



**City of Hermosa Beach,
California**

**Comprehensive
Annual
Financial
Report**

For the Year Ended June 30, 2020

City of Hermosa Beach

Hermosa Beach, California

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020

Prepared by the
Finance Department of Hermosa Beach

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City of Hermosa Beach
Comprehensive Annual Financial Report
For the Year Ended June 30, 2020

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City of Hermosa Beach

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

March 26, 2021

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

Introduction

Presented herein is the Comprehensive Annual Financial Report of the City of Hermosa Beach for the fiscal year ended June 30, 2020. 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.

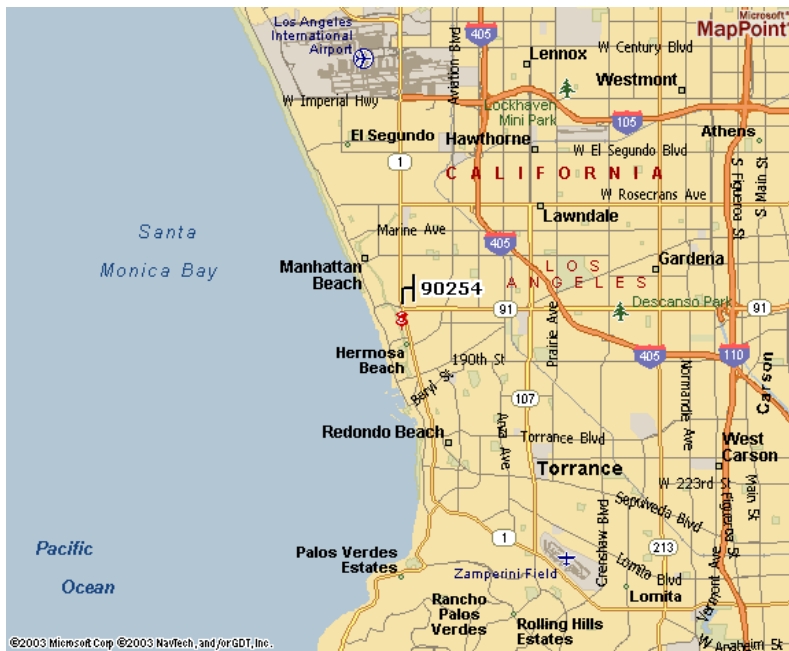
Audit

The City of Hermosa Beach's financial statements have been audited by Gruber and Associates, 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, 2020, 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, 2020, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This letter of transmittal is designed to complement the Management Discussion & Analysis (MD&A) and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditor.

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 19,614, 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 2019-20 fiscal year, beach attendance ranged from a low of 418 (a major drop due to COVID-19) in April 2020 to a high of 757,500 in June 2020, 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, with the exception of elections in 2017 and 2019 for which five-year terms will be served. Council members serve staggered terms, with an election every two years. One member is chosen by fellow members to serve as Mayor for a period of approximately one year (will return to standard term of nine months at the end of 2022 with the return of four-year terms); one is chosen to serve as Mayor Pro Tem. The terms of office for those elected in November of 2017 and 2019 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 to coincide with County elections.

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.

Selected information from the U.S. Census Bureau's Quick shown on the following page.

U.S. CENSUS BUREAU QUICK FACTS					
Category	Hermosa Beach	California	Category	Hermosa Beach	California
Persons under 5 years, 2019 estimate	5.7%	6.2%	Persons under 18 years, 2019 estimate	17.9%	23.0%
Persons 65 years and over, 2019 estimate	12.4%	14.0%	Female persons, 2019 estimate	46.3%	50.3%
Non-Hispanic White	78.0%	36.5%	Hispanic	9.4%	39.4%
Non-Hispanic Black	1.0%	6.5%	Non-Hispanic American Indian	0.6%	1.6%
Non-Hispanic Asian	5.2%	15.5%	Persons per household, 2015-2019	2.18	2.95
Bachelor's Degree or higher, persons age 25+, 2015-2019	75.7%	33.9%	High School graduate or higher, persons age 25+, 2015-2019	97.4%	83.3%
Per capita income in the past 12 months (2019 dollars), 2015-2019	\$96,883	\$36,955	Persons below poverty level, 2015-2019	4.7%	12.8%
Households, 2015-2019	8,956	13,044,266	Owner-occupied housing units, 2015-2019	47.4%	54.8%
Median value of owner-occupied housing units, 2015-2019	\$1,542,900	\$505,000	Housing units in multi-unit structures, 2019	46.1%	35.2%
Households with a computer, 2015-2019	97.4%	93.0%	Mean travel time to work, 2015-2019	35 minutes	29.8 minutes

The U.S. Census Bureau Quick Facts are as of March 2020. 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. All departments of the City of Hermosa Beach are required to submit requests for appropriations to the Finance Director according to a budget calendar. The Finance Director and 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 report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and major governmental funds with appropriated annual budgets, this comparison is presented as Required Supplementary Information on pages 84-92. 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

Local economy Just as departments were turning in their budget requests for the 2020-21 Budget in March 2020, the State issued a stay at home order and Hermosa Beach declared a local emergency due to the advent of the Coronavirus (COVID-19). The State's surplus turned into a deficit and Hermosa Beach's 2019-20 Budget was suddenly under duress, with departmental budgets just submitted for 2020-21 sent back to the drawing board for reductions and removal of additional requests.

Hermosa Beach is a "bedroom community" as evidenced by a household count of 8,956 and an in-city business count of 948 (excluding apartments and home occupations).

Hermosa Beach is very fortunate to have growth of 6.0% in secured and unsecured assessed valuation, as compared to 6.2% for Los Angeles County. The 6.0% growth was the 18th highest of 88 cities in Los Angeles County. Median home prices in Hermosa Beach as of June 2020 were \$1,937,500, compared to \$643,000 for Los Angeles County. The Hermosa Beach median home price for June 2019 was \$1,722,500, compared to \$618,000 for Los Angeles County. The average median home price for Hermosa Beach for fiscal year 2019-20 was \$1,802,698 and \$1,816,000 for fiscal year 2018-19. These factors all predate the impact of COVID since the levy is made at the beginning of the fiscal year.

General Fund Secured property taxes increased 5.6% in 2019-20, 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.

As a beach city, the three highest occupations continue to be management, sales, and administrative support. Residents typically 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 as of June 2020 is 10.2%, compared with 19.6% for Los Angeles County, and 15.1% for California. As of March 2020, before COVID, the comparative rates were 3.7%, 5.6% and 5.1% which demonstrates how steep and sudden the impact of COVID was in many areas.

Many businesses were closed as a result of the emergency orders. These closures also have an impact on city revenue.

Sales tax receipts for 2019-20 are down 13% from the prior year primarily due to decreases in the Eating/Drinking Places, Auto Dealers, and Total Business, Service and Repair categories. The Eating/Drinking category which produces the most sales tax, was hard hit by the closures. Sales tax from this category declined 24%.

Transient occupancy tax (the tax on hotel stays) decreased 20.1% over 2018-19, also due to COVID closures and stay at home orders. The TOT tax rate increased from 12% to 14% on January 1, 2020 as a result of a measure placed on the ballot by City Council. Average occupancy for 2019-20 was 63.4% vs. last year's rate of 79.1%. Hermosa Beach has eight hotels and one youth hostel, with room capacities ranging from 17 rooms to 96 rooms.

Utility user tax (UUT) revenue was down 4.6% last year but is still the fourth highest source of tax revenue at \$2.1 million. The largest decrease was in the category of cellular phone service.

See Management's Discussion and Analysis for more revenue details.

National/State Economy. It is ironic that the country was in the longest expansion in U.S. history of 128 months just before hitting the block wall that was the pandemic. All state economies are affected by COVID-19, albeit to varying degrees. Prior to the pandemic, the Legislative Analyst's Office stated that the state budget was in remarkably good shape and based on the estimates the reserve would reach \$14.5 billion by the end of 2019-20. As the pandemic plays out, it is unknown what the final impacts will be in the long run other than that they will be pervasive and long lasting.

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 \$48,986,913 were recorded in 2019–20 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. See Note 9 for more information.

