs Miscellaneous: 2% (at age 62) of the average final 36 months compensation

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 9 – Defined Benefit Pension Plans (Continued)**

*General Information about the Pension Plan (Continued)*

Benefit Provided (Continued)

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The Public agency cost-sharing plans covered by either the Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2017 (the measurement date), the average contribution rate were as follows:

Plans	Active Employee Contribution Rate	Employer Contribution Rate
Fire Tier 1	9.000%	56.866%
Fire Tier 2	9.000%	16.204%
Fire PEPR	12.250%	11.923%
Police Tier 1	9.000%	83.821%
Police Tier 2	9.000%	16.215%
Police PEPR	12.250%	11.923%
Misc. Tier 1	7.000%	26.520%
Misc. Tier 2	7.000%	7.234%
Misc. PEPR	6.250%	6.237%

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 9 – Defined Benefit Pension Plans (Continued)**

***Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension***

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

The June 30, 2016 valuation was rolled forward to determine June 30, 2017 total pension liability based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment rate of return	7.65% net of pension plan investment expenses, includes inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

*Change of Assumption*

For the June 30, 2017 measurement date, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

**Note 9 – Defined Benefit Pension Plans (Continued)**

***Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)***

***Discount Rate (Continued)***

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2016.

<u>Asset Class</u>	<u>New Strategic Allocation-%</u>	<u>Real Return Years 1-10<sup>1</sup> -%</u>	<u>Real Return Years 11+<sup>2</sup> -%</u>
Global Equity	51.00	5.25	5.71
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	45.00	3.36
Private Equity	10.00	6.83	6.95
Real Estate	10.00	4.50	5.13
Infrastructure and Forestland	2.00	4.50	5.09
Liquidity	2.00	-0.55	-1.05

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An expected inflation of 3.0% used for this period.

***Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the City's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1%</u> <u>(6.15%)</u>	<u>Current Discount</u> <u>Rate (7.15%)</u>	<u>Discount Rate + 1%</u> <u>(8.15%)</u>
<b>Miscellaneous</b>	<u>\$ 22,669,954</u>	<u>\$ 14,542,712</u>	<u>\$ 7,811,583</u>
<b>Safety</b>	<u>\$ 52,212,722</u>	<u>\$ 34,921,802</u>	<u>\$ 20,787,338</u>

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 9 – Defined Benefit Pension Plans (Continued)**

***Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)***

*Pension Plan Fiduciary Net Position*

Detail information about the plan’s fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS’ website under Forms and Publications.

*Proportionate Share of Net Pension Liability and Pension Expense*

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period:

	<b>Increase (Decrease)</b>		
	<b>Plan Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability/(Asset)</b>
<b>Miscellaneous</b>			
Balance at: 6/30/16 (Valuation date)	\$ 48,766,716	\$ 35,889,081	\$ 12,877,635
Balance at: 6/30/17 (Measurement date)	\$ 53,460,032	\$ 38,917,320	\$ 14,542,712
Net Changes during 2016-2017	\$ 4,693,316	\$ 3,028,239	\$ 1,665,077
<b>Safety</b>			
Balance at: 6/30/16 (Valuation date)	\$ 103,141,747	\$ 70,937,620	\$ 32,204,127
Balance at: 6/30/17 (Measurement date)	\$ 112,703,903	\$ 77,782,101	\$ 34,921,802
Net Changes during 2016-2017	\$ (9,562,156)	\$ (6,844,481)	\$ 2,717,675

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

**Note 9 – Defined Benefit Pension Plans (Continued)**

***Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)***

***Proportionate Share of Net Pension Liability and Pension Expense (Continued)***

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2016). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2017). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2017 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2015-2016).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan’s share of the actuarial accrued liability. FNP is allocated based on the rate plan’s share of the market value assets.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocate based on the City’s share of contributions during measurement period.

The City’s proportionate share of the net pension liability was as follows:

	<b>Miscellaenous</b>	<b>Safety</b>
June 30, 2016	0.14882%	0.37217%
June 30, 2017	0.14664%	0.35213%
Change - Increase (Decrease)	-0.00218%	-0.02004%

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

**Note 9 – Defined Benefit Pension Plans (Continued)**

***Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)***

***Proportionate Share of Net Pension Liability and Pension Expense (Continued)***

For the year ended June 30, 2018, the City recognized pension expense as follows:

Miscellaneous	\$	1,751,346
Safety		4,205,553
		5,956,899
		\$ 5,956,899

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2016-2017 measurement period is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired).

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous	
	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution after measurement date	\$ 1,516,745	\$ -
Difference between expected and actual experience	17,979	(257,583)
Changes of assumptions	2,230,772	(170,098)
Difference between projected and actual earning on pension plan investments	504,509	-
Adjustment due to differences in proportions	194,553	(231,001)
Difference between City contributions and proportionate share of contributions	-	(192,345)
	-	(192,345)
Total	\$ 4,464,558	\$ (851,027)

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

**Note 9 – Defined Benefit Pension Plans (Continued)**

***Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)***

***Proportionate Share of Net Pension Liability and Pension Expense (Continued)***

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (Continued):

	<b>Safety</b>	
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Pension contribution after measurement date	\$ 4,226,782	\$ -
Difference between expected and actual experience	329,140	(85,816)
Changes of assumptions	4,773,359	(366,225)
Difference between projected and actual earning on pension plan investments	1,040,779	-
Adjustment due to differences in proportions	204,807	(356,392)
Difference between City contributions and proportionate share of contributions	1,566,760	-
	<u>\$ 12,141,627</u>	<u>\$ (808,433)</u>
Total	<u>\$ 12,141,627</u>	<u>\$ (808,433)</u>

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (Continued):

Deferred outflows of resources related to pensions resulting from the City’s contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Measurement Period Ended June 30,</b>	<b>Deferred Outflows/ (Inflows) of Resources</b>	
	<b>Miscellaneous</b>	<b>Safety</b>
2018	\$ 270,433	\$ 2,102,725
2019	1,335,077	3,483,234
2020	790,812	2,129,450
2021	(299,536)	(608,997)
2022	-	-
Thereafter	-	-
	<u>\$ 2,096,786</u>	<u>\$ 7,106,412</u>



**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 10 – Other Postemployment Benefit Plan**

***General Information about the Plan***

On June 12, 2007, 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 postemployment benefits for city employees. 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 during the year ended June 30, 2008. Contributions are made on a monthly basis.

**Plan Description**

The City participates in a post retirement health care plan trust (“Plan”) administered by PARS and Union Bank of California. The Plan provides medical insurance benefits to eligible retirees. PARS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by contacting the City at 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 \$556 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.

**Post-Retirement Health Care Coverage for Fire Employees**

The City contracted with Los Angeles County for Fire Services (“Fire District”) on 12/30/2017. Fire District employees are provided post-retirement health coverage. The current vesting period is 10 years of Fire District service. Service with the City does not count towards coverage, only time actually worked in Fire District service counts towards the vesting period. Hermosa Beach Fire Association (HBFA) members who transfer to the Fire District and who take a service retirement before reaching 10 years of Fire District service are ineligible for the Fire District's retiree health benefit.

For those HBFA members who have 19 plus years of service with the City at the time of transfer to Fire District employment and who take a service retirement from the Fire District prior to vesting in the Fire District's retiree health plan, the City agrees to create a new Tier to the City's retiree health program as follow: the retired HBFA member will be eligible to receive from the City the \$350 per month benefit set forth in Article 42(D) of the MOU. This benefit is limited to the first four HBFA members who qualify for the benefit.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 10 – Other Postemployment Benefit Plan (Continued)**

***General Information about the Plan (Continued)***

*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, 2018 were as follows:

Participants	Total
Active employees	137
Retirees	62
Total	199

***Net OPEB Liability***

The City’s net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

*Actuarial Assumptions*

The total OPEB liability, measured as of June 30, 2017, was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.00% Pre-funded in PARS Moderate Strategy
Inflation	2.75% per annum
Salary Increases	3.00% Aggregate
	Merit: 1997-2015 CalPERS Experience Study
Investment Rate of Return	6.00%
Healthcare Trend Rate	Non-Medicare: 7.5% in 2019, to 4.0% in 2076 and thereafter
	Medicare: 6.5% in 2019 to 4.0% in 2076 and thereafter
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study
Service Requirement	100% at 20 Years of Service
Participation Rate	Currently covered: 100%

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2017.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

**Note 10 – Other Postemployment Benefit Plan (Continued)**

*Net OPEB Liability (Continued)*

Actuarial Assumptions (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation PARS-Moderate	Expected Real Rate of Return
Global Equity	48.00%	4.820%
Fixed Income	45.00%	1.470%
REIs	2.00%	3.760%
Cash	5.00%	0.060%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.00 percent. The actuarial assumptions used to determine the discount rate was based on the current funding practice and assumed the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following presents the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2018:

Plan's OPEB Liability/(Asset)		
Discount Rate - 1% (5.00%)	Current Discount Rate (6.00%)	Discount Rate + 1% (7.00%)
\$ 1,907,000	\$ 591,000	\$ (512,000)

***Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using a health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates, for the measurement period ended June 30, 2018:

Plan's OPEB Liability/(Asset)		
-1.00%	Healthcare Trend Rate	+1.00%
\$ (276,000)	\$ 591,000	\$ 1,631,000

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

**Note 10 – Other Postemployment Benefit Plan (Continued)**

***Change in Net OPEB Liability***

	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
Balance at June 30, 2017 (Valuation Date)	\$ 10,271,000	\$ 8,316,000	\$ 1,955,000
Changes Recognized for the Measurement Period:			
Service Cost	326,000	-	326,000
Interest on the total OPEB liability	624,000	-	624,000
Changes of benefit terms	(381,000)	-	(381,000)
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions from the employer	-	1,050,000	(1,050,000)
Contributions from employees	-	-	-
Net investment income, net of administrative expense	-	906,000	(906,000)
Benefit payments, including refunds of employee contributions	(399,000)	(399,000)	-
Administrative Expense	-	(23,000)	23,000
Net Changes during July 1, 2016 to June 30, 2017	<u>170,000</u>	<u>1,534,000</u>	<u>(1,364,000)</u>
Balance at June 30, 2017 (Measurement Date)	<u>\$ 10,441,000</u>	<u>\$ 9,850,000</u>	<u>\$ 591,000</u>

***OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB***

For the year ended June 30, 2018, OPEB expense in the amount of \$1,569,000 is included in the accompanying statement of activities.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30	Amount
2019	\$ (77,000)
2020	(77,000)
2021	(77,000)
2022	(79,000)
2023	-
Thereafter	<u>-</u>
Total	<u>\$ (310,000)</u>

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

**Note 11 – Classification of Fund Balances**

At June 30, 2018, fund balances are classified in the governmental funds as follows:

	General Fund	Sewer Special Revenue Fund	Capital Improvements Capital Projects	Nonmajor Governmental Funds	Total
<b>Nonspendable</b>					
Prepaid items	\$ 478,479	\$ -	\$ -	\$ 9,280	\$ 487,759
Total nonspendable	478,479	-	-	9,280	487,759
<b>Restricted</b>					
Verizon PEG Grant	120,336	-	-	-	120,336
Chamber Sign Donation	50,000	-	-	-	50,000
Lighting District	-	-	-	33,219	33,219
Gas Tax	-	-	-	313,861	313,861
Source Reduction/Recycling	-	-	-	45,204	45,204
Parks/Rec Facility Projects	-	-	-	178,641	178,641
Undergrounding Districts	-	-	-	29,352	29,352
Prop A, C and Measure R					
Transit Projects	-	-	-	3,429,771	3,429,771
Air Quality Improvement Projects	-	-	-	12,486	12,486
Supplemental Law Enforcement					
Services Funds	-	-	-	241,659	241,659
Asset Forfeiture - Drug Enforcement and Education	-	-	-	509,839	509,839
Fire Protection	-	-	-	78,390	78,390
Grants	-	-	-	1,236,453	1,236,453
Measure M	-	-	-	207,468	207,468
RTI Undersea Cable	-	-	-	329,597	329,597
RTI Undersea Cable Tidelands	-	-	-	239,710	239,710
Storm Drain	-	-	-	792,239	792,239
Total restricted	170,336	-	-	7,677,889	7,848,225
<b>Committed</b>					
Capital Projects	-	209,860	-	-	209,860
In Lieu Fee- Parking Facilities	144,500	-	-	-	144,500
Tyco	-	-	-	935,024	935,024
Retirement Rate Stabilization	1,000,000	-	-	-	1,000,000
Total committed	1,144,500	209,860	-	935,024	2,289,384
<b>Assigned</b>					
Reappropriations- Non-CIP	369,957	-	-	-	369,957
Public Works Capital					
Improvement Projects	730,786	-	-	-	730,786
Sewers and Storm Drains	-	5,877,710	-	-	5,877,710
Contingencies	5,701,016	-	-	-	5,701,016
Community Events	36,466	-	-	-	36,466
TOT Revenues for Fire Services	698,254	-	-	-	698,254
Compensated absences	244,981	-	-	-	244,981
Public Financing Authority	-	-	-	362	362
Capital Projects	-	-	7,190,619	-	7,190,619
Total assigned	7,781,460	5,877,710	7,190,619	362	20,850,151
<b>Total fund balances</b>	<b>\$ 9,574,775</b>	<b>\$ 6,087,570</b>	<b>\$ 7,190,619</b>	<b>\$ 8,622,555</b>	<b>\$ 31,475,519</b>

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 12 – Non-City Obligations**

At June 30, 2018, 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.

***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	Total
2019	75,000	6,756	81,756
2020	80,000	2,300	82,300
<b>Total</b>	<b>\$ 155,000</b>	<b>\$ 9,056</b>	<b>\$ 164,056</b>

***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	Total
2019	85,000	7,619	92,619
2020	90,000	2,587	92,587
<b>Total</b>	<b>\$ 175,000</b>	<b>\$ 10,206</b>	<b>\$ 185,206</b>

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 12 – Non-City Obligations (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	Total
2019	23,032	7,434	30,466
2020	24,137	6,302	30,439
2021	25,296	5,115	30,411
2022	26,510	3,992	30,502
2023	27,783	2,929	30,712
2024-2025	59,630	2,416	62,046
	<u>\$ 186,388</u>	<u>\$ 28,188</u>	<u>\$ 214,576</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	Total
2019	41,311	15,996	57,307
2020	43,492	14,194	57,686
2021	45,765	12,297	58,062
2022	48,135	10,301	58,436
2023	50,606	8,203	58,809
2024-2026	167,714	10,926	178,640
<b>Total</b>	<u>\$ 397,023</u>	<u>\$ 71,917</u>	<u>\$ 468,940</u>

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 13 – Commitments and Contingencies**

**A. Commitments**

The City had several outstanding or planned construction and other projects as of June 30, 2018. These projects are evidenced by contractual commitments with contractors and include:

Project	Spent to Date	Commitment Remaining
Permit Software Upgrade and Integration Project	\$ 185,581	\$ 354,419
General Plan & Coastal Plan Update	994,640	23,013
Police Department Radio Upgrades	12,861	720,088
Fire Department Facility and Equipment Conversion	28,298	2,005,373
<b>Total</b>	<b>\$ 1,221,380</b>	<b>\$ 3,102,893</b>

Of the commitments listed above, \$1,841,373 represents commitments in the General Fund, \$1,074,507 represents commitments in internal service funds, and \$187,013 represents commitments in Special Revenue funds.