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. 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, 2020 financial statements, but have no impact. GASB Statement 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments. GASB Statement 90, Majority Equity Interest, improves the consistency and comparability of reporting a government’s majority interest in a legally separate organization and improves the relevance of financial statement for certain component units. For more information see Note 1, Section Q- Accounting Changes.

California Public Employees Retirement System (CalPERS). The preliminary CalPERS investment return as of June 2020 was 4.7% and the funded status of the overall CalPERS fund was 70.8%. This estimate is based on a 7% discount rate.

On December 20, 2016, the CalPERS Board approved a change in the discount rate from 7.5% to 7% over three years. The change is implemented over a three year period beginning in 2018-19. Lowering the discount rate, also known as the assumed rate of investment return, means that employers will see increase to contribution rates and higher unfunded liability payments. The City’s miscellaneous and safety plans had side funds (which are liabilities that existed in 2003 when CalPERS “pooled” the City’s plans with other cities of similar size) paid off from 2018-19 to 2019-20 and will help mitigate the rate increases.

In December 2017, the CalPERS Board adopted new actuarial assumptions based on the 2017 CalPERS Experience Study and Review of Actuarial Assumptions, which impacted the 2019–20 required contributions.

In February 2018, CalPERS adopted a new amortization policy. The new policy applies only to newly established amortization bases and requires fixed dollar (level) amortization rather than % of pay (escalating). Gains and losses are amortized over 20 rather than 30 year, with a five-year ramp up for investment gains and losses (no ramp down) and no ramp up or down for other amortization bases. The policy minimizes total interest paid over time and pays off UAL faster. It is effective with the June 30, 2019 valuation for 2021–22 contributions.

The City’s independent actuary projects that over the next ten year the City’s pension rates will continue increase by 1-2% per year for the Miscellaneous plans and by 1-4% per year for the Safety plans.

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 \$1,021,575.

Long-term financial planning. The City’ adopted financial policies address 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, Capital Facility Reserve, 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 City had unspent funds of \$1,751,727 in 2019-20. Due to the economic uncertainty related to the COVID-19 pandemic. The City Council agreed to leave the unspent funds in the General Fund, with recommendations for use of the funds to be presented as a part of the 2021-22 Preliminary Budget.

Historically as part of the budget process, a five year financial forecast is developed and presented with the Preliminary Budget and 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.

Primary capital projects coming up, (other than street and sewer improvements, which occur every year) include Bus Stop Improvements, PCH Mobility Improvement Project, Strand Bikeway and Walkway Improvements at 35th Street, Pedestrian Crossing Safety Improvements, Prospect Ave Curb Ramps, City Wide ADA Improvements, Downtown Lighting Improvements, Downtown Strategic Plan Implementation, New Corporate Yard Facility, Municipal Pier Structural and Electrical Repairs, City Park Restrooms and Renovations, Council Chambers Audiovisual Improvements, Parking Lot D improvements, Emergency Operations Center Renovations, Clark Building Renovations, 14th Street Beach Restroom Construction, Parking Lot A Improvements, Police Station Improvements, and ADA Improvements.

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. Through a blend of self-insurance and reinsurance, the City has excess coverage up to \$40 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, the loss experience of the City and the City's payroll size.

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 January 1, 2013, the City now has three tiers. As of June 30, 2020, the City has fifty-one (51) active Tier 1 employees, eighteen (18) active Tier 2 employees and sixty-nine (69) 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 70 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. The concept of a retirement trust was approved by City Council in June 2018 and \$829,060 from the Police side fund payoff savings was set aside in the 2019-20 to be placed in the retirement trust.

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 2018 Certificate of Achievement for Excellence in Financial Reporting to the City of Hermosa Beach for its comprehensive annual financial report for the fiscal year ended June 30, 2019. This was the twenty-ninth 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, Gruber and Associates, 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,



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

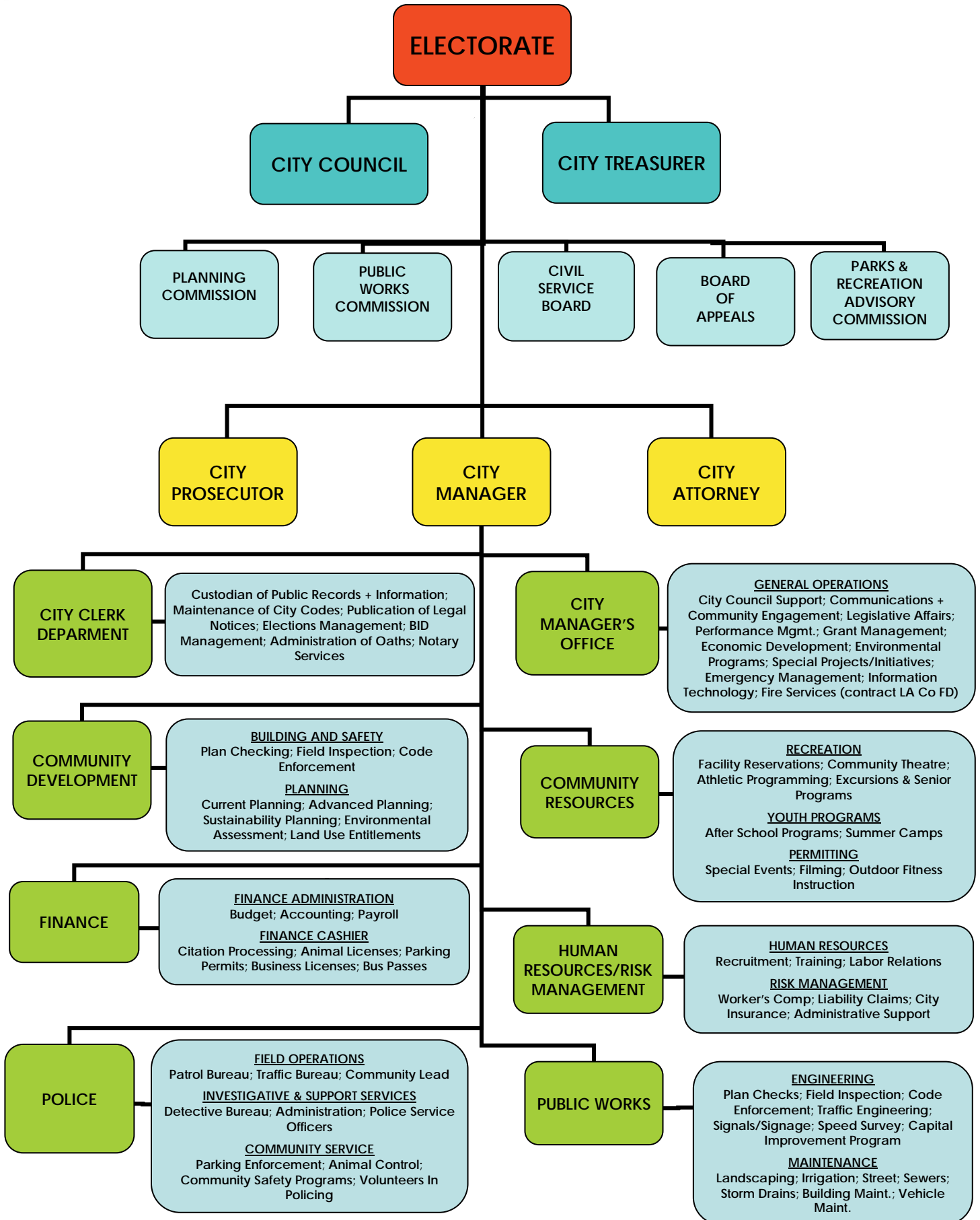
June 30, 2019

Christopher P. Morill

Executive Director/CEO



CITY OF HERMOSA BEACH ORGANIZATIONAL CHART



PRINCIPAL OFFICIALS OF THE CITY OF HERMOSA BEACH, CALIFORNIA

June 30, 2020

Elected and Administrative Officials

City Council

Mary Campbell, PhD
Justin Massey
Stacey Armato
Michael Detoy
Hany Fangary

Mayor
Mayor Pro Tem
Councilmember
Councilmember
Councilmember

Other Elected Official

Karen Nowicki

City Treasurer

Administrative Officials

Suja Lowenthal
Eduardo Sarmiento
Ken Robertson

Kelly Orta

Viki Copeland
Vanessa Godinez

Paul LeBaron
Marnell Gibson

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



An Independent CPA Firm

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

Independent Auditors' Report

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, 2020, 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, 2020, 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.