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 former Downtown Enhancement Enterprise Fund and Prop A Open Space funding contributed by the Los Angeles County Department of Beaches and Harbors (“County”). 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 made to the County for fiscal year 2017-2018 is \$329,209.

**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.

**C. Grants**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of noncompliance 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.



**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2018**

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**Note 14 – Prior Period Adjustment**

For the year ended June 30 2018, the City is required to implement GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this statement requires retrospective application of previously reported net position at July 1, 2017. Accordingly, net position as of July 1, 2017 was restated as follows:

<b>Reconciliation of the Beginning Net Position:</b>	
Beginning net position, as originally reported	\$ 58,390,922
Prior period adjustment:	
GASB 75, OPEB (Retiree Health) Implementation	1,659,700
Unrecorded sales tax revenue	<u>70,009</u>
Beginning net position, as restated	<u><u>\$ 60,120,631</u></u>

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**REQUIRED SUPPLEMENTARY  
INFORMATION (UNAUDITED)**

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**City of Hermosa Beach**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedule – General Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Fund balance, July 1, 2017</b>	\$ 9,732,561	\$ 9,732,561	\$ 9,732,561	\$ -
Resources (inflows):				
Property taxes	16,560,552	16,948,122	17,072,844	124,722
Other taxes	10,140,779	10,136,437	10,319,281	182,844
Licenses and permits	1,508,539	1,270,599	787,563	(483,036)
Fines and forfeitures	2,390,136	2,063,979	1,921,215	(142,764)
Use of money and property	739,802	755,752	708,505	(47,247)
Intergovernmental	124,877	125,510	117,774	(7,736)
Charges for services	7,207,605	7,352,742	7,170,767	(181,975)
Miscellaneous	112,301	147,905	177,509	29,604
Interest earned on investments	93,497	191,042	66,019	(125,023)
Transfers in	351,298	351,298	351,298	-
Amount available for appropriatio	<u>48,961,947</u>	<u>49,075,947</u>	<u>48,425,336</u>	<u>(650,611)</u>
Charges to appropriations (outflows):				
Legislative and legal	1,336,915	1,371,353	1,302,500	68,853
General government	4,056,894	3,959,813	3,684,961	274,852
Public safety	22,303,636	22,139,750	21,338,362	801,388
Community development	2,169,058	2,225,764	1,945,096	280,668
Culture and recreation	1,411,417	1,411,417	1,383,630	27,787
Public works	5,150,856	5,293,940	5,087,725	206,215
Capital outlay	2,102,678	2,365,797	544,259	1,821,538
Transfers out	877,479	1,986,139	3,564,028	(1,577,889)
Total charges to appropriations	<u>39,408,933</u>	<u>40,753,973</u>	<u>38,850,561</u>	<u>1,903,412</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ 9,553,014</u>	<u>\$ 8,321,974</u>	<u>\$ 9,574,775</u>	<u>\$ 1,252,801</u>

**City of Hermosa Beach**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Budgetary Comparison Schedule – Sewer Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Fund balance, July 1, 2017</b>	\$ 5,375,391	\$ 5,375,391	\$ 5,375,391	\$ -
Resources (inflows):				
Intergovernmental	25,599	13,443	11,482	(1,961)
Charges for services	1,110,687	1,130,630	1,130,531	(99)
Interest earned on investments	44,804	119,653	44,686	(74,967)
Amount available for appropriation	6,556,481	6,639,117	6,562,090	(77,027)
Charges to appropriations (outflows):				
Public works	403,691	406,910	327,272	79,638
Capital outlay	1,332,085	2,732,782	147,248	2,585,534
Total charges to appropriations	1,735,776	3,139,692	474,520	2,665,172
<b>Fund balance, June 30, 2018</b>	\$ 4,820,705	\$ 3,499,425	\$ 6,087,570	\$ 2,588,145

**City of Hermosa Beach**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Budgetary Comparison Schedule – Capital Improvements Capital Project Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Fund balance, July 1, 2017</b>	\$ 7,537,724	\$ 7,537,724	\$ 7,537,724	\$ -
Resources (inflows):				
Miscellaneous	-	28,470	39,212	10,742
Interest earned on investments	61,554	157,984	41,655	(116,329)
Amount available for appropriation	7,599,278	7,724,178	7,618,591	(105,587)
Charges to appropriations (outflows):				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	4,681,316	3,065,067	427,973	2,637,094
Total charges to appropriations	4,681,316	3,065,067	427,973	2,637,094
<b>Fund balance, June 30, 2018</b>	\$ 2,917,962	\$ 4,659,111	\$ 7,190,618	\$ 2,531,507

**City of Hermosa Beach**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Notes to the Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2018**

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**Budgetary Control and Accounting Policy**

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.

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.



**City of Hermosa Beach**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios**  
**For the Year Ended June 30, 2018**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan**

	<u>June 30, 2017<sup>1</sup></u>	<u>June 30, 2016<sup>1</sup></u>	<u>June 30, 2015<sup>1</sup></u>	<u>June 30, 2014<sup>1</sup></u>
City's Proportion of the Net Pension Liability/(Asset)	0.14664%	0.14882%	0.15099%	0.16331%
City's Proportionate Share of the Net Pension Liability/(Asset)	\$ 14,542,712	\$ 12,877,883	\$ 10,364,015	\$ 10,161,668
City's Covered Payroll	<u>\$ 6,785,443</u>	<u>\$ 6,540,869</u>	<u>\$ 5,700,485</u>	<u>\$ 5,355,599</u>
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	<u>214.32%</u>	<u>196.88%</u>	<u>181.81%</u>	<u>189.74%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>72.80%</u>	<u>73.59%</u>	<u>78.00%</u>	<u>78.34%</u>

**California Public Employees' Retirement System ("CalPERS") Safety Plan**

	<u>June 30, 2017<sup>1</sup></u>	<u>June 30, 2016<sup>1</sup></u>	<u>June 30, 2015<sup>1</sup></u>	<u>June 30, 2014<sup>1</sup></u>
City's Proportion of the Net Pension Liability/(Asset)	0.35213%	0.37217%	0.40019%	0.42012%
City's Proportionate Share of the Net Pension Liability/(Asset)	\$ 34,921,802	\$ 32,204,127	\$ 27,469,000	\$ 26,141,972
City's Covered Payroll	<u>\$ 5,597,657</u>	<u>\$ 5,342,937</u>	<u>\$ 5,492,822</u>	<u>\$ 5,065,109</u>
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	<u>623.86%</u>	<u>602.74%</u>	<u>500.09%</u>	<u>516.12%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>69.01%</u>	<u>68.78%</u>	<u>72.40%</u>	<u>74.24%</u>

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is applicable. The measurement date 2014 was the first year of implementation, therefore only four years are presented.

**City of Hermosa Beach**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of the City's Contributions - Pension**  
**For the Year Ended June 30, 2018**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan**

	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14<sup>1</sup></u>
Actuarially Determined Contribution	\$ 527,115	\$ 518,722	\$ 469,656	\$ 883,493	\$ 799,637
Contribution in Relation to the Actuarially Determined Contribution	<u>(1,516,745)</u>	<u>(1,379,151)</u>	<u>(1,245,120)</u>	<u>(883,493)</u>	<u>(799,637)</u>
Contribution Deficiency (Excess)	<u>\$ (989,630)</u>	<u>\$ (860,429)</u>	<u>\$ (775,464)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll <sup>2</sup>	<u>\$ 7,402,032</u>	<u>\$ 6,785,443</u>	<u>\$ 6,540,869</u>	<u>\$ 5,700,485</u>	<u>\$ 5,355,599</u>
Contributions as a Percentage of Covered Payroll	<u>20.49%</u>	<u>20.33%</u>	<u>19.04%</u>	<u>15.50%</u>	<u>14.93%</u>

**California Public Employees' Retirement System ("CalPERS") Safety Plan**

	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14<sup>1</sup></u>
Actuarially Determined Contribution	\$ 1,016,858	\$ 1,029,129	\$ 1,033,371	\$ 2,842,420	\$ 1,923,392
Contribution in Relation to the Actuarially Determined Contribution	<u>(4,226,782)</u>	<u>(3,921,179)</u>	<u>(3,698,115)</u>	<u>(2,842,420)</u>	<u>(1,923,392)</u>
Contribution Deficiency (Excess)	<u>\$ (3,209,924)</u>	<u>\$ (2,892,050)</u>	<u>\$ (2,664,744)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll <sup>2</sup>	<u>\$ 5,320,583</u>	<u>\$ 5,597,651</u>	<u>\$ 5,342,937</u>	<u>\$ 5,492,822</u>	<u>\$ 5,065,109</u>
Contributions as a Percentage of Covered Payroll	<u>79.44%</u>	<u>70.05%</u>	<u>69.22%</u>	<u>51.75%</u>	<u>37.97%</u>

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is applicable. The fiscal year 2014 was the first year of implementation, therefore only five years are presented.

<sup>2</sup> Covered Payroll represented above is based on pensionable earnings provided by the employer.

**Notes to Schedule**

Changes of Assumptions: The discount rate was changed from 7.65% to 7.15% from June 30, 2016 to June 30, 2017 (measurement date).

**City of Hermosa Beach**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**For the Year Ended June 30, 2018**

Last Ten Fiscal Years

<b>For the Measurement Period:</b>	<b>2016-2017</b>
<b>Total OPEB Liability:</b>	
Service Cost	\$ 326,000
Interest on the total OPEB liability	624,000
Changes in benefit terms	(381,000)
Difference between expected and actual experience	-
Changes in assumptions	-
Contribution from the employer	-
Benefit payments	(399,000)
<b>Net changes in Total OPEB Liability</b>	<b>170,000</b>
<b>Beginning of Year</b>	<b>10,271,000</b>
<b>End of Year</b>	<b>\$ 10,441,000</b>
<b>Plan Fiduciary Net Position:</b>	
Employer contribution	\$ 1,050,000
Employee contributions	-
Net investment income	906,000
Administrative expenses	(23,000)
Benefit payments	(399,000)
Other	-
<b>Net changes in Fiduciary Net Position</b>	<b>1,534,000</b>
<b>Beginning of Year</b>	<b>8,316,000</b>
<b>End of Year</b>	<b>\$ 9,850,000</b>
<b>Net OPEB Liability</b>	<b>\$ 591,000</b>
<b>Fiduciary Net Position as a % of Total OPEB Liability</b>	<b>94.34%</b>
<b>Covered Payroll</b>	<b>\$ 11,551,135</b>
<b>Net OPEB Liability as a % of Payroll</b>	<b>5.12%</b>

\* 2018 is first year of implementation, therefore only one year is available for the required 10-year schedule.

**City of Hermosa Beach**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of the City's Contributions - OPEB**  
**For the Year Ended June 30, 2018**

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**Last Ten Fiscal Years**

<b>For the Measurement Period:</b>	2017-18	2016-17
Actuarially Determined Contributions	\$ 818,000	\$ 818,000
Contributions in relation to the actuarially determined contribution	(1,569,000)	(1,050,000)
Contribution deficiency (excess)	\$ (751,000)	\$ (232,000)
Covered-employee payroll	\$ 11,551,135	\$ 10,955,041
Contributions as a percentage of covered payroll	13.58%	9.58%

\* 2018 is first year of implementation, therefore only two years of contributions are available for the required 10-year schedule.

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# **SUPPLEMENTARY INFORMATION**

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# NON MAJOR GOVERNMENTAL FUNDS

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## 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.

**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.

**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.

**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.

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# NON MAJOR

## GOVERNMENTAL FUNDS (Continued)

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Special Revenue Funds (Continued):

**Proposition "A" Transit Fund** - Transit revenue consists primarily of Proposition A fund (the 1/2 cent sales tax for Los Angeles County transportation purposes). The City currently operates a Dial-a-Ride program 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** - This fund is used to account for funds received from the Citizen Option for Public Safety ("COPS") program, established by the State Legislature in fiscal year 1996-1997. Funds must be used for front line municipal police services and must supplement and not supplant existing funding.

**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.

**Community Development Block Grant (CDBG) Fund** - This fund is used to track the costs related to community development block grant.

**Measure "M" Fund** - This fund is used to account for voter-approved 1/2 cent sales tax for a Los Angeles County Traffic Improvement Plan to improve freeway traffic flow/safety; repair potholes/sidewalks; repave local streets; earthquake-retrofit bridges; synchronize signals; keep senior/disabled/student fares affordable; expand rail/subway/bus systems; improve job/school/airport connections; and create jobs.

**RTI Undersea Cable Fund** - This fund is used to account for funds received from an easement granted for construction of a transpacific, submarine fiber optic cable system with a landing in Hermosa Beach. The project will provide additional capacity for global voice and data transmission and global access to planned and existing land-based communication networks in the

**RTI Undersea Cable Tidelands Fund** - This fund is used to account for funds set aside according to the MC Global (now RTI-I) easement agreement for easement within tidelands and submerged lands.

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# NON MAJOR GOVERNMENTAL FUNDS (Continued)

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Special Revenue Funds (Continued):

**Grants Special Revenue Fund** - This fund is used to support eligible public service agencies.

**Storm Drain Special Revenue Fund** - This fund is used to account for maintenance of the City's storm drains. This includes administration of the national Pollution Discharge Elimination System Program.

Debt Service Fund:

**2015 Lease Revenue Bond** - This fund is used to account for 2015 Lease Revenue Bond.

**City of Hermosa Beach**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	Special Revenue Funds			
	Lighting and Landscaping District	State Gas Tax	AB 939	Prop A Open Space
<b>ASSETS</b>				
Cash and investments	\$ 72,050	\$ 236,687	\$ 61,333	\$ -
Accounts receivable	15,000	76,905	3,826	26,697
Property taxes receivable, net	7,358	-	-	-
Reimbursable grants receivable	-	-	-	-
Interest receivable	84	269	29	-
Other assets	-	-	-	-
<b>Total assets</b>	<b>\$ 94,492</b>	<b>\$ 313,861</b>	<b>\$ 65,188</b>	<b>\$ 26,697</b>
<b>LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 40,082	\$ -	\$ 18,575	\$ -
Accrued wages and benefits payable	8,374	-	1,103	-
Due to other funds	-	-	-	26,697
Compensated absences, due within one year	5,459	-	306	-
<b>Total liabilities</b>	<b>53,915</b>	<b>-</b>	<b>19,984</b>	<b>26,697</b>
<b>Deferred inflows of resources:</b>				
Unavailable Revenues	7,358	-	-	-
<b>Total deferred inflows of resources</b>	<b>7,358</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Nonspendable	-	-	-	-
Restricted	33,219	313,861	45,204	-
Committed	-	-	-	-
Assigned	-	-	-	-
<b>Total fund balances</b>	<b>33,219</b>	<b>313,861</b>	<b>45,204</b>	<b>-</b>
<b>Total liabilities, deferred outflows of resources and fund balances</b>	<b>\$ 94,492</b>	<b>\$ 313,861</b>	<b>\$ 65,188</b>	<b>\$ 26,697</b>

(Continued)

**City of Hermosa Beach**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	Special Revenue Funds			
	Tyco	Tyco Tidelands	Parks/ Recreation Facilities Tax	Bayview Drive Administrative Expense
<b>ASSETS</b>				
Cash and investments	\$ 941,712	\$ -	\$ 187,315	\$ 2,606
Accounts receivable	-	-	1,450	-
Property taxes receivable, net	-	-	-	-
Reimbursable grants receivable	-	-	-	-
Interest receivable	548	-	320	2
Other assets	-	-	-	-
<b>Total assets</b>	<b>\$ 942,260</b>	<b>\$ -</b>	<b>\$ 189,085</b>	<b>\$ 2,608</b>
<b>LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 7,236	\$ -	\$ 10,444	\$ 355
Accrued wages and benefits payable	-	-	-	-
Due to other funds	-	-	-	-
Compensated absences, due within one year	-	-	-	-
<b>Total liabilities</b>	<b>7,236</b>	<b>-</b>	<b>10,444</b>	<b>355</b>
<b>Deferred inflows of resources:</b>				
Unavailable Revenues	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Nonspendable	-	-	-	-
Restricted	-	-	178,641	2,253
Committed	935,024	-	-	-
Assigned	-	-	-	-
<b>Total fund balances</b>	<b>935,024</b>	<b>-</b>	<b>178,641</b>	<b>2,253</b>
<b>Total liabilities, deferred outflows of resources and fund balances</b>	<b>\$ 942,260</b>	<b>\$ -</b>	<b>\$ 189,085</b>	<b>\$ 2,608</b>

(Continued)

**City of Hermosa Beach**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	Special Revenue Funds			
	Lower Pier Administrative Expense	Myrtle District Administrative Expense	Loma District Administrative Expense	Beach Drive Assessment District Admin Expense
<b>ASSETS</b>				
Cash and investments	\$ 301	\$ 7,934	\$ 17,395	\$ 2,966
Accounts receivable	-	-	-	-
Property taxes receivable, net	-	-	-	-
Reimbursable grants receivable	-	-	-	-
Interest receivable	-	11	17	3
Other assets	-	-	-	-
<b>Total assets</b>	<b>\$ 301</b>	<b>\$ 7,945</b>	<b>\$ 17,412</b>	<b>\$ 2,969</b>
<b>LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 301	\$ 405	\$ 482	\$ 340
Accrued wages and benefits payable	-	-	-	-
Due to other funds	-	-	-	-
Compensated absences, due within one year	-	-	-	-
<b>Total liabilities</b>	<b>301</b>	<b>405</b>	<b>482</b>	<b>340</b>
<b>Deferred inflows of resources:</b>				
Unavailable Revenues	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Nonspendable	-	-	-	-
Restricted	-	7,540	16,930	2,629
Committed	-	-	-	-
Assigned	-	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>7,540</b>	<b>16,930</b>	<b>2,629</b>
<b>Total liabilities, deferred outflows of resources and fund balances</b>	<b>\$ 301</b>	<b>\$ 7,945</b>	<b>\$ 17,412</b>	<b>\$ 2,969</b>

(Continued)

**City of Hermosa Beach**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

Special Revenue Funds

	Special Revenue Funds			
	Proposition "A" Transit	Proposition "C"	Measure "R"	Air Quality Management District
<b>ASSETS</b>				
Cash and investments	\$ 1,401,520	\$ 1,296,565	\$ 959,834	\$ 52,701
Accounts receivable	-	-	10,000	13,223
Property taxes receivable, net	-	-	-	-
Reimbursable grants receivable	-	-	-	-
Interest receivable	766	776	517	31
Other assets	-	-	-	-
<b>Total assets</b>	<b>\$ 1,402,286</b>	<b>\$ 1,297,341</b>	<b>\$ 970,351</b>	<b>\$ 65,955</b>
<b>LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 89,439	\$ 150,353	\$ -	\$ 53,265
Accrued wages and benefits payable	226	1	188	204
Due to other funds	-	-	-	-
Compensated absences, due within one year	-	-	-	-
<b>Total liabilities</b>	<b>89,665</b>	<b>150,354</b>	<b>188</b>	<b>53,469</b>
<b>Deferred inflows of resources:</b>				
Unavailable Revenues	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Nonspendable	-	-	-	-
Restricted	1,312,621	1,146,987	970,163	12,486
Committed	-	-	-	-
Assigned	-	-	-	-
<b>Total fund balances</b>	<b>1,312,621</b>	<b>1,146,987</b>	<b>970,163</b>	<b>12,486</b>
<b>Total liabilities, deferred outflows of resources and fund balances</b>	<b>\$ 1,402,286</b>	<b>\$ 1,297,341</b>	<b>\$ 970,351</b>	<b>\$ 65,955</b>

(Continued)

**City of Hermosa Beach**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	Special Revenue Funds			
	Supplemental Law Enforcement Services	Asset Seizure and Forfeiture	Fire Protection	CDBG
<b>ASSETS</b>				
Cash and investments	\$ 242,014	\$ 507,515	\$ 78,337	\$ -
Accounts receivable	-	2,074	-	4,971
Property taxes receivable, net	-	-	-	-
Reimbursable grants receivable	-	-	-	-
Interest receivable	200	250	53	-
Other assets	9,280	-	-	-
<b>Total assets</b>	<b>\$ 251,494</b>	<b>\$ 509,839</b>	<b>\$ 78,390</b>	<b>\$ 4,971</b>
<b>LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 555	\$ -	\$ -	\$ -
Accrued wages and benefits payable	-	-	-	-
Due to other funds	-	-	-	-
Compensated absences, due within one year	-	-	-	-
<b>Total liabilities</b>	<b>555</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred inflows of resources:</b>				
Unavailable Revenues	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Nonspendable	9,280	-	-	-
Restricted	241,659	509,839	78,390	4,971
Committed	-	-	-	-
Assigned	-	-	-	-
<b>Total fund balances</b>	<b>250,939</b>	<b>509,839</b>	<b>78,390</b>	<b>4,971</b>
<b>Total liabilities, deferred outflows of resources and fund balances</b>	<b>\$ 251,494</b>	<b>\$ 509,839</b>	<b>\$ 78,390</b>	<b>\$ 4,971</b>

(Continued)



**City of Hermosa Beach**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	Special Revenue Funds			
	Measure "M"	RTI Undersea Cable	RTI Undersea Cable Tidelands	Grants
<b>ASSETS</b>				
Cash and investments	\$ 205,551	\$ 326,198	\$ 237,238	\$ 909,554
Accounts receivable	-	-	-	43,850
Property taxes receivable, net	-	-	-	-
Reimbursable grants receivable	-	-	-	346,240
Interest receivable	1,917	3,399	2,472	-
Other assets	-	-	-	-
<b>Total assets</b>	<b>\$ 207,468</b>	<b>\$ 329,597</b>	<b>\$ 239,710</b>	<b>\$ 1,299,644</b>
<b>LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 68,114
Accrued wages and benefits payable	-	-	-	-
Due to other funds	-	-	-	1
Compensated absences, due within one year	-	-	-	47
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,162</b>
<b>Deferred inflows of resources:</b>				
Unavailable Revenues	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Nonspendable	-	-	-	-
Restricted	207,468	329,597	239,710	1,231,482
Committed	-	-	-	-
Assigned	-	-	-	-
<b>Total fund balances</b>	<b>207,468</b>	<b>329,597</b>	<b>239,710</b>	<b>1,231,482</b>
<b>Total liabilities, deferred outflows of resources and fund balances</b>	<b>\$ 207,468</b>	<b>\$ 329,597</b>	<b>\$ 239,710</b>	<b>\$ 1,299,644</b>

(Continued)

**City of Hermosa Beach**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	Special		Total Nonmajor Governmental Funds
	Revenue Funds	Debt Service Fund	
	Storm Drain	2015 Lease Revenue Bond	
<b>ASSETS</b>			
Cash and investments	\$ 847,813	\$ 362	\$ 8,595,501
Accounts receivable	-	-	197,996
Property taxes receivable, net	-	-	7,358
Reimbursable grants receivable	-	-	346,240
Interest receivable	-	-	11,664
Other assets	-	-	9,280
<b>Total assets</b>	<b>\$ 847,813</b>	<b>\$ 362</b>	<b>\$ 9,168,039</b>
<b>LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 45,068	\$ -	\$ 485,014
Accrued wages and benefits payable	5,596	-	15,692
Due to other funds	-	-	26,698
Compensated absences, due within one year	4,910	-	10,722
<b>Total liabilities</b>	<b>55,574</b>	<b>-</b>	<b>538,126</b>
<b>Deferred inflows of resources:</b>			
Unavailable Revenues	-	-	7,358
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>7,358</b>
<b>Fund Balances:</b>			
Nonspendable	-	-	9,280
Restricted	792,239	-	7,677,889
Committed	-	-	935,024
Assigned	-	362	362
<b>Total fund balances</b>	<b>792,239</b>	<b>362</b>	<b>8,622,555</b>
<b>Total liabilities, deferred outflows of resources and fund balances</b>	<b>\$ 847,813</b>	<b>\$ 362</b>	<b>\$ 9,168,039</b>

(Concluded)

**City of Hermosa Beach**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2018**

	Special Revenue Funds			
	Lighting and Landscaping District	State Gas Tax	AB 939	Prop A Open Space
<b>REVENUES:</b>				
Property taxes	\$ 457,648	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	513,168	-	20,557
Charges for services	-	-	58,616	-
Miscellaneous	-	-	-	-
Interest earned on investments	(518)	(18)	120	-
<b>Total revenues</b>	<u>457,130</u>	<u>513,150</u>	<u>58,736</u>	<u>20,557</u>
<b>EXPENDITURES:</b>				
Current:				
Legislative and legal	-	-	-	-
General government	-	-	42,421	-
Public safety	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Public works	593,073	-	-	-
Capital outlay	-	36,302	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<u>593,073</u>	<u>36,302</u>	<u>42,421</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(135,943)</u>	<u>476,848</u>	<u>16,315</u>	<u>20,557</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	133,154	-	-	-
Transfers out	(11,054)	(302,266)	-	(20,557)
<b>Total other financing sources (uses)</b>	<u>122,100</u>	<u>(302,266)</u>	<u>-</u>	<u>(20,557)</u>
<b>CHANGES IN FUND BALANCES</b>	(13,843)	174,582	16,315	-
<b>FUND BALANCES:</b>				
Beginning of year	47,062	139,279	28,889	-
End of year	<u>\$ 33,219</u>	<u>\$ 313,861</u>	<u>\$ 45,204</u>	<u>\$ -</u>

(Continued)

**City of Hermosa Beach**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2018**

	Special Revenue Funds			
	Tyco	Tyco Tidelands	Parks/ Recreation Facility Tax	Bayview Drive Administrative Expense
<b>REVENUES:</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	318,846	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	150,756	-
Miscellaneous	-	-	-	4,498
Interest earned on investments	5,836	29	1,208	14
<b>Total revenues</b>	<u>324,682</u>	<u>29</u>	<u>151,964</u>	<u>4,512</u>
<b>EXPENDITURES:</b>				
Current:				
Legislative and legal	-	-	-	-
General government	-	-	-	1,502
Public safety	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Public works	-	-	27,633	-
Capital outlay	58,806	3,743	68,454	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<u>58,806</u>	<u>3,743</u>	<u>96,087</u>	<u>1,502</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>265,876</u>	<u>(3,714)</u>	<u>55,877</u>	<u>3,010</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	(2,307)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,307)</u>
<b>CHANGES IN FUND BALANCES</b>	265,876	(3,714)	55,877	703
<b>FUND BALANCES:</b>				
Beginning of year	669,148	3,714	122,764	1,550
End of year	<u>\$ 935,024</u>	<u>\$ -</u>	<u>\$ 178,641</u>	<u>\$ 2,253</u>

(Continued)

**City of Hermosa Beach**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2018**

	Special Revenue Funds			
	Lower Pier Administrative Expense	Myrtle District Administrative Expense	Loma District Administrative Expense	Beach Drive Assessment District Admin Expense
<b>REVENUES:</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	9,000	10,000	3,500
Interest earned on investments	-	88	154	26
<b>Total revenues</b>	<b>-</b>	<b>9,088</b>	<b>10,154</b>	<b>3,526</b>
<b>EXPENDITURES:</b>				
Current:				
Legislative and legal	-	-	-	-
General government	115	5,403	3,539	1,416
Public safety	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>115</b>	<b>5,403</b>	<b>3,539</b>	<b>1,416</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(115)</b>	<b>3,685</b>	<b>6,615</b>	<b>2,110</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	(2,249)	(5,264)	(5,710)	(1,891)
<b>Total other financing sources (uses)</b>	<b>(2,249)</b>	<b>(5,264)</b>	<b>(5,710)</b>	<b>(1,891)</b>
<b>CHANGES IN FUND BALANCES</b>	<b>(2,364)</b>	<b>(1,579)</b>	<b>905</b>	<b>219</b>
<b>FUND BALANCES:</b>				
Beginning of year	2,364	9,119	16,025	2,410
End of year	\$ -	\$ 7,540	\$ 16,930	\$ 2,629

(Continued)

**City of Hermosa Beach**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2018**

	Special Revenue Funds			
	Proposition "A" Transit	Proposition "C"	Measure "R"	Air Quality Management District
<b>REVENUES:</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	369,353	306,503	229,467	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	2,052
Charges for services	5,386	-	-	-
Miscellaneous	-	-	6,668	-
Interest earned on investments	9,910	13,518	6,077	893
<b>Total revenues</b>	<u>384,649</u>	<u>320,021</u>	<u>242,212</u>	<u>2,945</u>
<b>EXPENDITURES:</b>				
Current:				
Legislative and legal	-	-	-	-
General government	8,715	-	-	2,971
Public safety	57,907	-	-	-
Community development	69,432	-	-	-
Culture and recreation	63,366	-	-	-
Public works	-	8,597	-	-
Capital outlay	-	436,019	6,669	66,135
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<u>199,420</u>	<u>444,616</u>	<u>6,669</u>	<u>69,106</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>185,229</u>	<u>(124,595)</u>	<u>235,543</u>	<u>(66,161)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGES IN FUND BALANCES</b>	185,229	(124,595)	235,543	(66,161)
<b>FUND BALANCES:</b>				
Beginning of year	1,127,392	1,271,582	734,620	78,647
End of year	<u>\$ 1,312,621</u>	<u>\$ 1,146,987</u>	<u>\$ 970,163</u>	<u>\$ 12,486</u>