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 16 and 84 to 92, 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.

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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2021, 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.

David L. Gruber and Associates, Inc.

David L. Gruber and Associates, Inc.

Newport Beach, California
March 26, 2021

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Management's Discussion and Analysis

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, 2020. We encourage readers to consider the information presented here in conjunction with additional information (particularly with respect to the effect of COVID-19 on financial condition) that is furnished in the letter of transmittal, which can be found on pages v - xii of this report.

Financial Highlights

- 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 \$60,555,725 (net position). Excluding the \$48,986,913 net pension liability, \$36,586,493 represents unrestricted net position and may be used to meet the government's ongoing obligations.
- The City's net position decreased by \$35,580.
- As of June 30, 2020, the City of Hermosa Beach's governmental funds reported combined ending fund balances of \$35,701,620, an increase of \$2,357,743 in comparison with the prior year. This increase is due to revenue exceeding expenditures by \$1,040,993 in the current year and transfers in of \$1,316,750 from the insurance fund.
- At the end of the current fiscal year, the City of Hermosa Beach's governmental fund balances of \$35,701,620 are comprised of non-spendable funds; \$515,361, restricted; \$7,128,634 committed; \$3,342,514; and assigned; \$23,212,550 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 \$26,555,064 of the \$35,701,620 in funds could be redirected at the discretion of the City Council. An additional \$1,502,561 or 4% is unassigned. See Note 11 in the Notes to the Basic Financial Statements.
- At the end of 2019-20, \$1,751,727 of unspent funds remained in the General Fund. Due to the economic uncertainty from the ongoing COVID-19 pandemic, unspent funds were not transferred to another fund at the end of the fiscal year. The General fund also has a committed and assigned fund balance of \$10,553,486 or 29% 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 19-22 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
Grant Special Revenue 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 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, Grant Special Revenue 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 25-31 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 35-37 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 41 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 47-82 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 84-92 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 97-142 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, 2020, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$60,555,725. Without the net pension liability of \$48,986,913, the net position would be \$109,542,638.

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, which 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) 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 contribution, which is equal to the total amount of the 2018-19 contributions. The contributions are deferred to 2020-21 because the net liability balance is one year in arrears. Also includes 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, 2019.
- 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).

Net Position		
June 30, 2020		
(dollars in thousands)		
	Governmental Activities	
	2020	2019
Current and Other Assets	\$ 55,301	\$ 55,809
Noncurrent Assets	67,108	64,376
Total Assets	122,409	120,185
Deferred Outflows of Resources	12,840	15,595
Current Liabilities	6,453	8,877
Noncurrent Liabilities:		
Net Pension Liability	48,987	47,589
Long-term Liabilities- Other	15,660	15,921
Total Liabilities	71,100	72,387
Deferred Inflows of Resources	3,593	2,802
Net Position:	60,556	60,591
Net Invested in Capital Assets	66,556	64,376
Restricted	6,400	5,057
Unrestricted	(12,400)	(8,842)
Total Net Position	60,556	60,591

The largest portion of the City of Hermosa Beach's net position, \$66,556,499 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 \$6,399,646 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 (\$12,400,420). Excluding the \$48,986,913 net pension liability \$36,586,493 is available to meet the City's ongoing obligations to residents.

At June 30, 2020, 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, 2020 and June 30, 2019.

Governmental Activities. Governmental activities decreased the City of Hermosa Beach's net position by \$35,580. Significant elements of this change are as follows:

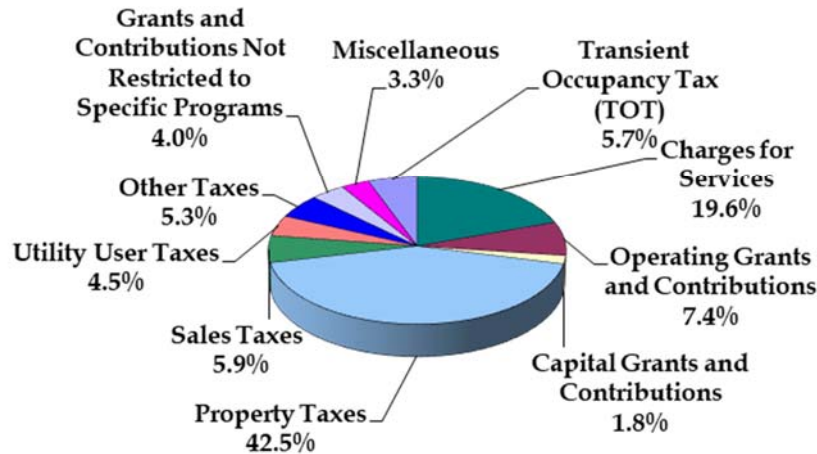
Changes in Net Positions		
June 30, 2020		
(dollars in thousands)		
	<u>Governmental Activities</u>	
	2020	2019
Revenues:		
Program Revenues:		
Charges For Services	\$ 9,048	\$ 9,750
Operating Grants and Contributions	3,419	2,806
Capital Grants and Contributions	834	526
General Revenues:		
Property Taxes	19,585	18,640
Other Taxes	9,857	10,940
Grants and Contributions Not		
Restricted to Specific Programs	1,829	2,347
Other	1,500	2,702
Total Revenues	46,072	47,711
Expenses:		
Legislative and Legal	1,644	1,741
General Government	6,024	4,762
Public Safety	25,546	23,866
Community Development	3,215	2,298
Culture and Recreation	1,867	1,755
Public Works	7,515	9,125
Interest and Fiscal Charges	296	376
Total Expenses	46,107	43,923
Increase (Decrease) in Net Position	(35)	3,788
Net Position - Beginning	\$ 60,591	\$ 56,803
Net Position - Ending	\$ 60,556	\$ 60,591

Revenue for Governmental Activities

- Total program revenues increased by \$218,834 or 1.7% over the prior year.
- Property tax revenue increased \$944,656 or 5%, which is in line with continued growth in property values.
- Sales Tax revenue decreased by \$410,843 or 13%. Sales tax is slightly lower primarily due to decreases in the Eating/Drinking Places, Auto Dealers, and Total Business, Service and Repair categories. Businesses in the Eating/Drinking Places category and Auto Dealers are particularly impacted by COVID-19.
- Transient Occupancy Tax (TOT) revenue decreased \$651,539 or 20.1%. Reported occupancy rates were down 15.7%, from 79.1% for 2018-19 to 63.4% in 2019-20. The State Stay at Home order due to COVID-19 impacts this category as well.
- Utility User Tax was down by \$101,912 or 4.6%. The largest source for the decrease was cellular phone service.
- Charges for Services decreased \$701,893 or 7.2%. Parking revenue was down due to restrictions and later, the closure of the beach, Pier and parking lot closures. Revenue from contract recreation classes and other recreation programs decreased due to COVID-19 program restrictions and related stay at home orders.

- Real Property Transfer Tax decreased \$407,522 or 56.5% due to a drop in the number of transactions.
- Miscellaneous revenue decreased \$1,201,682 or 45%. In 2018-19, there was one-time Proposition A Fund exchange revenue of \$700,000. Additionally, in 2019-20, Community Center Leases and Rentals, the Community Theater, and film permits declined due to COVID-19 related restrictions.

Revenue by Source - Government Activities



Revenues:	2020	2019
Property Taxes	\$ 19,584,959	\$ 18,640,303
Charges for Services	9,048,057	9,749,950
Operating Grants & Contributions	3,419,173	2,805,669
Sales Taxes	2,722,468	3,133,311
Transient Occupancy Tax (TOT)	2,599,810	3,251,349
Other Taxes	2,440,297	2,359,952
Utility Users Taxes	2,093,903	2,195,815
Grants & Contributions not Restricted to Specific Programs	1,829,299	2,346,524
Miscellaneous	1,499,878	2,701,560
Capital Grants & Contributions	833,644	526,421
Total Revenues	\$ 46,071,488	\$ 47,710,854

Expenses for Governmental Activities

Expenses for Governmental Activities increased by \$2,184,187 or 5%.