(Continued)

**City of Hermosa Beach**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2018**

	Special Revenue Funds			
	Supplemental Law Enforcement Services	Asset Seizure and Forfeiture	Fire Protection	CDBG
<b>REVENUES:</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	116,348	-	-	-
Fines and forfeitures	-	268,068	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	4,971
Charges for services	-	-	14,508	-
Miscellaneous	-	-	-	-
Interest earned on investments	1,515	3,193	1,140	-
<b>Total revenues</b>	<b>117,863</b>	<b>271,261</b>	<b>15,648</b>	<b>4,971</b>
<b>EXPENDITURES:</b>				
Current:				
Legislative and legal	-	-	-	-
General government	-	-	-	-
Public safety	33,893	7,657	28,297	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Public works	-	-	-	-
Capital outlay	3,319	98	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>37,212</b>	<b>7,755</b>	<b>28,297</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>80,651</b>	<b>263,506</b>	<b>(12,649)</b>	<b>4,971</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGES IN FUND BALANCES</b>	<b>80,651</b>	<b>263,506</b>	<b>(12,649)</b>	<b>4,971</b>
<b>FUND BALANCES:</b>				
Beginning of year	170,288	246,333	91,039	-
End of year	<u>\$ 250,939</u>	<u>\$ 509,839</u>	<u>\$ 78,390</u>	<u>\$ 4,971</u>

(Continued)

**City of Hermosa Beach**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2018**

	Special Revenue Fund			
	Measure "M"	RTI Undersea Cable	RTI Tidelands	Grants
<b>REVENUES:</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	207,948	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	329,597	239,710	-
Intergovernmental	-	-	-	90,765
Charges for services	-	-	-	-
Miscellaneous	-	-	-	924,247
Interest earned on investments	(480)	-	-	-
<b>Total revenues</b>	<b>207,468</b>	<b>329,597</b>	<b>239,710</b>	<b>1,015,012</b>
<b>EXPENDITURES:</b>				
Current:				
Legislative and legal	-	-	-	10,761
General government	-	-	-	-
Public safety	-	-	-	2,293
Community development	-	-	-	19,707
Culture and recreation	-	-	-	-
Public works	-	-	-	4,503
Capital outlay	-	-	-	349,499
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>386,763</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>207,468</b>	<b>329,597</b>	<b>239,710</b>	<b>628,249</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from lease revenue bond	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGES IN FUND BALANCES</b>	<b>207,468</b>	<b>329,597</b>	<b>239,710</b>	<b>628,249</b>
<b>FUND BALANCES:</b>				
Beginning of year	-	-	-	603,233
End of year	<u>\$ 207,468</u>	<u>\$ 329,597</u>	<u>\$ 239,710</u>	<u>\$ 1,231,482</u>

(Continued)



**City of Hermosa Beach**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2018**

	Special		Total Nonmajor Governmental Funds
	Revenue Fund	Debt Service Fund	
	Storm Drain	2015 Lease Revenue Bond	
<b>REVENUES:</b>			
Property taxes	\$ -	\$ -	\$ 457,648
Other taxes	700,000	-	1,929,619
Fines and forfeitures	-	-	268,068
Use of money and property	-	-	888,153
Intergovernmental	-	-	631,513
Charges for services	-	-	229,266
Miscellaneous	-	-	957,913
Interest earned on investments	(10,278)	-	32,427
<b>Total revenues</b>	<u>689,722</u>	<u>-</u>	<u>5,394,607</u>
<b>EXPENDITURES:</b>			
Current:			
Legislative and legal	-	-	10,761
General government	-	-	66,082
Public safety	-	-	130,047
Community development	-	-	89,139
Culture and recreation	-	-	63,366
Public works	294,722	-	928,528
Capital outlay	16,293	-	1,045,337
Debt service:			
Principal	-	434,992	434,992
Interest and fiscal charges	-	355,738	355,738
<b>Total expenditures</b>	<u>311,015</u>	<u>790,730</u>	<u>3,123,990</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>378,707</u>	<u>(790,730)</u>	<u>2,270,617</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from lease revenue bond	-	-	-
Transfers in	-	787,390	920,544
Transfers out	-	-	(351,298)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>787,390</u>	<u>569,246</u>
<b>CHANGES IN FUND BALANCES</b>	378,707	(3,340)	2,839,863
<b>FUND BALANCES:</b>			
Beginning of year	413,532	3,702	5,782,692
End of year	<u>\$ 792,239</u>	<u>\$ 362</u>	<u>\$ 8,622,555</u>

(Concluded)

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Lighting and Landscaping District Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ 47,062	\$ 47,062	\$ -
Resources (inflows):			
Property taxes	456,100	457,648	1,548
Interest earned on investments	-	(518)	(518)
Transfers in	133,154	133,154	-
Amount available for appropriation	<u>636,316</u>	<u>637,346</u>	<u>1,030</u>
Charges to appropriations (outflows):			
Public works	625,262	593,073	32,189
Transfers out	11,054	11,054	-
Total charges to appropriations	<u>636,316</u>	<u>604,127</u>	<u>32,189</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ -</u>	<u>\$ 33,219</u>	<u>\$ 33,219</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**State Gas Tax Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ 139,279	\$ 139,279	\$ -
Resources (inflows):			
Intergovernmental	572,042	513,168	(58,874)
Interest earned on investments	1,913	(18)	(1,931)
Amount available for appropriation	<u>713,234</u>	<u>652,429</u>	<u>(60,805)</u>
Charges to appropriations (outflows):			
Public works	0	-	-
Capital outlay	325,321	36,302	289,019
Transfers out	302,266	302,266	-
Total charges to appropriations	<u>627,587</u>	<u>338,568</u>	<u>289,019</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ 85,647</u>	<u>\$ 313,861</u>	<u>\$ 228,214</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**AB 939 Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ 28,889	\$ 28,889	\$ -
Resources (inflows):			
Charges for services	58,632	58,616	(16)
Interest earned on investments	904	120	(784)
Amount available for appropriation	<u>88,425</u>	<u>87,625</u>	<u>(800)</u>
Charges to appropriations (outflows):			
General government	<u>34,547</u>	<u>42,421</u>	<u>(7,874)</u>
Total charges to appropriations	<u>34,547</u>	<u>42,421</u>	<u>(7,874)</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ 53,878</u>	<u>\$ 45,204</u>	<u>\$ (8,674)</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Prop A Open Space Special Revenue Fund**  
**For the Year Ended June 30, 2018**

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	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ -	\$ -	\$ -
Resources (inflows):			
Intergovernmental	-	20,557	20,557
Amount available for appropriation	-	20,557	20,557
Charges to appropriations (outflows):			
Transfers out	20,557	20,557	-
Total charges to appropriations	20,557	20,557	-
<b>Fund balance, June 30, 2018</b>	<u>\$ (20,557)</u>	<u>\$ -</u>	<u>\$ 20,557</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Tyco Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ 669,148	\$ 669,148	\$ -
Resources (inflows):			
Use of money and property	318,845	318,846	1
Miscellaneous	-	-	-
Interest earned on investments	16,096	5,836	(10,260)
Amount available for appropriation	<u>1,004,089</u>	<u>993,830</u>	<u>(10,259)</u>
Charges to appropriations (outflows):			
Capital outlay	444,018	58,806	385,212
Total charges to appropriations	<u>444,018</u>	<u>58,806</u>	<u>385,212</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ 560,071</u>	<u>\$ 935,024</u>	<u>\$ 374,953</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Tyco Tidelands Special Revenue Fund**  
**For the Year Ended June 30, 2018**

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	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ 3,714	\$ 3,714	\$ -
Resources (inflows):			
Interest earned on investments	25	29	4
Amount available for appropriation	3,739	3,743	4
Charges to appropriations (outflows):			
Capital outlay	3,728	3,743	(15)
Total charges to appropriations	3,728	3,743	(15)
<b>Fund balance, June 30, 2018</b>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ (11)</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Parks/Recreation Facilities Tax Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ 122,764	\$ 122,764	\$ -
Resources (inflows):			
Charge for services	226,620	150,756	(75,864)
Interest earned on investments	4,155	1,208	(2,947)
Amount available for appropriation	<u>353,539</u>	<u>274,728</u>	<u>(78,811)</u>
Charges to appropriations (outflows):			
Culture and recreation	-	-	-
Public works	27,633	27,633	-
Capital outlay	200,643	68,454	132,189
Total charges to appropriations	<u>228,276</u>	<u>96,087</u>	<u>132,189</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ 125,263</u>	<u>\$ 178,641</u>	<u>\$ 53,378</u>



**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Bayview Drive Administrative Expense Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ 1,550	\$ 1,550	\$ -
Resources (inflows):			
Miscellaneous	4,500	4,498	(2)
Interest earned on investments	48	14	(34)
Amount available for appropriation	<u>6,098</u>	<u>6,062</u>	<u>(36)</u>
Charges to appropriations (outflows):			
General government	1,785	1,502	283
Transfers out	2,307	2,307	-
Total charges to appropriations	<u>4,092</u>	<u>3,809</u>	<u>283</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ 2,006</u>	<u>\$ 2,253</u>	<u>\$ 247</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Lower Pier Administrative Expense Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ 2,364	\$ 2,364	\$ -
Resources (inflows):			
Miscellaneous	-	-	-
Amount available for appropriation	<u>2,364</u>	<u>2,364</u>	<u>-</u>
Charges to appropriations (outflows):			
General government	1,405	115	1,290
Transfers out	<u>2,249</u>	<u>2,249</u>	<u>-</u>
Total charges to appropriations	<u>3,654</u>	<u>2,364</u>	<u>1,290</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ (1,290)</u>	<u>\$ -</u>	<u>\$ 1,290</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Myrtle District Administrative Expense Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ 9,119	\$ 9,119	\$ -
Resources (inflows):			
Miscellaneous	9,000	9,000	-
Interest earned on investments	229	88	(141)
Amount available for appropriation	<u>18,348</u>	<u>18,207</u>	<u>(141)</u>
Charges to appropriations (outflows):			
General government	6,183	5,403	780
Transfers out	5,264	5,264	-
Total charges to appropriations	<u>11,447</u>	<u>10,667</u>	<u>780</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ 6,901</u>	<u>\$ 7,540</u>	<u>\$ 639</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Loma District Administrative Expense Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ 16,025	\$ 16,025	\$ -
Resources (inflows):			
Miscellaneous	10,000	10,000	-
Interest earned on investments	403	154	(249)
Amount available for appropriation	<u>26,428</u>	<u>26,179</u>	<u>(249)</u>
Charges to appropriations (outflows):			
General government	6,175	3,539	2,636
Transfers out	5,710	5,710	-
Total charges to appropriations	<u>11,885</u>	<u>9,249</u>	<u>2,636</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ 14,543</u>	<u>\$ 16,930</u>	<u>\$ 2,387</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Beach Drive Assessment District Administrative Expense Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ 2,410	\$ 2,410	\$ -
Resources (inflows):			
Miscellaneous	3,500	3,500	-
Interest earned on investments	65	26	(39)
Amount available for appropriation	<u>5,975</u>	<u>5,936</u>	<u>(39)</u>
Charges to appropriations (outflows):			
General government	1,650	1,416	234
Transfers out	1,891	1,891	-
Total charges to appropriations	<u>3,541</u>	<u>3,307</u>	<u>234</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ 2,434</u>	<u>\$ 2,629</u>	<u>\$ 195</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Proposition "A" Transit Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ 1,127,392	\$ 1,127,392	\$ -
Resources (inflows):			
Other taxes	367,353	369,353	2,000
Charges for services	6,060	5,386	(674)
Interest earned on investments	27,092	9,910	(17,182)
Amount available for appropriation	<u>1,527,897</u>	<u>1,512,041</u>	<u>(15,856)</u>
Charges to appropriations (outflows):			
General government	15,706	8,715	6,991
Public safety	76,000	57,907	18,093
Community development	34,008	69,432	(35,424)
Culture and recreation	89,200	63,366	25,834
Capital outlay	274,892	-	274,892
Total charges to appropriations	<u>489,806</u>	<u>199,420</u>	<u>290,386</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ 1,038,091</u>	<u>\$ 1,312,621</u>	<u>\$ 274,530</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Proposition "C" Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ 1,271,582	\$ 1,271,582	\$ -
Resources (inflows):			
Other taxes	304,710	306,503	1,793
Interest earned on investments	27,097	13,518	(13,579)
Amount available for appropriation	<u>1,603,389</u>	<u>1,591,603</u>	<u>(11,786)</u>
Charges to appropriations (outflows):			
Public works	8,597	8,597	-
Capital outlay	648,321	436,019	212,302
Total charges to appropriations	<u>656,918</u>	<u>444,616</u>	<u>212,302</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ 946,471</u>	<u>\$ 1,146,987</u>	<u>\$ 200,516</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Measure "R" Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ 734,620	\$ 734,620	\$ -
Resources (inflows):			
Other taxes	228,537	229,467	930
Miscellaneous	406,590	6,668	(399,922)
Interest earned on investments	29,505	6,077	(23,428)
Amount available for appropriation	<u>1,399,252</u>	<u>976,832</u>	<u>(422,420)</u>
Charges to appropriations (outflows):			
Capital outlay	<u>406,590</u>	<u>6,669</u>	<u>399,921</u>
Total charges to appropriations	<u>406,590</u>	<u>6,669</u>	<u>399,921</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ 992,662</u>	<u>\$ 970,163</u>	<u>\$ (22,499)</u>



**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Air Quality Management District Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ 78,647	\$ 78,647	\$ -
Resources (inflows):			
Intergovernmental	25,000	2,052	(22,948)
Interest earned on investments	1,469	893	(576)
Amount available for appropriation	<u>105,116</u>	<u>81,592</u>	<u>(23,524)</u>
Charges to appropriations (outflows):			
General government	28,000	2,971	25,029
Capital outlay	110,160	66,135	44,025
Total charges to appropriations	<u>138,160</u>	<u>69,106</u>	<u>69,054</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ (33,044)</u>	<u>\$ 12,486</u>	<u>\$ 45,530</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Supplemental Law Enforcement Services Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ 170,288	\$ 170,288	\$ -
Resources (inflows):			
Other taxes	100,000	116,348	16,348
Interest earned on investments	4,126	1,515	(2,611)
Amount available for appropriation	<u>274,414</u>	<u>288,151</u>	<u>13,737</u>
Charges to appropriations (outflows):			
Public safety	35,999	33,893	2,106
Capital outlay	3,400	3,319	(81)
Total charges to appropriations	<u>39,399</u>	<u>37,212</u>	<u>2,025</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ 235,015</u>	<u>\$ 250,939</u>	<u>\$ 15,762</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Asset Seizure and Forfeiture Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ 246,333	\$ 246,333	\$ -
Resources (inflows):			
Fines and forfeitures	275,381	268,068	(7,313)
Interest earned on investments	8,293	3,193	(5,100)
Amount available for appropriation	<u>530,007</u>	<u>517,594</u>	<u>(12,413)</u>
Charges to appropriations (outflows):			
Public safety	10,600	7,657	2,943
Capital outlay	600	98	502
Total charges to appropriations	<u>11,200</u>	<u>7,755</u>	<u>3,445</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ 518,807</u>	<u>\$ 509,839</u>	<u>\$ (8,968)</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Fire Protection Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ 91,039	\$ 91,039	\$ -
Resources (inflows):			
Charges for services	48,751	14,508	(34,243)
Interest earned on investments	2,124	1,140	(984)
Amount available for appropriation	<u>141,914</u>	<u>106,687</u>	<u>(35,227)</u>
Charges to appropriations (outflows):			
Public Safety	<u>56,596</u>	<u>28,297</u>	<u>28,299</u>
Total charges to appropriations	<u>56,596</u>	<u>28,297</u>	<u>(28,299)</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ 85,318</u>	<u>\$ 78,390</u>	<u>\$ (6,928)</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Community Development Block Grant Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ -	\$ -	\$ -
Resources (inflows):			
Intergovernmental	150,000	4,971	(145,029)
Amount available for appropriation	<u>150,000</u>	<u>4,971</u>	<u>(145,029)</u>
Charges to appropriations (outflows):			
Public works	-	-	-
Capital outlay	-	-	-
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ 150,000</u>	<u>\$ 4,971</u>	<u>\$ (145,029)</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Measure "M" Special Revenue Fund**  
**For the Year Ended June 30, 2018**

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	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ -	\$ -	\$ -
Resources (inflows):			
Other taxes	233,312	207,948	(25,364)
Interest earned on investments	334	(480)	(814)
Amount available for appropriation	<u>233,646</u>	<u>207,468</u>	<u>(26,178)</u>
Charges to appropriations (outflows):			
Capital outlay	-	-	-
Total charges to appropriations	-	-	-
<b>Fund balance, June 30, 2018</b>	<u>\$ 233,646</u>	<u>\$ 207,468</u>	<u>\$ (26,178)</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**RTI Undersea Cable Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ -	\$ -	\$ -
Resources (inflows):			
Use of money and property	330,000	329,597	(403)
Interest earned on investments	-	-	-
Amount available for appropriation	<u>330,000</u>	<u>329,597</u>	<u>(403)</u>
Charges to appropriations (outflows):			
Capital outlay	-	-	-
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ 330,000</u>	<u>\$ 329,597</u>	<u>\$ (403)</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**RTI Undersea Cable Tidelands Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ -	\$ -	\$ -
Resources (inflows):			
Use of money and property	240,000	239,710	(290)
Interest earned on investments	-	-	-
Amount available for appropriation	<u>240,000</u>	<u>239,710</u>	<u>(290)</u>
Charges to appropriations (outflows):			
Capital outlay	-	-	-
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ 240,000</u>	<u>\$ 239,710</u>	<u>\$ (290)</u>



**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Grants Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ 603,233	\$ 603,233	\$ -
Resources (inflows):			
Intergovernmental	656,164	90,765	(565,399)
Miscellaneous	1,173,137	924,247	(248,890)
Amount available for appropriation	<u>2,432,534</u>	<u>1,618,245</u>	<u>(814,289)</u>
Charges to appropriations (outflows):			
Legislative and legal	30,000	10,761	19,239
Public safety	104,760	2,293	102,467
Community development	130,446	19,707	110,739
Public works	31,084	4,503	26,581
Capital outlay	2,136,236	349,499	1,786,737
Total charges to appropriations	<u>2,402,526</u>	<u>386,763</u>	<u>2,015,763</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ 30,008</u>	<u>\$ 1,231,482</u>	<u>\$ 1,201,474</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Storm Drains Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ 413,532	\$ 413,532	\$ -
Resources (inflows):			
Other taxes	-	700,000	700,000
Interest earned on investments	-	(10,278)	(10,278)
Transfers in	700,000	-	(700,000)
Amount available for appropriation	<u>1,113,532</u>	<u>1,103,254</u>	<u>(10,278)</u>
Charges to appropriations (outflows):			
Public works	318,475	294,722	23,753
Capital outlay	38,120	16,293	21,827
Total charges to appropriations	<u>356,595</u>	<u>311,015</u>	<u>45,580</u>
<b>Fund balance, June 30, 2018</b>	<u>\$ 756,937</u>	<u>\$ 792,239</u>	<u>\$ 35,302</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**2015 Lease Revenue Bond Debt Service Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2017</b>	\$ 3,702	\$ 3,702	\$ -
Resources (inflows):			
Transfers in	787,390	787,390	-
Amount available for appropriation	791,092	791,092	-
Charges to appropriations (outflows):			
Legislative and legal	-	-	-
Principal	435,000	434,992	8
Interest and fiscal charges	356,087	355,738	349
Total charges to appropriations	791,087	790,730	357
<b>Fund balance, June 30, 2018</b>	<u>\$ 5</u>	<u>\$ 362</u>	<u>\$ 357</u>

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# INTERNAL SERVICE FUNDS

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***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 and settlement losses.

***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 Position**  
**All Internal Service Funds**  
**June 30, 2018**

	Insurance Fund	Equipment Replacement Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 8,918,865	\$ 5,997,376	\$ 14,916,241
Accounts receivable	-	51,095	51,095
Other assets	-	49,288	49,288
Total current assets	8,918,865	6,097,759	15,016,624
Capital assets:			
Nondepreciable	-	192,791	192,791
Depreciable, net	-	3,389,604	3,389,604
Total capital assets	-	3,582,395	3,582,395
<b>Total assets</b>	8,918,865	9,680,154	18,599,019
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	249,259	120,732	369,991
Accrued wages and benefits payable	7,834	14,660	22,494
Compensated absences due within one year	6,921	15,917	22,838
Workers' compensation claims payable, due within one year	795,327	-	795,327
General liability claims payable, due within one year	339,112	-	339,112
Total current liabilities	1,398,453	151,309	1,549,762
Long-term liabilities:			
Workers' compensation claims payable, due in more than one year	4,302,925	-	4,302,925
General liability claims payable, due in more than one year	701,326	-	701,326
Total long-term liabilities	5,004,251	-	5,004,251
<b>Total liabilities</b>	6,402,704	151,309	6,554,013
<b>NET POSITION</b>			
Investment in capital assets	-	3,582,395	3,582,395
Unrestricted	2,516,161	5,946,450	8,462,611
<b>Total net position</b>	\$ 2,516,161	\$ 9,528,845	\$ 12,045,006

**City of Hermosa Beach**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2018**

	Insurance Fund	Equipment Replacement Fund	Total
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 2,463,168	\$ 1,654,468	\$ 4,117,636
Miscellaneous	46,029	485,653	531,682
<b>Total operating revenues</b>	<u>2,509,197</u>	<u>2,140,121</u>	<u>4,649,318</u>
<b>OPERATING EXPENSES:</b>			
Salaries and wages	123,745	262,503	386,248
Contractor services	1,207,510	619,590	1,827,100
Supplies	210	300,162	300,372
Claims expense	3,126,092	-	3,126,092
Depreciation	-	368,103	368,103
<b>Total operating expenses</b>	<u>4,457,557</u>	<u>1,550,358</u>	<u>6,007,915</u>
<b>OPERATING INCOME</b>	<u>(1,948,360)</u>	<u>589,763</u>	<u>(1,358,597)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest income (expense)	(187,443)	-	(187,443)
Gain on disposal of capital assets	-	(40,034)	(40,034)
<b>Total nonoperating revenues (expenses)</b>	<u>(187,443)</u>	<u>(40,034)</u>	<u>(227,477)</u>
<b>INCOME BEFORE TRANSFERS</b>	<u>(2,135,803)</u>	<u>549,729</u>	<u>(1,586,074)</u>
<b>TRANSFERS:</b>			
Transfers in	3,089,382	-	3,089,382
Transfers out	-	(445,898)	(445,898)
<b>Total transfers</b>	<u>3,089,382</u>	<u>(445,898)</u>	<u>2,643,484</u>
<b>Changes in net position</b>	<u>953,579</u>	<u>103,831</u>	<u>1,057,410</u>
<b>NET POSITION:</b>			
Beginning of the year	1,562,582	9,425,014	10,987,596
End of the year	<u>\$ 2,516,161</u>	<u>\$ 9,528,845</u>	<u>\$ 12,045,006</u>

**City of Hermosa Beach**  
**Combining Statement of Cash Flows**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2018**

	Insurance Fund	Equipment Replacement Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received for services from other funds	\$ 2,463,168	\$ 1,654,468	\$ 4,117,636
Cash received for insurance recovery	46,029	-	46,029
Cash payments to suppliers of goods and services	(913,642)	(797,632)	(1,711,274)
Cash payments to employees for services	(126,186)	(253,551)	(379,737)
Cash payment for insurance premiums	(3,045,977)	485,653	(2,560,324)
<b>Net cash provided by (used in) operating activities</b>	<b>(1,576,608)</b>	<b>1,088,938</b>	<b>(487,670)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Interest paid	(187,443)	-	(187,443)
Transfers in	3,089,383	-	3,089,383
Transfers out	-	(445,899)	(445,899)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>2,901,940</b>	<b>(445,899)</b>	<b>2,456,041</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition of capital assets	-	(496,464)	(496,464)
Proceeds from sale of capital assets	-	(99,918)	(99,918)
<b>Net cash (used in) capital and related financing activities</b>	<b>-</b>	<b>(596,382)</b>	<b>(596,382)</b>
<b>Net change in cash and cash equivalents</b>	<b>1,325,332</b>	<b>46,657</b>	<b>1,371,989</b>
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of year	7,593,533	5,950,719	13,544,252
End of year	\$ 8,918,865	\$ 5,997,376	\$ 14,916,241
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (1,948,360)	\$ 589,763	\$ (1,358,597)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	368,103	368,103
(Increase) Decrease in:			
Other assets	79,000	38,028	117,028
Increase (Decrease) in:			
Accounts payable	215,078	84,092	299,170
Accrued wages and benefits payable	1,801	4,180	5,981
Workers' compensation claims payable	187,443	-	187,443
General liability claims payable	(107,328)	-	(107,328)
Compensated absences	(4,242)	4,772	530
<b>Total adjustments</b>	<b>371,752</b>	<b>499,175</b>	<b>870,927</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (1,576,608)</b>	<b>\$ 1,088,938</b>	<b>\$ (487,670)</b>



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# FIDUCIARY FUND FINANCIAL STATEMENTS

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*The Agency Funds* of the City were 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.

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**City of Hermosa Beach**  
**Combining Statement of Fiduciary Net Position**  
**All Agency Funds**  
**June 30, 2018**

	<u>Bayview Drive Redemption</u>	<u>Bayview Drive Reserve</u>	<u>Lower Pier Avenue Assessment District Redemption</u>	<u>Beach Drive Assessment District Redemption</u>
<b>ASSETS</b>				
Cash and investments	\$ 131,607	\$ 14,090	\$ 3,020	\$ 68,102
Interest receivable	136	12	35	71
Other accounts receivable	550	-	-	-
Other assets	-	-	-	-
<b>Total assets</b>	<u><u>\$ 132,293</u></u>	<u><u>\$ 14,102</u></u>	<u><u>\$ 3,055</u></u>	<u><u>\$ 68,173</u></u>
<b>LIABILITIES</b>				
Assessment:				
Installment account	\$ 132,293	\$ 4,102	\$ 3,055	\$ 68,173
Reserve requirement	-	10,000	-	-
<b>Total liabilities</b>	<u><u>\$ 132,293</u></u>	<u><u>\$ 14,102</u></u>	<u><u>\$ 3,055</u></u>	<u><u>\$ 68,173</u></u>

**City of Hermosa Beach**  
**Combining Statement of Fiduciary Net Position (Continued)**  
**All Agency Funds**  
**June 30, 2018**

	Beach Drive Assessment District Reserve	Myrtle Avenue Utility Undergrounding Assessment District	Loma Drive Utility Undergrounding Assessment District	Total
<b>ASSETS</b>				
Cash and investments	\$ 4,316	\$ 111,404	\$ 155,346	\$ 487,885
Interest receivable	4	129	165	552
Other accounts receivable	-	1,507	3,898	5,955
Other assets	-	-	90	90
<b>Total assets</b>	<b>\$ 4,320</b>	<b>\$ 113,040</b>	<b>\$ 159,499</b>	<b>\$ 494,482</b>
<b>LIABILITIES</b>				
Assessment:				
Installment account	\$ 1,320	\$ 113,040	\$ 159,499	\$ 481,482
Reserve requirement	3,000	-	-	13,000
<b>Total liabilities</b>	<b>\$ 4,320</b>	<b>\$ 113,040</b>	<b>\$ 159,499</b>	<b>\$ 494,482</b>

**City of Hermosa Beach**  
**Combining Statement of Changes in Assets and Liabilities**  
**All Agency Funds**  
**For the Year Ended June 30, 2018**

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
<b>ASSETS</b>				
<b>Bayview Drive Redemption Fund:</b>				
Cash and investments	\$ 140,639	\$ 52,938	\$ (61,970)	\$ 131,607
Interest receivable	112	71	(47)	136
Other accounts receivable	1,371	321	(1,142)	550
<b>Bayview Drive Reserve Fund:</b>				
Cash and investments	13,981	658	(549)	14,090
Interest receivable	11	8	(7)	12
<b>Lower Pier District Redemption Fund:</b>				
Cash and investments	38,368	899	(36,247)	3,020
Interest receivable	35	2	(2)	35
Other accounts receivable	527	-	(527)	-
<b>Beach Drive Assessment District Redemption Fund:</b>				
Cash and investments	74,309	28,491	(34,698)	68,102
Interest receivable	58	37	(24)	71
Other accounts receivable	1,233	-	(1,233)	-
<b>Beach Drive Assessment District Reserve Fund:</b>				
Cash and investments	4,264	163	(111)	4,316
Interest receivable	3	2	(1)	4
<b>Myrtle Avenue Assessment Fund:</b>				
Cash and investments	136,098	138,944	(163,638)	111,404
Interest receivable	102	60	(33)	129
Other accounts receivable	4,771	1,507	(4,771)	1,507
<b>Loma Drive Assessment Fund:</b>				
Cash and investments	161,689	97,468	(103,811)	155,346
Interest receivable	121	84	(40)	165
Other accounts receivable	3,675	3,898	(3,675)	3,898
Other assets	90	-	-	90
<b>Total assets</b>	<u>\$ 581,457</u>	<u>\$ 325,551</u>	<u>\$ (412,526)</u>	<u>\$ 494,482</u>
<b>LIABILITIES</b>				
<b>Bayview Drive Redemption Fund:</b>				
Assessment installment account	\$ 142,122	\$ 53,330	\$ (63,159)	\$ 132,293
<b>Bayview Drive Reserve Fund:</b>				
Assessment installment account	3,992	666	(556)	4,102
Assessment reserve requirement	10,000	-	-	10,000
<b>Lower Pier District Redemption Fund:</b>				
Assessment installment account	38,930	901	(36,776)	3,055
<b>Beach Drive Assessment District Redemption Fund:</b>				
Assessment installment account	75,600	28,528	(35,955)	68,173
<b>Beach Drive Assessment District Reserve Fund:</b>				
Assessment installment account	1,267	165	(112)	1,320
Assessment reserve requirement	3,000	-	-	3,000
<b>Myrtle Avenue Assessment Fund:</b>				
Assessment installment account	140,971	140,511	(168,442)	113,040
<b>Loma Drive Assessment Fund:</b>				
Assessment installment account	165,575	101,450	(107,526)	159,499
<b>Total liabilities</b>	<u>\$ 581,457</u>	<u>\$ 325,551</u>	<u>\$ (412,526)</u>	<u>\$ 494,482</u>

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# STATISTICAL SECTION

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# 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.