General Government expenses increased by \$1,261,185 or 26.5%. The increase is due in part to the GASB 68 and 75 recording of the department's share of the pension and OPEB obligation adjustments. In 2019-20, the City Manager's position was filled for the full fiscal year. There were increased contract services costs related to a consultant for the TOT increase ballot measure, temporary staffing in the Finance Department due to staff out on leave, an increase in ambulance transport billing, and an increase in credit card fees reflective of a shift To online payments due to the COVID-19 related closure of City Hall.

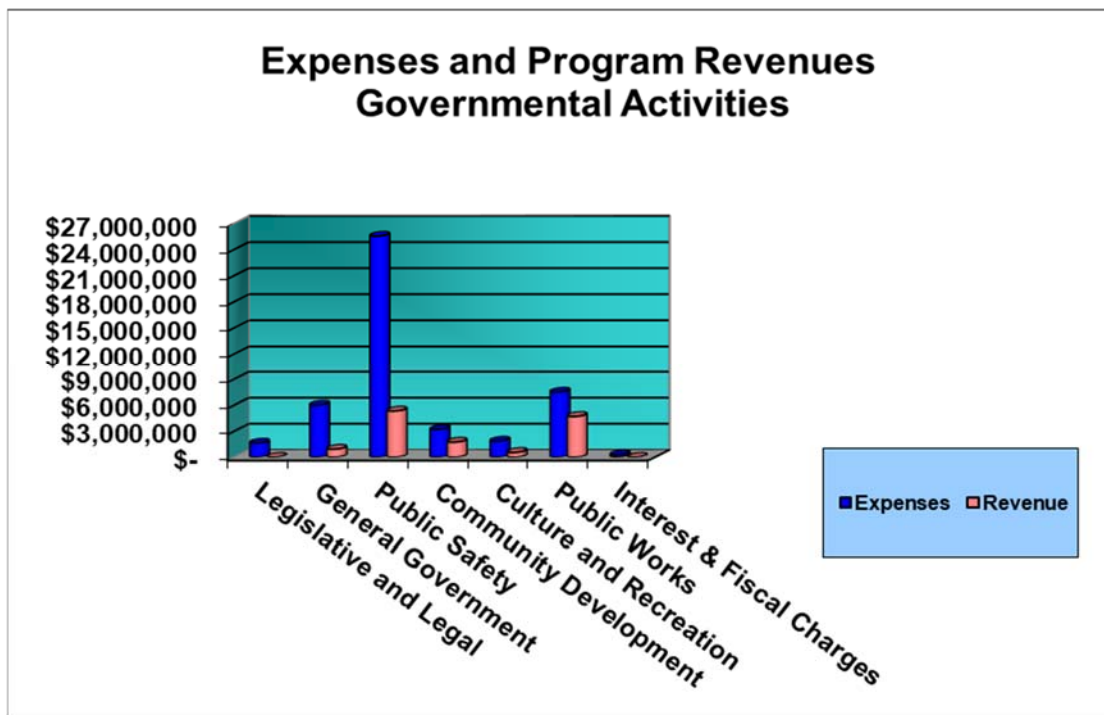
Public Safety expenses decreased by \$1,680,648 or 7%. When comparing Public Safety expenditures in the Statement of Revenue, Expenditures, and Changes in Fund Balance, Public

Safety expenditures are down by \$482,722 from 2018-19, primarily due to vacant positions in the Police Department. The decrease in salary and benefits of \$1.3 million was partially offset by an increase in dispatch services costs, the annual increase to the Fire Services Contract, and a full year of payments for the Fire Facility renovation.

Community Development expenses increased by \$916,701 or 39.9%. The increase is primarily due to the GASB 68 and 75 recording of the department’s share of the pension and OPEB obligation adjustments. When comparing Community Development expenditures in from the Statement of Revenue, Expenditures, and Changes in Fund Balance, Community Development expenditures are up by \$77,411 or 3.8% from 2018-19.

Public Works expenses decreased by \$1,609,811 or 17.6% due to adjustments made in the prior year for Capital Assets and due to the GASB 68 and 75 recording of the department’s share of the pension and OPEB obligation adjustments. When comparing Public Works expenditures in from the Statement of Revenue, Expenditures, and Changes in Fund Balance, Public Safety expenditures are down by \$24,503 or 0.4% from 2018-19.

The remaining functional expense categories had minor changes over the prior year. Legislative and Legal decreased by \$96,827 or 5.6%. Culture and Recreation expenses increased by \$112,383 or 6.4%. Interest and fiscal charges was decreased in 2019-20 in the amount of \$80,092 or 21.3%.



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 \$35,701,620, an increase of \$2,357,743 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 \$515,361 represents prepaid items, primarily comprised of the July 2020 payment to the County for Fire Services.
- Restricted fund balance of \$7,128,634 which have restrictions imposed by external parties or enabling legislation. Funds in this category include Lighting District Funds, Gas Tax Funds, Proposition A and C Transportation Funds, Measure R and M Funds, Asset Forfeiture Funds, Supplemental Law Enforcement Funds (COPS), Fire Protection Funds, and Storm Drain Funds.
- Committed fund balance of \$3,342,514 which includes retirement stabilization funds and reserves for a retirement trust.
- Assigned fund balance of \$23,212,550 which includes the amounts to be used for specific purposes of the City, but that 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, Capital Facilities Reserve, and Sewer funds.
- Unassigned fund balance of \$1,502,561, which is the unspent funds of \$1,751,727 in the General Fund reduced by a due to other funds liability of \$249,166 primarily for COVID-19 related claims in the FEMA Fund.

The General Fund, Grant 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 increased in 2019–20 by \$2,608,781. The fund balance increased due to \$829,060 set aside for a retirement trust and \$1,751,727 in unspent funds that remained in the fund balance at year end instead of being transferred to the Capital Improvement, Insurance, or Equipment Replacement Funds.

Overall General Fund revenue decreased by 6.5% due to the impact of the COVID-19 pandemic. The decrease is a result of the following: a decrease in sales tax of 13.1%; a decrease in other tax revenue of 9.4%, a decrease in licenses and permits of 14.2%; a decrease in fines and forfeitures of 8.5%; a decrease in use of money and property of 58%, a decrease in charges for services of 13.4%, a decrease in miscellaneous revenue of 79.7%; and an decrease in interest earned on investments of 22.3%. The decreases were offset by an increase of 5.6% in property taxes and an increase in intergovernmental revenues of 11.9%.

General Fund expenditures show a decrease of 1.2%. The decrease is primarily due to vacant positions in Public Safety and Public Works. In an effort to rebalance the 2019–20 budget after revenue declines as a result of COVID-19, 12 vacant positions were frozen for the remainder of the fiscal year, including four Public Safety Positions and four Public Works positions. Legislative and Legal expenditures were down over 2018–19 due to a change in funding sources for the litigation account. Ligation expenditures of \$131,417 were funded from the General Fund in 2018–19. In 2019–20 the expenditures were funded from the Insurance Fund.

General Fund Budgetary Highlights

The COVID-19 pandemic and related stay at home orders occurred just after the initial 2020-21 budget estimates were prepared. City staff revised all revenue and reduced expenditures and supplemental request 12 staff positions were frozen for the remainder of the fiscal year.

The final amended budget for revenue other than transfers decreased by 10% from the adopted budget due to projected COVID-19 impacts to revenue. Actual revenue exceeded the final budget by \$1,423,530 or 3.7% for the following reasons:

- Property tax was up \$149,095 or 0.8%.
- Other taxes were up \$580,027 or 6.8% due to conservative year end estimates for TOT and Business Licenses.
- Fines and Forfeitures were up \$75,832 or 3.64% primarily due to administrative fines.
- Charges for Services were up \$487,588 or 8.6% due to conservative year end budget reductions for ambulance transports, parking meter revenue, and contract recreation classes and other recreation programs.