<b>Contents</b>	<b>Pages</b>
Financial Trends	158-163
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	164-170
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	171-179
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. <sup>1</sup>	
Demographic and Economic Information	180-182
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	183-187
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.	

<sup>1</sup> 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 Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2009	2010	2011	2012	2013
<b>Governmental activities:</b>					
Net investment in capital assets	\$ 56,419,592	\$ 56,599,591	\$ 56,693,499	\$ 65,518,736	\$ 64,135,741
Restricted	5,403,000	4,518,727	1,968,275	3,860,192	4,050,722
Unrestricted	10,348,315	10,768,025	14,122,551	10,589,507	17,294,405
<b>Total governmental activities net assets</b>	<b>\$ 72,170,907</b>	<b>\$ 71,886,343</b>	<b>\$ 72,784,325</b>	<b>\$ 79,968,435</b>	<b>\$ 85,480,868</b>
<b>Business-type activities:</b>					
Net investment in capital assets	\$ 10,057,219	\$ 9,926,861	\$ 9,998,669	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	(1,236,859)	(1,074,651)	(838,749)	-	-
<b>Total business-type activities net assets</b>	<b>\$ 8,820,360</b>	<b>\$ 8,852,210</b>	<b>\$ 9,159,920</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Primary government:</b>					
Net investment in capital assets	\$ 66,476,811	\$ 66,526,450	\$ 66,692,168	\$ 65,518,736	\$ 64,135,741
Restricted	5,403,000	4,518,727	1,968,275	3,860,192	4,050,722
Unrestricted	9,111,456	9,693,374	13,283,802	10,589,507	17,294,405
<b>Total primary government net assets</b>	<b>\$ 80,991,267</b>	<b>\$ 80,738,551</b>	<b>\$ 81,944,245</b>	<b>\$ 79,968,435</b>	<b>\$ 85,480,868</b>

<sup>1</sup> The Downtown Enhancement Fund was combined with the General Fund at the end of June 30, 2012.

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Governmental activities:					
Net investment in capital assets	\$ 64,828,005	\$ 66,733,301	\$ 66,933,796	\$ 66,417,072	\$ 66,333,070
Restricted	4,476,554	4,188,404	3,774,552	5,260,908	7,278,918
Unrestricted	22,988,231	(24,869,037)	(18,769,530)	(13,287,058)	(12,636,827)
Total governmental activities net assets	<u>\$ 92,292,790</u>	<u>\$ 46,052,668</u>	<u>\$ 51,938,818</u>	<u>\$ 58,390,922</u>	<u>\$ 60,975,161</u>
Business-type activities:					
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total business-type activities net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Primary government:					
Net investment in capital assets	\$ 64,828,005	\$ 66,733,301	\$ 66,933,796	\$ 66,417,072	\$ 66,333,070
Restricted	4,476,554	4,188,404	3,774,552	5,260,908	7,278,918
Unrestricted	22,988,231	(24,869,037)	(18,769,530)	(13,287,058)	(12,636,827)
Total primary government net assets	<u>\$ 92,292,790</u>	<u>\$ 46,052,668</u>	<u>\$ 51,938,818</u>	<u>\$ 58,390,922</u>	<u>\$ 60,975,161</u>

<sup>1</sup> The Downtown Enhancement Fund was combined with the General Fund at the end of June 30, 2012.

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

	Fiscal Year				
	2009	2010	2011	2012	2013
<b>Expenses:</b>					
Governmental activities:					
Legislative and legal	\$ 1,059,528	\$ 980,157	\$ 972,979	\$ 4,677,233	\$ 881,556
General government	3,579,453	2,409,611	3,102,761	2,376,929	2,458,548
Public safety	17,471,578	17,841,984	17,698,263	18,179,929	16,431,962
Community development	1,416,714	1,243,490	1,223,581	1,235,058	1,260,996
Culture and recreation	1,420,956	1,252,037	1,133,467	1,037,790	1,087,000
Public works	6,860,854	7,823,275	6,725,147	7,239,076	7,529,499
Total governmental activities expenses	<u>31,809,083</u>	<u>31,550,554</u>	<u>30,856,198</u>	<u>34,746,015</u>	<u>29,649,561</u>
Business-type activities:					
Downtown Enhancement	963,304	997,138	878,021	906,244	-
Parking	-	-	-	-	-
Proposition "A" Transit	-	-	-	-	-
Proposition "C" Transit	-	-	-	-	-
Total business-type activities expenses	<u>963,304</u>	<u>997,138</u>	<u>878,021</u>	<u>906,244</u>	<u>-</u>
Total primary government expenses	<u>32,772,387</u>	<u>32,547,692</u>	<u>31,734,219</u>	<u>35,652,259</u>	<u>29,649,561</u>
<b>Program revenues:</b>					
Governmental activities:					
Charges for services:					
General government	569,772	543,259	546,793	555,607	2,275,297
Public safety	4,633,478	4,674,410	4,646,663	5,112,011	5,282,223
Community development	782,904	650,962	797,248	860,158	1,125,637
Culture and recreation	949,439	856,135	975,469	957,989	1,271,845
Public works	907,579	840,740	1,025,008	938,822	989,656
Operating grants and contributions	539,518	543,531	700,691	828,722	702,873
Capital grants and contributions	850,357	1,817,638	902,506	759,889	255,996
Total governmental activities program revenues:	<u>9,233,047</u>	<u>9,926,675</u>	<u>9,594,378</u>	<u>10,013,198</u>	<u>11,903,527</u>
Business-type activities:					
Charges for services:					
Downtown Enhancement	1,021,114	1,026,185	1,409,952	1,649,197	-
Parking	-	-	-	-	-
Proposition A Transit	-	-	-	-	-
Proposition C Transit	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues:	<u>1,021,114</u>	<u>1,026,185</u>	<u>1,409,952</u>	<u>1,649,197</u>	<u>-</u>
Total primary government program revenues:	<u>10,254,161</u>	<u>10,952,860</u>	<u>11,004,330</u>	<u>11,662,395</u>	<u>11,903,527</u>

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

	Fiscal Year				
	2009	2010	2011	2012	2013
Net revenues (expenses):					
Governmental activities	(22,576,036)	(21,623,879)	(21,261,820)	(24,732,817)	(17,746,034)
Business-type activities	57,810	29,047	531,931	742,953	-
Total net revenues (expenses)	<u>(22,518,226)</u>	<u>(21,594,832)</u>	<u>(20,729,889)</u>	<u>(23,989,864)</u>	<u>(17,746,034)</u>
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Property taxes	11,188,377	11,407,964	11,518,645	11,598,615	12,151,229
Sales tax	2,390,658	2,112,971	2,209,559	2,474,651	2,598,752
Other taxes	6,069,339	5,962,978	6,060,992	6,461,065	6,638,189
Grants and contributions not restricted to specific programs	1,454,006	1,242,064	1,666,460	1,121,380	1,156,589
Investment income	429,087	135,423	91,910	109,571	130,709
Other general revenues	303,035	473,559	352,723	237,670	582,999
Transfers	3,461	4,356	259,513	9,913,975	-
Settlement (Note 14)	-	-	-	-	-
Total governmental activities	<u>21,837,963</u>	<u>21,339,315</u>	<u>22,159,802</u>	<u>31,916,927</u>	<u>23,258,467</u>
Business-type activities:					
Investment income	17,749	5,609	4,679	6,418	-
Other general revenues	-	-	-	-	-
Miscellaneous	4,597	1,550	30,613	4,684	-
Transfers	(3,461)	(4,356)	(259,513)	(9,913,975)	-
Total business-type activities	<u>18,885</u>	<u>2,803</u>	<u>(224,221)</u>	<u>(9,902,873)</u>	<u>-</u>
Total primary government	<u>21,856,848</u>	<u>21,342,118</u>	<u>21,935,581</u>	<u>22,014,054</u>	<u>23,258,467</u>
Changes in net assets					
Governmental activities:	(738,073)	(284,564)	897,982	7,184,110	5,512,433
Business-type activities:	76,695	31,850	307,710	(9,159,920)	-
Total primary government	<u>\$ (661,378)</u>	<u>\$ (252,714)</u>	<u>\$ 1,205,692</u>	<u>\$ (1,975,810)</u>	<u>\$ 5,512,433</u>

<sup>1</sup> Transit operations were transferred to special revenue funds in fiscal year 2005.

<sup>2</sup> The Parking Fund was combined with the General Fund in fiscal year 2006.

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Expenses:					
Governmental activities:					
Legislative and legal	\$ 1,076,211	\$ 1,293,214	\$ 2,083,297	\$ 2,043,740	\$ 1,869,599
General government	2,827,895	3,078,044	2,262,107	3,598,512	4,129,269
Public safety	16,856,166	16,737,044	20,034,932	18,911,734	25,496,398
Community development	1,519,632	1,710,563	1,347,087	1,787,364	2,264,015
Culture and recreation	1,068,388	1,257,311	1,108,749	1,310,740	1,769,893
Public works	7,420,724	6,985,762	9,131,490	7,957,044	9,176,519
Total governmental activities expenses	<u>30,769,016</u>	<u>31,061,938</u>	<u>35,967,662</u>	<u>35,609,134</u>	<u>44,705,693</u>
Business-type activities:					
Downtown Enhancement	-	-	-	-	-
Parking	-	-	-	-	-
Proposition "A" Transit	-	-	-	-	-
Proposition "C" Transit	-	-	-	-	-
Total business-type activities expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government expenses	<u>30,769,016</u>	<u>31,061,938</u>	<u>35,967,662</u>	<u>35,609,134</u>	<u>44,705,693</u>
Program revenues:					
Governmental activities:					
Charges for services:					
General government	2,323,797	2,582,857	2,414,955	2,433,987	2,538,028
Public safety	5,455,694	5,398,329	5,254,859	4,993,104	4,958,292
Community development	1,641,773	1,679,400	1,996,538	1,664,132	1,696,505
Culture and recreation	1,425,451	1,522,417	1,178,323	1,341,455	1,223,789
Public works	892,784	1,085,165	2,217,610	2,374,774	2,292,254
Operating grants and contributions	1,106,254	983,628	755,650	601,816	712,612
Capital grants and contributions	260,844	328,649	203,033	327,534	27,821
Total governmental activities program revenues:	<u>13,106,597</u>	<u>13,580,445</u>	<u>14,020,968</u>	<u>13,736,802</u>	<u>13,449,301</u>
Business-type activities:					
Charges for services:					
Downtown Enhancement	-	-	-	-	-
Parking	-	-	-	-	-
Proposition A Transit	-	-	-	-	-
Proposition C Transit	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government program revenues:	<u>13,106,597</u>	<u>13,580,445</u>	<u>14,020,968</u>	<u>13,736,802</u>	<u>13,449,301</u>

<sup>1</sup> Transit operations were transferred to special revenue funds in fiscal year 2005.

<sup>2</sup> The Parking Fund was combined with the General Fund in fiscal year 2006.

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Net revenues (expenses):					
Governmental activities	(17,662,419)	(17,481,493)	(21,946,694)	(21,872,332)	(31,256,392)
Business-type activities	-	-	-	-	-
Total net revenues (expenses)	<u>(17,662,419)</u>	<u>(17,481,493)</u>	<u>(21,946,694)</u>	<u>(21,872,332)</u>	<u>(31,256,392)</u>
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Property taxes	12,910,426	13,739,648	15,317,458	15,714,094	17,097,712
Sales tax	2,653,631	2,768,225	2,895,794	2,816,289	3,151,207
Other taxes	6,924,202	7,179,945	7,527,467	7,930,375	7,878,400
Grants and contributions not restricted to specific programs	1,222,808	1,246,419	1,369,042	1,304,880	2,093,173
Investment income	141,794	510,668	455,234	-	-
Other general revenues	621,480	489,740	267,849	564,798	1,890,404
Transfers	-	-	-	-	-
Settlement (Note 14)	-	(14,000,000)	-	-	-
Total governmental activities	<u>24,474,341</u>	<u>11,934,645</u>	<u>27,832,844</u>	<u>28,330,436</u>	<u>32,110,896</u>
Business-type activities:					
Investment income	-	-	-	-	-
Other general revenues	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Transfers	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>24,474,341</u>	<u>11,934,645</u>	<u>27,832,844</u>	<u>28,330,436</u>	<u>32,110,896</u>
Changes in net assets					
Governmental activities:	6,811,922	(5,546,848)	5,886,150	6,458,104	854,504
Business-type activities:	-	-	-	-	-
Total primary government	<u>\$ 6,811,922</u>	<u>\$ (5,546,848)</u>	<u>\$ 5,886,150</u>	<u>\$ 6,458,104</u>	<u>\$ 854,504</u>

<sup>1</sup> Transit operations were transferred to special revenue funds in fiscal year 2005.

<sup>2</sup> The Parking Fund was combined with the General Fund in fiscal year 2006.

**City of Hermosa Beach**  
**Governmental Activities Tax Revenues By Source**  
**Last Ten 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
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
2011	11,518,645	2,209,559	178,912	698,622	165,627	1,689,356	2,520,720	807,755	19,789,196
2012	11,639,960	2,474,650	177,555	730,953	180,493	1,884,020	2,495,895	950,803	20,534,329
2013	12,151,229	2,598,752	233,412	752,586	192,175	1,996,174	2,503,265	950,526	21,378,119
2014	12,910,426	2,653,631	290,379	788,694	182,608	2,204,420	2,443,285	1,006,478	22,479,921
2015	13,739,648	2,768,225	312,416	785,935	229,824	2,349,750	2,442,575	1,059,445	23,687,818
2016	15,317,458	2,895,795	320,731	776,316	212,511	2,762,444	2,388,825	1,058,663	25,732,743
2017	15,714,094	2,886,298	345,603	720,338	218,092	3,237,026	2,302,024	1,098,421	26,521,896
2018	17,097,712	3,151,207	326,224	722,316	233,291	3,295,207	2,229,906	1,061,130	28,116,993



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

	Fiscal Year				
	2009	2010	2011	2012	2013
General Fund:					
Reserved	\$ 312,880	\$ 447,426			
Unreserved	348,373	253,005			
Non-spendable			\$ 35,613	\$ 14,271	\$ 21,589
Restricted			172,021	255,200	391,504
Committed			10,592	10,592	10,592
Assigned			5,635,231	5,776,500	6,555,423
Unassigned			-	-	-
Total general fund	<u>\$ 661,253</u>	<u>\$ 700,431</u>	<u>\$ 5,853,457</u>	<u>\$ 6,056,563</u>	<u>\$ 6,979,108</u>
All other governmental funds:					
Reserved	\$ 1,273,762	\$ 3,060,042			
Unreserved, reported in:					
Special revenue funds	9,764,500	6,965,596			
Non-spendable				\$ 1,500	
Restricted				3,604,992	\$ 3,659,218
Committed				117,415	137,166
Assigned			\$ 4,216,497	961,251	847,266
Unassigned					
Total all other governmental funds	<u>\$ 11,038,262</u>	<u>\$ 10,025,638</u>	<u>\$ 4,216,497</u>	<u>\$ 4,685,158</u>	<u>\$ 4,643,650</u>
Total governmental funds	<u><u>\$ 11,699,515</u></u>	<u><u>\$ 10,726,069</u></u>	<u><u>\$ 10,069,954</u></u>	<u><u>\$ 10,741,721</u></u>	<u><u>\$ 11,622,758</u></u>

Note: GASB 54 was implemented in year ended June 30, 2011; prior years have no comparable data.

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

	Fiscal Year				
	2014	2015	2016	2017	2018
General Fund:					
Reserved					
Unreserved					
Non-spendable	\$ 10,603	\$ 19,444	\$ 21,261	\$ 66,700	\$ 478,479
Restricted	410,289	460,304	329,890	158,149	170,336
Committed	28,900	28,900	28,900	1,115,600	1,144,500
Assigned	7,655,210	10,005,040	8,529,250	8,322,103	7,781,460
Unassigned	-	-			
Total general fund	<u>\$ 8,105,002</u>	<u>\$ 10,513,688</u>	<u>\$ 8,909,301</u>	<u>\$ 9,662,552</u>	<u>\$ 9,574,775</u>
All other governmental funds:					
Reserved					
Unreserved, reported in:					
Special revenue funds					
Non-spendable	\$ 1,600	-	\$ 5,835	\$ 7,083	\$ 9,280
Restricted	4,083,450	\$ 3,728,100	3,430,617	5,102,759	7,677,889
Committed	432,606	431,716	1,305,276	879,008	1,144,884
Assigned	2,831,179	7,646,948	11,348,565	12,706,958	13,068,691
Unassigned		-	(24,138)	-	-
Total all other governmental funds	<u>\$ 7,348,835</u>	<u>\$ 11,806,764</u>	<u>\$ 16,066,155</u>	<u>\$ 18,695,808</u>	<u>\$ 21,900,744</u>
Total governmental funds	<u>\$ 15,453,837</u>	<u>\$ 22,320,452</u>	<u>\$ 24,975,456</u>	<u>\$ 28,358,360</u>	<u>\$ 31,475,519</u>

Note: GASB 54 was implemented in year ended June 30, 2011; prior years have no comparable data.

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

	Fiscal Year				
	2009	2010	2011	2012	2013
<b>Revenues:</b>					
Property taxes	\$ 11,639,348	\$ 11,863,846	\$ 11,978,616	\$ 12,056,548	\$ 12,618,579
Other taxes	9,079,246	8,760,988	9,023,359	9,722,036	10,076,591
Licenses and permits	678,477	556,737	627,056	668,405	783,121
Fines and forfeitures	2,111,467	2,075,759	2,219,052	2,475,311	2,416,031
Use of money and property	716,215	622,847	653,752	815,367	1,102,797
Intergovernmental	1,788,584	2,578,807	1,678,980	1,555,097	896,216
Charges for services	4,102,959	4,080,450	4,005,420	4,301,971	6,312,731
Miscellaneous	436,138	301,179	538,098	198,858	469,725
Interest earned on investments	429,092	135,423	91,913	109,186	131,749
Total revenues	<u>30,981,526</u>	<u>30,976,036</u>	<u>30,816,246</u>	<u>31,902,779</u>	<u>34,807,540</u>
<b>Expenditures</b>					
<b>Current:</b>					
Legislative and legal	1,057,092	976,862	960,365	1,170,820	893,460
General government	2,513,647	2,350,692	3,001,906	2,293,402	2,550,162
Public safety	16,974,820	17,251,686	16,516,892	16,604,695	16,926,014
Community development	1,400,933	1,229,909	1,189,993	1,177,696	1,279,999
Culture and recreation	1,372,611	1,201,057	1,044,131	989,265	1,110,456
Public works	4,288,179	4,158,945	3,907,921	3,852,318	4,946,423
Capital outlay	3,294,817	4,176,566	3,044,697	2,414,507	1,813,990
<b>Debt service:</b>					
Principal	n/a	n/a	n/a	n/a	n/a
Interest	n/a	n/a	n/a	n/a	n/a
Total expenditures	<u>30,902,099</u>	<u>31,345,717</u>	<u>29,665,905</u>	<u>28,502,703</u>	<u>29,520,504</u>
Excess (deficiency) of revenues over (under) expenditures	<u>79,427</u>	<u>(369,681)</u>	<u>1,150,341</u>	<u>3,400,076</u>	<u>5,287,036</u>
<b>Other financing sources (uses)</b>					
Proceeds from sale of assets				2,360	-
Transfers in	1,919,303	2,316,998	2,239,196	1,911,100	1,381,842
Transfers out	<u>(3,667,923)</u>	<u>(2,993,912)</u>	<u>(4,045,652)</u>	<u>(4,641,769)</u>	<u>(5,787,841)</u>
Total other financing sources (uses)	<u>(1,748,620)</u>	<u>(676,914)</u>	<u>(1,806,456)</u>	<u>(2,728,309)</u>	<u>(4,405,999)</u>
Net change in fund balances	<u>\$ (1,669,193)</u>	<u>\$ (1,046,595)</u>	<u>\$ (656,115)</u>	<u>\$ 671,767</u>	<u>\$ 881,037</u>
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	0.0%	0.0%

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

	Fiscal Year				
	2014	2015	2016	2017	2018
<b>Revenues:</b>					
Property taxes	\$ 13,368,615	\$ 14,198,054	\$ 15,113,479	\$ 16,209,008	\$ 17,530,492
Other taxes	10,492,906	10,992,377	11,302,910	11,821,528	12,248,900
Licenses and permits	971,336	916,073	1,111,366	967,956	1,055,631
Fines and forfeitures	2,781,240	2,652,193	2,412,554	2,122,335	2,809,368
Use of money and property	1,077,154	1,087,758	965,738	1,047,084	1,340,018
Intergovernmental	1,350,674	1,290,849	949,255	1,031,191	358,522
Charges for services	6,722,773	7,318,409	8,130,681	8,412,322	9,259,211
Miscellaneous	630,271	688,047	679,937	540,021	249,148
Interest earned on investments	137,909	244,026	445,260	6,175	152,360
Total revenues	<u>37,532,878</u>	<u>39,387,786</u>	<u>41,111,180</u>	<u>42,157,620</u>	<u>45,003,650</u>
<b>Expenditures</b>					
<b>Current:</b>					
Legislative and legal	1,093,518	1,170,229	1,958,940	1,448,509	1,313,261
General government	2,806,176	3,040,426	3,458,191	3,722,659	3,751,043
Public safety	17,768,720	18,142,958	21,272,474	21,392,637	21,468,409
Community development	1,548,185	1,722,513	1,806,130	1,869,018	2,034,235
Culture and recreation	1,132,849	1,246,532	1,291,808	1,395,915	1,446,996
Public works	5,216,430	5,317,541	6,622,698	6,106,648	6,343,525
Capital outlay	2,774,016	3,620,185	2,953,123	1,644,253	2,164,817
<b>Debt service:</b>					
Principal	n/a	n/a	-	335,000	434,992
Interest	n/a	n/a	233,425	375,332	355,738
Total expenditures	<u>32,339,894</u>	<u>34,260,384</u>	<u>39,596,789</u>	<u>38,289,971</u>	<u>39,313,016</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,192,984</u>	<u>5,127,402</u>	<u>1,514,391</u>	<u>3,867,649</u>	<u>5,690,634</u>
<b>Other financing sources (uses)</b>					
Proceeds from sale of assets	-	-	11,799,905	-	-
Transfers in	3,905,349	6,911,913	5,733,408	1,942,014	1,271,842
Transfers out	<u>(5,267,254)</u>	<u>(5,172,700)</u>	<u>(16,392,700)</u>	<u>(2,356,750)</u>	<u>(3,915,326)</u>
Total other financing sources (uses)	<u>(1,361,905)</u>	<u>1,739,213</u>	<u>1,140,613</u>	<u>(414,736)</u>	<u>(2,643,484)</u>
Net change in fund balances	<u>\$ 3,831,079</u>	<u>\$ 6,866,615</u>	<u>\$ 2,655,004</u>	<u>\$ 3,452,913</u>	<u>\$ 3,047,150</u>
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.6%	2.0%	2.2%

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

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Fiscal year ended June 30	Property tax	Sales tax	Real property transfer tax	Franchise fees	Transient occupancy tax	Utility user's tax	Other	Total
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
2011	11,978,616	2,209,559	178,912	698,622	1,689,356	2,520,720	1,726,190	21,001,975
2012	12,056,548	2,474,650	177,555	730,954	1,884,020	2,495,895	1,958,962	21,778,584
2013	12,618,579	2,598,752	233,412	752,586	1,996,174	2,503,265	1,992,402	22,695,170
2014	13,368,615	2,653,631	290,379	788,694	2,204,420	2,443,285	2,112,497	23,861,521
2015	14,198,054	2,768,225	312,416	785,935	2,349,750	2,442,575	2,333,476	25,190,431
2016	15,113,479	2,895,794	320,731	776,316	2,762,444	2,388,824	2,290,061	26,547,649
2017	16,209,008	2,886,298	345,603	720,338	3,237,026	2,302,024	2,330,238	28,030,538
2018	17,097,712	3,151,207	326,224	722,316	3,295,207	2,229,906	2,956,820	29,779,392

**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
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%
2011	4,422,662	397,297	12,412	76,659	(46,807)	4,862,224	1.00	4,909,030	0.80%
2012	4,479,178	407,825	11,156	92,987	(46,205)	4,944,941	1.00	4,991,146	1.70%
2013	4,608,192	422,855	11,853	96,628	(46,338)	5,093,190	1.00	5,139,528	3.00%
2014	4,883,870	437,214	10,379	95,294	(47,030)	5,379,750	1.00	5,332,719	5.63%
2015	5,181,815	455,035	12,635	104,834	(43,278)	5,711,045	1.00	5,667,767	6.16%
2016	5,522,546	484,979	13,186	111,635	(43,260)	6,089,089	1.00	6,045,828	6.62%
2017	5,994,296	508,160	13,921	120,700	(43,295)	6,593,784	1.00	6,550,489	8.29%
2018	6,432,195	532,168	14,242	145,238	(41,125)	7,082,716	1.00	7,041,591	7.42%

NOTE:

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

Source: Los Angeles County Auditor-Controller

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

**City of Hermosa Beach**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
**(rate per \$100 of assessed value)**

Fiscal Year	City	Overlapping rates					Total
	direct rate	Hermosa Beach School District	El Camino Community College District	Los Angeles County	Flood Control District	Metropolitan Water District	
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
2011	1.000000	0.018067	0.016140	-	-	0.003700	1.037907
2012	1.000000	0.016904	0.016884	-	-	0.003700	1.037488
2013	1.000000	0.018550	0.018490	-	-	0.003500	1.040540
2014	1.000000	0.017970	0.017498	-	-	0.003500	1.038968
2015	1.000000	0.014729	0.017422	-	-	0.003500	1.035651
2016	1.000000	0.015746	0.017447	-	-	0.003500	1.036693
2017	1.000000	0.014928	0.022942	-	-	0.003500	1.041370
2018	1.000000	0.040245	0.021199	-	-	0.003500	1.064944

\* The Basic rate for all years is comprised of the following:

- 0.2774 - Los Angeles County
- 0.2030 - Tax District # 1
- 0.1602 - Educational Augmentation Fund Impound
- 0.0849 - Educational Revenue Augmentation Fund
- 0.0541 - Hermosa Beach City School District
- 0.0526 - Redondo Beach Unified School District
- 0.0281 - Development Center Handicapped Minor - Redondo Beach
- 0.0275 - El Camino Community College District
- 0.0264 - Manhattan Beach Unified School District
- 0.0210 - Los Angeles County Library
- 0.01410 - Development Center Handicapped Minor - Manhattan Beach
- 0.01203 - South Bay Cities Sanitation District Operating
- 0.00861 - Los Angeles County Flood Control Maintenance
- 0.00859 - County School Service Fund - Hermosa Beach
- 0.00827 - Beach Cities Hospital District
- 0.00637 - Los Angeles County FFW
- 0.00258 - Childrens Instil. Tuition Fund
- 0.00152 - Los Angeles Flood Drain Improvement District Maintenance
- 0.00130 - County School Services
- 0.00094 - Development Center Handicapped Minor - Hermosa Beach C
- 0.00019 - Los Angeles County West Vector Control District
- 0.00016 - Water Replenishment District of Southern California
- 0.00010 - Los Angeles County Accumulated Capital Outlay
- 1.0000000

Note: In 1978 California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. The 1.00% is shared by all taxing agencies wherein the subject property resides. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

Source: Los Angeles County Auditor-Controller



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**City of Hermosa Beach**  
**Principal Property Taxpayers**  
**Current Year and Ten Years ago**