While it is good news that actual revenue exceeded the final budget by 3.6%, revenue is still \$2,679,278 below 2018-19 or 6.5%.

The final amended budget for appropriations other than Transfers Out decreased over the original budget by less than 1%. Although the final budget included department reductions of \$204,501, savings from frozen positions of \$551,479, and other department personnel reductions of \$72,651, the net change to the overall budget was less than 1% because the reductions offset appropriations added during the fiscal year.

Actual expenditures other than Transfers Out were less than the final appropriations by 4.3% primarily due to unspent funds for recruitment bonuses, prospective expenditures, and ongoing updates to the General Plan and Zoning Ordinance and capital improvement projects not completed in 2019-20.

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, 2020, amounts to \$66,556,499 (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, improvements, machinery and equipment, park facilities, roads, highways, and monuments.

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

Governmental Activities

- 8th Street Improvements of \$849,810.
- PCH Traffic Improvements of \$354,312
- Sewer Improvements of \$2,259,349.
- Purchase of 7 vehicles.

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

Sewer Fund

CIP 416 Sewer Improvements- Various Location was completed in 2019-20. The sewer improvements along with the annual costs to maintain the City's sewers resulted in a decrease in the fund balance of \$1,447,206. The ending fund balance in the Sewer Fund is \$5,327,584.

Capital Improvement Fund

Projects funded from the Capital Improvement Fund in 2019-20 include: 8th Street Improvements, Storm Drain Improvements, Citywide Park Improvements, Downtown Strategic Plan Implementation, Police Facilities Improvements, New Corporate Yard Facilities, Community Center General Improvements, Municipal Pier Electrical Repairs, Community Theater Needs Assessment, and Valley Park Restroom Renovations. The fund balance decreased by \$196,444. The ending fund balance of \$9,269,543 includes \$953,000 set aside for the new Corporate Yard Facility and \$1,267,968 in the Capital Facilities Reserve.

Insurance Fund

The City's established goal for net position in the Insurance Fund is \$3,000,000. The balance at June 30, 2020 was \$2,643,791 due to transfers to the General Fund at year-end. At the time the Midyear Budget was prepared, the Insurance Fund was estimated to be \$816,750 over the funding goal of \$3,000,000. This amount was transferred to the General Fund at year end. An additional \$500,000 was transferred to the General Fund based on preliminary conversations with the actuary preparing the annual reports for Liability and Worker's Compensation claims estimates. The reduction in claims was lower than anticipated when the final report was received, resulting in the ending balance of \$2,643,791.

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 2020-21 Budget includes the third full year with the County, equipment conversion costs, and payments for the renovation of the Fire Department facility. The 2020-21 Budget also includes the following:
 - \$6,212,416 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". No funds from the Contingency were used to offset any impact of COVID-19.
 - \$1,751,727 in unspent funds is set aside rather than transferred with the use to be considered as part of the 2021 - 2022 budget process.
 - \$785,712 is transferred from the General Fund for the 2015 Lease Revenue Bonds debt service.
 - \$17.8 million of Capital Improvement Projects are funded, which includes \$7.6 million in new funding. CIP projects will continue to move forward.

- Healthcare benefits are assumed to increase 9% for medical and 7% for dental. The actual rates are typically lower than the assumed increase.

Revenue Trends and Assumptions

Departments were instructed to project revenue and expenditures with the assumption that COVID-19 would continue through December 2020 when revising their 2020 – 2021 budget requests. These estimates are always reviewed at Midyear Budget Review in February. The revised 2019 – 2020 Budget projected a decrease of 11% in General Fund revenue. The actual decrease was only 6.5%.

The projected decrease for the 2020 – 2021 Budget is 16%. Fortunately, property tax, which is the largest and most stable source of revenue is projected to increase by 4.8%. It is likely that sales tax and TOT revenue will continue to decline however much depends on COVID-19. Sales tax is estimated to decline by 13% and TOT is estimated at an occupancy of 30%, which is consistent with occupancy at the time the budget was developed.

The City Council adopted several measures to assist the community and businesses early on during the stay at home order.

- Business License renewal dates were extended to June 30 and business taxes due were deferred, with penalties and interest waived, for businesses that were closed in March as a result of the order.
- Parking permit renewal dates were extended and parking citation late fees were delayed.
- Restaurant encroachments fees were suspended until further notice.
- Enforcement of street sweeping was suspended through June 15th.
- Temporary permits were developed for outdoor dining and outdoor dining areas were expanded to assist restaurants.
- Temporary moratoriums on foreclosures and evictions were implemented for those affected by COVID-19.

Even with the uncertainty of COVID-19, no staff was laid off and contingency funds were not used to balance the 2020–21 budget. The City’s goal is to continue offering the same level of service, to the degree possible, that the community expects.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HERMOSA BEACH

Statement of Net Position

June 30, 2020

	<u>Primary Governmental Activities</u>
ASSETS	
Current assets:	
Cash and investments	\$ 49,484,854
Accounts receivable	3,170,511
Property taxes receivable, net	912,464
Reimbursable grants receivable	615,431
Interest receivable on investments	59,740
Other assets	<u>1,058,059</u>
Total current assets	<u>55,301,059</u>
Noncurrent assets:	
OPEB net asset	551,436
Capital assets:	
Non-depreciable	27,582,462
Depreciable, net	<u>38,974,037</u>
Total capital assets	<u>66,556,499</u>
Total noncurrent assets	<u>67,107,935</u>
Total assets	<u>122,408,994</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows of resources	10,755,221
OPEB related deferred outflows of resources	<u>2,084,988</u>
Total deferred outflows of resources	<u>12,840,209</u>

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH
Statement of Net Position (Continued)
June 30, 2020

	Primary Government
	Governmental Activities
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	2,387,731
Accrued salaries and benefits payable	791,615
Refundable deposits	87,797
Unearned revenue	72,901
Interest payable	49,702
Workers' compensation claims payable - due within one year	809,160
General liability claims payable - due within one year	456,359
Compensated absences - due within one year	1,287,659
Long-term debt - due within one year	510,384
Total current liabilities	6,453,308
Noncurrent liabilities:	
Workers' compensation claims payable - due in more than one year	3,868,172
General liability claims payable - due in more than one year	763,041
Compensated absences - due in more than one year	1,491,541
Long-term debt	9,537,124
Aggregate net pension liability	48,986,913
Total noncurrent liabilities	64,646,791
Total liabilities	71,100,099
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows of resources	3,338,167
OPEB related deferred inflows of resources	255,212
Total deferred inflows of resources	3,593,379
NET POSITION	
Net investment in capital assets	66,556,499
Restricted for:	
Capital projects	1,336,620
Street and sewer purposes	1,733,258
Transportation purposes	1,747,399
Public works	214,824
Public safety	990,116
Cultural and recreation	370,285
Undergrounding districts	7,144
Total restricted	6,399,646
Unrestricted (Deficit)	(12,400,420)
Total net position	\$ 60,555,725

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH

Statement of Activities

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenue
Primary Government:					
Governmental activities:					
Legislative and legal	\$ 1,644,044	\$ -	\$ -	\$ -	\$ -
General government	6,023,648	685,320	247,066	7,753	940,139
Public safety	25,546,098	4,857,617	476,643	-	5,334,260
Community development	3,215,102	1,532,538	219,726	-	1,752,264
Cultural and recreation	1,867,143	546,379	-	20,000	566,379
Public works	7,515,310	1,426,203	2,475,738	805,891	4,707,832
Interest and fiscal charges	<u>295,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 46,107,068</u>	<u>\$ 9,048,057</u>	<u>\$ 3,419,173</u>	<u>\$ 833,644</u>	<u>\$ 13,300,874</u>

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH
Statement of Activities (Continued)
For the Year Ended June 30, 2020

	Net (expense) Revenue and Changes in Net Position
Primary Government:	
Governmental activities:	
Legislative and legal	\$ (1,644,044)
General government	(5,083,509)
Public safety	(20,211,838)
Community development	(1,462,838)
Cultural and recreation	(1,300,764)
Public works	(2,807,478)
Interest and fiscal charges	<u>(295,723)</u>
Total governmental activities	<u>(32,806,194)</u>
General revenues:	
Taxes:	
Property taxes	19,584,959
Sales taxes	2,722,468
Real property transfer tax	313,331
Franchise fees	717,191
Transient occupancy tax	2,599,810
Business license	1,162,017
Utility users tax	2,093,903
½ cent sales tax for public safety	239,965
Other taxes	<u>7,793</u>
Total taxes	29,441,437
Grants and contributions not restricted to specific programs	1,829,299
Miscellaneous	<u>1,499,878</u>
Total general revenues	<u>32,770,614</u>
Change in net position	(35,580)
Net position - beginning of year	<u>60,591,305</u>
Net position - end of year	<u><u>\$ 60,555,725</u></u>

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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.