Taxpayer	2018		2009	
	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)	\$ 80,766,410	1.14%	\$	
EQR Gallery Apartments Limited Partnership (1)	72,326,299	1.02%		
1821 Peppertree Apartments LLC (1)	36,780,369	0.52%		
South Bay III LLC (8)	27,511,741	0.39%		
1601 PCH LP (1)	25,389,852	0.36%		
Stand and Pier Hermosa Parent LLC (7)	24,516,074	0.35%		
Hermosa Hotel Investments LLC (1)	17,779,964	0.25%		
IWF Hotel Hermosa LP (1)	17,613,497	0.25%		
Reg8 Plaza Hermosa LLC (7)	15,871,921	0.22%		
Sepulveda Design Center LLC (5)	15,685,843	0.22%		
Crico of Fountain Place Limited Partnership (1)	-	-	71,601,400	1.53%
EQR Gallery Apartments Limited Partnership (1)	-	-	65,901,100	1.41%
Diana Albergate Trust (4)	-	-	24,100,000	0.51%
Hermosa Hotel Investments (1)	-	-	16,113,834	0.34%
Regency Centers LP (7)	-	-	14,023,975	0.30%
Barbara K Robinson (4)	-	-	13,935,562	0.30%
Beta Group (2)	-	-	12,109,976	0.26%
Time Warner Cable (1)	-	-	11,989,346	0.26%
Robert J & Renae Desantis Trust (1)	-	-	11,701,312	0.25%
Realty Associates Fund VIII LP (1)	-	-	10,150,000	0.22%
	<u>\$ 334,241,970</u>	<u>4.72%</u>	<u>251,626,505</u>	<u>5.38%</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
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%
2011	10,298,644	9,789,691	95.06%		9,789,691	95.06%
2012	10,477,164	9,971,097	95.17%		9,971,097	95.17%
2013	10,761,548	10,422,088	96.85%		10,422,088	96.85%
2014	11,124,112	10,798,615	97.07%		10,798,615	97.07%
2015	12,081,959	11,805,592	97.71%		11,805,592	97.71%
2016	12,879,664	12,577,259	97.65%		12,577,259	97.65%
2017	13,875,400	13,547,393	97.64%		13,547,393	97.64%
2018	14,957,019	14,575,846	97.45%		14,575,846	97.45%

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	
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
2011	486	16,079,850	81	2,599,656	4,862,223,524
2012	410	15,944,064	82	3,597,461	4,944,940,538
2013	462	24,241,397	56	2,710,750	5,093,189,582
2014	468	36,787,127	69	3,946,450	5,379,750,286
2015	457	39,058,181	52	1,947,535	5,711,045,616
2016	554	44,224,105	68	9,283,387	6,089,089,031
2017	448	37,467,738	40	4,791,924	6,593,783,921
2018	475	30,748,372	44	6,234,344	7,082,716,558

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

**City of Hermosa Beach**  
**Direct and Overlapping Debt**  
**June 30, 2018**

City assessed valuation	\$ 7,082,716,558	
Redevelopment agency incremental valuation	-	
Total assessed valuation	<u>\$ 7,082,716,558</u>	
		Estimated share of overlapping debt
	<u>Percentage applicable</u>	<u>Outstanding debt 6/30/18</u>
Overlapping debt repaid with property taxes:		
West Basin Water District debt service	0.618%	29,354,442
Hermosa Beach School District debt service 2005 refunding	100.000%	5,418,506
Hermosa Beach School District debt service 2016 S-A	100.000%	25,000,000
El Camino Community College District 2002 series 2012C	6.768%	179,006,523
El Camino Community College District 2012 refunding	6.768%	36,320,000
El Camino Community College District 2012 series 2016 A	6.768%	95,500,000
El Camino Community College District 2016 refunding	6.768%	<u>75,585,000</u>
Total overlapping debt repaid with property taxes		<u>\$ 446,184,471</u>
		<u>56,751,163</u>
 Total direct and overlapping debt		 <u>\$ 56,751,163</u>
 Direct Debt	 0.150%	
Overlapping Debt	0.800%	
Total Debt	0.950%	

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

The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

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

	Fiscal Year				
	2009	2010	2011	2012	2013
Assessed valuation	\$ 4,705,847,448	\$ 4,823,727,991	\$ 4,862,223,524	\$ 4,944,940,538	\$ 5,093,189,582
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	\$ 1,176,461,862	\$ 1,205,931,998	\$ 1,215,555,881	\$ 1,236,235,135	\$ 1,273,297,396
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	\$ 176,469,279	\$ 180,889,800	\$ 182,333,382	\$ 185,435,270	\$ 190,994,609
Total net debt applicable to limit	\$ -	\$ -	\$ -	\$ -	\$ -
Legal debt margin	\$ 176,469,279	\$ 180,889,800	\$ 182,333,382	\$ 185,435,270	\$ 190,994,609
Total debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

California Government Code section 43605 provides for a legal debt limit of 15% 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

**City of Hermosa Beach**  
**Legal Debt Margin Information (Continued)**  
**Last Ten Fiscal Years**

	Fiscal Year				
	2014	2015	2016	2017	2018
Assessed valuation	\$ 5,379,750,286	\$ 5,711,045,616	\$ 6,089,089,031	\$ 6,593,783,921	\$ 7,082,716,558
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	\$ 1,344,937,572	\$ 1,427,761,404	\$ 1,522,272,258	\$ 1,648,445,980	\$ 1,770,679,140
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	\$ 201,740,636	\$ 214,164,211	\$ 228,340,839	\$ 247,266,897	\$ 265,601,871
Total net debt applicable to limit	\$ -	\$ -	\$ -	\$ 11,265,000	\$ 10,830,000
Legal debt margin	\$ 201,740,636	\$ 214,164,211	\$ 228,340,839	\$ 236,001,897	\$ 254,771,871
Total debt applicable to the limit as a percentage of debt limit	0%	0%	0%	4.7%	4.3%

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

**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)
2009	19,491	402,459,119	40,867	-	4.7%	1,521
2010	19,599	-	-	-	5.5%	1,278
2011	19,510	420,913,463	42,564	-	5.5%	1,420
2012	19,574	420,913,463	42,564	-	4.9%	1,608
2013	19,653	420,913,463	42,564	-	4.5%	1,710
2014	19,750	466,098,988	46,530	-	3.6%	1,764
2015	19,772	499,767,889	49,400	-	3.1%	1,827
2016	19,801	544,324,900	53,521	-	2.2%	1,765
2017	19,616	563,907,868	55,624	-	1.9%	1,672
2018	19,673	593,741,110	58,419	-	2.2%	1,576

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), which was last updated in 2016.
- (3) Personal Income figures for 2008 are from the Internal Revenue Service individual income tax statistics by zip code and for Internal Revenue Service figures are not an ongoing statistical project therefore all years are not available. Census information is available every 10 years, however 2010 information is not yet available.
- (4) State of California Employment Development Department.
- (5) State of California Department of Education.



**City of Hermosa Beach  
Principal Employers  
Current Year and Ten Years Ago**

Employer	2018		2009	
	Number of employees	Percent of total employment	Number of employees	Percent of total employment
City of Hermosa Beach	158	3.39%	183	4.10%
24 Hour Fitness	-	0.00%	158	3.54%
Intensive Behavior Intervention Consultants	125	2.68%	-	0.00%
Von's Companies	125	2.68%	142	3.19%
Shorewood Realtors	-	0.00%	99	2.22%
First Steps for Kids, Inc.	101	2.17%	-	0.00%
Hermosa Beach School District	93	2.00%	82	1.84%
Trader Joe's	86	1.85%	-	0.00%
Ralph's	-	0.00%	77	1.73%
Hennessey's	75	1.61%	70	1.57%
24 Hour Fitness	68	1.46%	-	0.00%
Sunrise Assisted Living	65	1.40%	-	0.00%
ICAN California Abilities Network	64	1.37%	-	0.00%
Patick Molloy's	-	0.00%	64	1.44%
Comedy & Magic Club	-	0.00%	54	1.21%
Glen Ivy Hot Springs, Incorporated	-	0.00%	52	1.17%

Source: City of Hermosa Beach Finance Department

**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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	19	16	16	13	17	18	20	20	21	21
Public safety	92	95	72	74	74	75	81	82	76	63 <sup>1</sup>
Community development	8	8	9	8	8	8	8	10	11	12
Culture and recreation	4	2	3	3	2	2	3	4	4	4
Public works	20	20	16	17	15	20	17	23	23	21
Total	<u>143</u>	<u>141</u>	<u>116</u>	<u>115</u>	<u>116</u>	<u>123</u>	<u>129</u>	<u>139</u>	<u>135</u>	<u>121</u>

<u>Function</u>	Part-time employees as of June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	-	-	-	-	-	3	4	6	4	5
Public safety	14	13	26	12	24	13	6	14	5	3 <sup>1</sup>
Community development	2	-	1	1	1	2	3	2	3	2
Culture and recreation	24	22	20	19	26	21	25	27	29	25
Public works	-	-	-	1	2	-	3	1	3	2
Total	<u>40</u>	<u>35</u>	<u>47</u>	<u>33</u>	<u>53</u>	<u>39</u>	<u>41</u>	<u>50</u>	<u>44</u>	<u>37</u>

Source: City of Hermosa Beach Finance Department

<sup>1</sup> Beginning 12/30/17, Fire Services are now provided by Los Angeles Co. Fire Department.

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety										
Police:										
Physical arrests	648	665	795	781	857	945	732	739	615	589
Traffic citations issued	2,503	2,798	1,593	2,290	1,819	3,421	2,406	1,966	1,826	1,408
Parking citations issued	52,080	47,620	63,010	68,193	70,678	74,228	65,783	62,957	56,398	57,206
Fire:										
Number of emergency calls <sup>1</sup>	2,273	2,162	2,149	2,487	2,488	2,386	2,467	2,678	2,427	1,965
Inspections <sup>2</sup>	965	908	436	559	495	657	1,061	540	611	227
Community development:										
Building permits issued	511	441	567	492	462	537	509	622	488	519
Culture and recreation:										
Number of recreation classes	138	165	172	169	129	134	514	526 <sup>3</sup>	498 <sup>3</sup>	617 <sup>3</sup>
Total enrollment	3,744	3,776	3,798	4,327	4,982	5,464	4,247	4,947	4,817	5,271
Public works:										
Graffiti removal	341	540	468	383	408	212	209	200	112	201 <sup>4</sup>
Permits issued	643	611	564	718	736	819	904	1,406	1,496	1,617

Source: Various city departments.

Note:

<sup>1</sup> Beginning 12/30/17, Fire Services are now provided by Los Angeles Co. Fire Department

<sup>2</sup> Fire Department Inspections were done by the City from 7/1/17 through 12/29/17. As of 12/30/17, these inspections are no longer provided by the City.

<sup>3</sup> A new software program was used for recreation classes after the 2013-14 fiscal year and classes are now counted by date and time rather than grouped.

<sup>4</sup> Beginning in 2017-18, Graffiti removal reflects the number of services calls due to a change in reporting software. All prior fiscal years reflect graffiti removal hours.

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety										
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Parking meters	1,666	1,663	1,663 <sup>1</sup>	1,663	1,663	1,565	1,553	1,553	1,557	1,558
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)	34	34	34	34	34	40	40	40	40	40
Streets (miles)	40	40	40	40	40	40	40	40	40	40
Streetlights	392	392	392	392	392	400	400	400	400	400
Storm drains (miles)	1	1	1	1	1	2	2	2	2	2
Traffic Signals	18	18	18	19	19	19	19	19	19	19
Infiltration (miles) <sup>2</sup>			0.6	0.6	0.6	0.6	0.2	0.2	0.2	0.2

Source: City of Hermosa Beach Finance Department

<sup>1</sup>The City purchased 24 pay-by-space meters in fiscal year 2011. Fourteen of the machines are installed in City parking lots (which are reflected in this figure), with the remaining ten meters being returned for singled head meter for on-street parking.

<sup>2</sup>This is a system for monitoring the water quality before it reached the Pacific Ocean. The project was funded by a Federal ARRA Grant passed through the California State Water Control Board. Grant approval required the submission on an ongoing monitoring plan that was accepted by the grantor. The project received an award from the American Public Works Association in 2010.

**City of Hermosa Beach**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Calendar Years**

<u>Governmental Activities</u>					
<u>Fiscal Year Ended June 30</u>	<u>Lease Revenue Bonds</u>	<u>Total Government Activities</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income<sup>1</sup></u>	<u>Per Capita Debt<sup>2</sup></u>
			-	N/A	-
2009	-	-	-	N/A	-
2010	-	-	-	N/A	-
2011	-	-	-	N/A	-
2012	-	-	-	N/A	-
2013	-	-	-	N/A	-
2014	-	-	-	N/A	-
2015	-	-	-	N/A	-
2016	\$ 11,600,000	\$ 11,600,000	\$ 11,600,000	0.96%	586
2017	\$ 11,265,000	\$ 11,265,000	\$ 11,265,000	0.99%	574
2018	\$ 10,830,000	\$ 10,830,000	\$ 10,830,000	1.12%	551

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements

<sup>1</sup> This ratio is calculated using the median household income for the prior calendar year.

<sup>2</sup> This ratio is calculated using the population total as of January 1 of the calendar year.

**City of Hermosa Beach**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Calendar Years**  
*(In thousands, except per capita)*

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<b>Outstanding General Bonded Debt</b>				
<b>Fiscal Year Ended June 30</b>	<b>Lease Revenue Bonds</b>	<b>Total</b>	<b>Percent Assessed Value<sup>1</sup></b>	<b>Per Capita</b>
2009	-	-	-	-
2010	-	-	-	-
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	\$ 11,600,000	\$ 11,600,000	52.49%	586
2017	\$ 11,265,000	\$ 11,265,000	58.53%	574
2018	\$ 10,830,000	\$ 10,830,000	65.40%	551

**Note:** General bonded is debt payable with government fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

<sup>1</sup> Assessed value has been used because actual value of taxable property is not readily available in the State of California.

**City of Hermosa Beach**  
**Pledged-Revenue Coverage**  
**Last Ten Calendar Years**  
*(In thousands)*

**Outstanding General Bonded Debt**

Fiscal Year Ended June 30	Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal <sup>1</sup>	Interest	
2009	30,982	27,607	3,375	-	-	-
2010	31,049	27,169	3,880	-	-	-
2011	30,816	26,621	4,195	-	-	-
2012	31,903	25,997	5,906	-	-	-
2013	34,808	27,707	7,101	-	-	-
2014	37,533	29,566	7,967	-	-	-
2015	39,388	30,640	8,748	-	-	-
2016	41,111	36,404	4,707	-	270	17.43
2017	42,088	35,936	6,152	335	375	8.58
2018	45,004	36,356	8,648	435	356	10.93

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

<sup>1</sup> There was no principal payment due in the 15/16 fiscal year.

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