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

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.

CITY OF HERMOSA BEACH

Balance Sheet

Governmental Funds

June 30, 2020

	Major Funds		
	General	Grants Special Revenue Fund	Sewer Special Revenue Fund
ASSETS			
Cash and investments	\$ 12,498,576	\$ 539,885	\$ 5,352,439
Accounts receivable	2,392,725	277,691	63,213
Property taxes receivable, net	878,235	-	22,624
Reimbursable grants receivable	-	348,257	-
Interest receivable on investments	42,806	-	4,158
Other assets	1,040,352	-	728
Due from other funds	172,280	-	-
Total assets	\$ 17,024,974	\$ 1,165,833	\$ 5,443,162
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 946,612	\$ 740,054	\$ 84,995
Accrued wages and benefits payable	686,671	-	5,880
Refundable deposits	87,797	-	-
Unearned revenues	50,401	-	-
Due to other funds	-	-	-
Compensated absences, due within one year	1,252,385	47	2,079
Total liabilities	3,023,866	740,101	92,954
Deferred Inflows of Resources:			
Unavailable revenue	878,235	-	22,624
Total deferred inflows of resources	878,235	-	22,624
Fund Balances:			
Nonspendable	499,454	-	728
Restricted	318,206	425,732	-
Committed	1,937,335	-	-
Assigned	8,616,151	-	5,326,856
Unassigned	1,751,727	-	-
Total fund balances	13,122,873	425,732	5,327,584
Total liabilities, deferred inflows of resources and fund balances	\$ 17,024,974	\$ 1,165,833	\$ 5,443,162

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH

Balance Sheet (Continued)

Governmental Funds

June 30, 2020

	Major Funds		
	Capital Improvements Capital Projects Fund	Nonmajor Governmental Funds	Total
ASSETS			
Cash and investments	\$ 9,083,705	\$ 7,855,263	\$ 35,329,868
Accounts receivable	-	432,770	3,166,399
Property taxes receivable, net	-	11,605	912,464
Reimbursable grants receivable	-	267,174	615,431
Interest receivable on investments	7,992	4,784	59,740
Other assets	-	15,179	1,056,259
Due from other funds	248,946	-	421,226
Total assets	\$ 9,340,643	\$ 8,586,775	\$ 41,561,387
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 19,634	\$ 291,279	\$ 2,082,574
Accrued wages and benefits payable	51,466	24,933	768,950
Refundable deposits	-	-	87,797
Unearned revenues	-	22,500	72,901
Due to other funds	-	421,226	421,226
Compensated absences, due within one year	-	7,344	1,261,855
Total liabilities	71,100	767,282	4,695,303
Deferred Inflows of Resources:			
Unavailable revenue	-	263,605	1,164,464
Total deferred inflows of resources	-	263,605	1,164,464
Fund Balances:			
Nonspendable	-	15,179	515,361
Restricted	-	6,384,696	7,128,634
Committed	-	1,405,179	3,342,514
Assigned	9,269,543	-	23,212,550
Unassigned	-	(249,166)	1,502,561
Total fund balances	9,269,543	7,555,888	35,701,620
Total liabilities, deferred inflows of resources and fund balances	\$ 9,340,643	\$ 8,586,775	\$ 41,561,387

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position

June 30, 2020

Total Fund Balances - Total Governmental Funds		\$ 35,701,620
<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 \$195,245	\$ 27,387,220	
Depreciable, net of Internal Service Fund of \$3,283,032	<u>35,691,002</u>	
Total capital assets		63,078,222
<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	2,643,791	
Equipment Replacement Fund	<u>8,745,026</u>	
Total Internal Service Funds		11,388,817
<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>		
		1,164,464
<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	(10,047,508)	
Interest payable	(49,702)	
Compensated absences, net of \$25,804 reported in Internal Service fund and \$1,2610,855 reported in accrued payroll	<u>(1,491,541)</u>	(11,588,751)
<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		10,755,221
Pension related deferred inflows of resources		(3,338,167)
<p>Net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds.</p>		
		(48,986,913)
<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		2,084,988
OPEB related deferred inflows of resources		(255,212)
<p>Net OPEB asset is not due and payable in the current period and therefore is not reported in the governmental funds.</p>		
		<u>551,436</u>
Net position of governmental activities		<u>\$ 60,555,725</u>

See accompanying notes to the basic financial statements.

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CITY OF HERMOSA BEACH
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	Major Funds		
	General	Grants Special Revenue Fund	Sewer Special Revenue Fund
REVENUES:			
Property taxes	\$ 19,119,818	\$ -	\$ -
Other taxes	9,148,685	-	-
Licenses and permits	729,622	-	-
Fines and forfeitures	2,160,244	-	-
Use of money and property	663,616	-	-
Intergovernmental	128,680	153,030	10,222
Charges for services	6,139,719	-	1,109,736
Miscellaneous	84,835	569,466	-
Interest earned on investments	368,071	-	229,301
Total revenues	38,543,290	722,496	1,349,259
EXPENDITURES:			
Current:			
Legislative and legal	1,300,018	-	-
General government	4,554,234	12,500	-
Public safety	21,459,563	74,286	-
Community development	2,039,680	66,618	-
Culture and recreation	1,521,029	-	-
Public works	5,342,252	48,139	396,826
Capital outlay	411,204	601,936	2,399,639
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	36,627,980	803,479	2,796,465
REVENUES OVER (UNDER) EXPENDITURES	1,915,310	(80,983)	(1,447,206)
OTHER FINANCING SOURCES (USES):			
Transfers in	2,312,036	-	-
Transfers out	(1,618,565)	-	-
Total other financing sources (uses)	693,471	-	-
NET CHANGE IN FUND BALANCE	2,608,781	(80,983)	(1,447,206)
Fund balances, beginning of year	10,514,092	506,715	6,774,790
Fund balances, end of year	\$ 13,122,873	\$ 425,732	\$ 5,327,584

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH

Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Governmental Funds

For the Year Ended June 30, 2020

	Major Funds		
	Capital Improvements Capital Projects Fund	Nonmajor Governmental Funds	Total
REVENUES:			
Property taxes	\$ -	\$ 453,536	\$ 19,573,354
Other taxes	-	2,040,123	11,188,808
Licenses and permits	-	-	729,622
Fines and forfeitures	-	77,558	2,237,802
Use of money and property	-	405,433	1,069,049
Intergovernmental	-	1,041,950	1,333,882
Charges for services	-	96,762	7,346,217
Miscellaneous	11,245	8,000	673,546
Interest earned on investments	315,587	260,166	1,173,125
Total revenues	326,832	4,383,528	45,325,405
EXPENDITURES:			
Current:			
Legislative and legal	-	-	1,300,018
General government	-	284,092	4,850,826
Public safety	-	142,202	21,676,051
Community development	-	34,615	2,140,913
Culture and recreation	-	66,864	1,587,893
Public works	-	945,053	6,732,270
Capital outlay	524,016	1,269,539	5,206,334
Debt service:			
Principal	-	480,000	480,000
Interest and fiscal charges	-	310,107	310,107
Total expenditures	524,016	3,532,472	44,284,412
REVENUES OVER (UNDER) EXPENDITURES	(197,184)	851,056	1,040,993
OTHER FINANCING SOURCES (USES):			
Transfers in	593,740	1,024,826	3,930,602
Transfers out	(593,000)	(402,287)	(2,613,852)
Total other financing sources (uses)	740	622,539	1,316,750
NET CHANGE IN FUND BALANCE	(196,444)	1,473,595	2,357,743
Fund balances, beginning of year	9,465,987	6,082,293	33,343,877
Fund balances, end of year	\$ 9,269,543	\$ 7,555,888	\$ 35,701,620

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance to the Governmental-wide Statement of Activities
For the Year Ended June 30, 2020**

Net Change in Fund Balances - Total Governmental Funds	\$ 2,357,743
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 costs 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	\$ 4,863,984
Less: repair and maintenance expenditures	<u>(266,605)</u>
Total capital outlay (net of \$378,602 reported in internal service fund)	4,597,379
The net effect on disposal of capital assets.	1,060,974
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 amount listed below.	
Total depreciation reported in Government-wide Statement of Activities	(3,854,996)
Less: depreciation reported in the Internal Service Fund	<u>558,647</u>
Total	(3,296,349)
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.	442,014
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.	(4,884,751)
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 expenditures in governmental funds.	492,905
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.	(181,090)
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.	480,000
Amortization of premium does not use current financial resources and therefore not reported as expenditures in the governmental funds.	14,384
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>(1,118,789)</u>
Change in net position of governmental activities	<u>\$ (35,580)</u>

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PROPRIETARY FUND FINANCIAL STATEMENTS

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, 2020

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
ASSETS	
Current assets:	
Cash and investments	\$ 14,154,986
Account receivables	4,112
Other assets	1,800
Total current assets	<u>14,160,898</u>
Noncurrent assets:	
Nondepreciable capital assets	195,245
Depreciable capital assets, net of accumulated depreciation	3,283,032
Total noncurrent assets	<u>3,478,277</u>
Total assets	<u>17,639,175</u>
LIABILITIES	
Current liabilities:	
Accounts payable	305,157
Accrued wages and benefits payable	22,665
Workers' compensation claims payable - due within one year	809,160
General liability claims payable - due within one year	456,359
Compensated absences - due within one year	25,804
Total current liabilities	<u>1,619,145</u>
Long-term liabilities:	
Workers' compensation claims payable - due in more than one year	3,868,172
General liability claims payable - due in more than one year	763,041
Total long-term liabilities	<u>4,631,213</u>
Total liabilities	<u>6,250,358</u>
NET POSITION	
Net investment in capital assets	3,478,277
Unrestricted	7,910,540
Total net position	<u>\$ 11,388,817</u>

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2020

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES:	
Charges for services	\$ 4,620,763
Miscellaneous revenue	203,000
Total operating revenues	4,823,763
OPERATING EXPENSES:	
Salaries and wages	415,940
Contract services	2,056,994
Supplies	255,639
Claims expense	1,351,230
Depreciation	558,647
Total operating expenses	4,638,450
OPERATING INCOME	185,313
NON-OPERATING REVENUES (EXPENSES):	
Gain on disposal of capital assets	12,648
Total non-operating revenues (expenses)	12,648
INCOME BEFORE TRANSFERS	197,961
Transfers in	93,145
Transfers out	(1,409,895)
Total transfers	(1,316,750)
Change in net position	(1,118,789)
Net position, beginning of year, as restated	12,507,606
Net position, end of year	\$ 11,388,817

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH

Statement of Cash Flows

Proprietary Funds

For the year ended June 30, 2020

	Governmental Activities
	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received for services from other funds	\$ 4,625,663
Cash received from insurance recovery	203,000
Cash payments to suppliers for goods and services	(1,203,747)
Cash payments to employees for services	(415,727)
Cash payments for insurance premiums and claims	<u>(2,084,699)</u>
Net cash provided (used by) operating activities	<u>1,124,490</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfers in	93,145
Transfers out	<u>(1,409,895)</u>
Net cash provided (used by) non-capital financing activities	<u>(1,316,750)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(377,231)
Proceeds from sale of capital assets	<u>12,648</u>
Net cash provided (used by) capital and related financing activities	<u>(364,583)</u>
Net increase (decrease) in cash and cash equivalents	(556,843)
Cash and equivalents, beginning of year	<u>14,711,829</u>
Cash and equivalents, end of year	<u>\$ 14,154,986</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED BY) OPERATING ACTIVITIES:	
Operating income (loss)	\$ 185,313
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	558,647
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	4,900
(Increase) decrease in other assets	855
Increase (decrease) in accounts payable	68,629
Increase (decrease) in accrued wages and benefits payable	(2,118)
Increase (decrease) in workers' compensation claims payable	(375,344)
Increase (decrease) in general liability claims payable	681,268
Increase (decrease) in compensated absences	<u>2,340</u>
Total adjustments	<u>939,177</u>
Net cash provided (used) by operating activities	<u>\$ 1,124,490</u>

See accompanying notes to the basic financial statements.

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FIDUCIARY FUND FINANCIAL STATEMENTS

Agency Funds- are used to account for assets held by the City in the capacity of agent for individuals. Agency Fund spending is controlled primarily through legal agreements and applicable State and Federal laws. 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, 2020

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 351,075
Interest receivable	165
Other receivable	<u>2,648</u>
Total assets	<u><u>\$ 353,888</u></u>
LIABILITIES	
Assessment:	
Installment account	\$ 340,888
Reserve requirement	<u>13,000</u>
Total Liabilities	<u><u>\$ 353,888</u></u>

See accompanying notes to the basic financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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City of Hermosa Beach
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For the Year Ended June 30, 2020

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City of Hermosa Beach
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For the Year Ended June 30, 2020

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City of Hermosa Beach
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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, 2020

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, 2020

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.

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

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, 2020

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, 2020

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, 2020

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. Compensated absences are liquidated principally by the General Fund.

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:

CalPERS

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

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, 2020

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, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

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, 2020

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, 2020

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

The City adopted Statement on Governmental Accounting Standards (GASB Statement) No. 84, *Fiduciary Activities* and GASB Statement No. 90 *Majority Equity Interest*. Neither standard significantly impacted the City.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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, 2020:

	Government-Wide Statement of Net Position Governmental Activities	Statement of Fiduciary Net Position	Total
Cash and investments	\$ 49,484,854	\$ 351,075	\$ 49,835,929

The City’s cash and investments at June 30, 2020 in more detail:

Cash and cash equivalents:	
Demand deposits	\$ 13,173,652
Petty cash	2,000
Total cash and cash equivalents	13,175,652
Investments:	
Local Agency Investment Fund	10,270,516
Los Angeles County Pooled Investments Funds	16,829,564
Negotiable Certificates of Deposit	9,560,197
Total investments	36,660,277
Total cash and investments	\$ 49,835,929

A. Deposits

The carrying amounts of the City’s demand deposits were \$13,173,652 at June 30, 2020. Bank balances at that date were \$14,966,080, 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, 2020

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, 2020 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, 2020, the City had \$10,270,516 invested in LAIF, which had invested 3.37% of the pool investment funds in Structured Notes and Asset-Backed Securities. The fair value of the City’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

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, 2020, the City had \$16,829,564 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, 2020

Note 2 – Cash and Investments (Continued)

D. Fair Value Measurement

At June 30, 2020, 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, 2020:

Investment Type	Value	Level 2	Uncategorized
Local Agency Investment Fund	\$ 10,270,516	\$ -	\$ 10,270,516
Los Angeles County Pooled Investments Fund	16,829,564	16,829,564	-
Negotiable Certificates of Deposit	9,560,197	9,560,197	-
Total	\$ 36,660,277	\$ 26,389,761	\$ 10,270,516

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, 2020, 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	\$ 10,270,516	\$ 10,270,516	\$ -	\$ -	\$ -	\$ -
Los Angeles County Pooled Investments Fund	16,829,564	16,829,564	-	-	-	-
Negotiable Certificates of Deposit	9,560,197	1,944,817	1,765,468	2,365,472	3,484,440	-
Total	\$ 36,660,277	\$ 29,044,897	\$ 1,765,468	\$ 2,365,472	\$ 3,484,440	\$ -

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, 2020, 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	28.02%
Los Angeles County Pooled Investments Fund	Not Rated	Not Rated	45.91%
Negotiable Certificates of Deposits	Not Rated	Not Rated	26.08%
Total			100.00%

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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, 2020.

Note 3 - Receivables

A. Government-Wide Financial Statements

At June 30, 2020, 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	\$ 3,170,511	\$ -	\$ 3,170,511
Property taxes receivable, net	912,464	-	912,464
Reimbursable grants receivable	615,431	-	615,431
Interest receivable on investments	59,740	165	59,905
Other receivables	-	2,648	2,648
Total	\$ 4,758,146	\$ 2,813	\$ 4,760,959

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, 2020, were as follows:

Governmental funds:	
General Fund	\$ 2,392,725
Grants Special Revenue Fund	277,691
Sewer Special Revenue Fund	63,213
Nonmajor Funds	432,770
Total governmental funds	3,166,399
Total accounts receivable	\$ 3,166,399

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 3 – Receivables (Continued)

B. Fund Financial Statements (Continued)

Taxes Receivable

At June 30, 2020, 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
Governmental Funds:			
General Fund	\$ 1,214,534	\$ (336,299)	\$ 878,235
Sewer Special Revenue Fund	39,003	(16,379)	22,624
Nonmajor funds	18,544	(6,939)	11,605
Total	\$ 1,272,081	\$ (359,617)	\$ 912,464

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, 2020 was as follows:

Governmental Funds:	
Grants Special Revenue Fund	\$ 348,257
Nonmajor Governmental Funds	267,174
Total reimbursable grants receivable	\$ 615,431

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. In February 2020, the lease was extended through January 31, 2025. The City received a monthly lease payment in the amount of \$3,294 to January 2020 and \$3,398 from February 2020.

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. In May 2020, the lease was extended through June 2025 and that lease can be terminated without cause at any time after July 2021 with one year of written notice to the City. The City receives a monthly lease payment in the amount of \$15,000 to June 2020.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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 \$2,701 to February 2019 and \$2,782 from March 2020.

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
2021	380,698
2022	405,259
2023	407,547
2024	409,903
2025	303,600
2026-2030	317,831
2031-2035	315,064
2036-2040	331,117
2041-2045	347,672
2046-2050	365,056
2051	36,680
Total	\$ 3,620,427

Lease revenue for the year ended June 30, 2020 was \$309,711.

Note 5 – Interfund Transactions

Due From/To Other Funds – At June 30, 2020, the City had the following due from/to other funds:

Due To Other Funds	Due From Other Funds		
	General Fund	Capital Improvements	Total
Nonmajor Governmental funds	\$ 172,280	\$ 248,946	\$ 421,226
Total	\$ 172,280	\$ 248,946	\$ 421,226

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, 2020

Note 5 – Interfund Transactions (Continued)

Transfers

During the year ended June 30, 2020, the City had the following transfers:

Transfers out	Transfers in				Total
	General Fund	Capital Improvement Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	
General Fund	\$ -	\$ 593,740	\$ 1,024,825	\$ -	\$1,618,565
Capital Improvement Capital Projects Fund	593,000	-	-	-	593,000
Nonmajor Governmental Funds	402,286	-	1	-	402,287
Internal Service Funds	1,316,750	-	-	93,145	1,409,895
Total	<u>\$2,312,036</u>	<u>\$ 593,740</u>	<u>\$ 1,024,826</u>	<u>\$ 93,145</u>	<u>\$4,023,747</u>

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 \$789,862 to the 2015 Lease Revenue Bond Fund for debt service payment.

General Fund transferred \$234,963 to Lighting /Landscaping Fund to cover deficit.

General Fund transferred \$593,740 of surplus funds at midyear to the Capital Improvement Fund.

Capital Improvement Fund transferred \$593,000 back to the General Fund at year end to cover an anticipated deficit caused by COVID-19 related revenue shortfalls.

Nonmajor Governmental Funds transferred \$402,287 for Lighting/Landscaping administration, street maintenance and traffic safety operations, parks maintenance allocation and agency administration.

Internal Service Funds transferred \$1,316,750 to the General Fund at year end to cover an anticipated deficit caused by COVID-19 related revenue shortfalls.

Internal Service Funds transferred \$93,145 to Internal Service Funds to meet funding goals.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 6 – Capital Assets

The following is a summary of changes in capital assets for the governmental activities for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<i>Capital assets not being depreciated:</i>				
Land	\$ 22,742,622	\$ -	\$ (2,454)	\$ 22,740,168
Construction in progress	3,710,354	4,505,796	(3,373,856)	4,842,294
Total capital assets not being depreciated	<u>26,452,976</u>	<u>4,505,796</u>	<u>(3,376,310)</u>	<u>27,582,462</u>
<i>Capital assets being depreciated:</i>				
Buildings and structures	13,612,362	6,804	-	13,619,166
Improvements other than buildings	15,362,907	-	-	15,362,907
Machinery and equipment	6,407,753	229,794	-	6,637,547
Vehicles	4,021,028	296,312	(250,467)	4,066,873
Infrastructure	51,759,319	3,322,086	-	55,081,405
Total capital assets being depreciated	<u>91,163,369</u>	<u>3,854,996</u>	<u>(250,467)</u>	<u>94,767,898</u>
Less accumulated depreciation for:				
Buildings and structures	(5,725,633)	(276,594)	29,036	(5,973,191)
Improvements other than buildings	(13,009,166)	(230,643)	-	(13,239,809)
Machinery and equipment	(4,041,951)	(477,419)	-	(4,519,370)
Vehicles	(2,210,217)	(288,980)	226,698	(2,272,499)
Infrastructure	(28,253,467)	(1,535,525)	-	(29,788,992)
Total accumulated depreciation	<u>(53,240,434)</u>	<u>(2,809,161)</u>	<u>255,734</u>	<u>(55,793,861)</u>
Total capital assets being depreciated, net	<u>37,922,935</u>	<u>1,045,835</u>	<u>5,267</u>	<u>38,974,037</u>
Total governmental activities	<u>\$ 64,375,911</u>	<u>\$ 5,551,631</u>	<u>\$ (3,371,043)</u>	<u>\$ 66,556,499</u>

Depreciation expense was charged to functions/programs of governmental activities for the year ended June 30, 2020 as follows:

General government	\$ 500,932
Public safety	2,231,053
Community development	268,605
Culture and recreation	163,977
Public works	690,429
Total depreciation expense	<u>\$ 3,854,996</u>

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 7 – Long-Term Liabilities

Summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2020 is as follows:

	Balance			Balance June 30, 2020	Classification	
	July 1, 2019	Additions	Deletions		Due within One Year	Due in more than One Year
2015 Lease revenue bond	\$ 10,370,000	\$ -	\$ (480,000)	\$ 9,890,000	\$ 500,000	\$ 9,390,000
Bonds Premium	167,892	-	(10,384)	157,508	10,384	147,124
Compensated absences	2,714,096	1,468,160	(1,403,056)	2,779,200	1,287,659	1,491,541
	<u>\$ 13,251,988</u>	<u>\$ 1,468,160</u>	<u>\$ (1,893,440)</u>	<u>\$ 12,826,708</u>	<u>\$ 1,798,043</u>	<u>\$ 11,028,665</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, 2020 was \$9,890,000.

The annual debt service requirements by year are as follows:

Year ending June 30,	Principal	Interest	Total
2021	\$ 500,000	\$ 785,713	\$ 1,285,713
2022	510,000	778,113	1,288,113
2023	520,000	777,813	1,297,813
2024	535,000	782,263	1,317,263
2025	545,000	781,122	1,326,122
2026-2030	2,980,000	946,455	3,926,455
2031-2035	3,520,000	443,315	3,963,315
2036	780,000	13,650	793,650
	<u>\$ 9,890,000</u>	<u>\$ 5,308,444</u>	<u>\$15,198,444</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, 2020

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 \$801,183 for the fiscal year 2019-2020 are in accordance with formulas established by ICRMA. The City is liable for possible additional assessments and withdrawal costs under terms of the membership agreement; however, there has never been an additional assessment since the pool was formed.

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

The workers' compensation and general liability claims payable of \$5,896,732 reported at June 30, 2020 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>						
2017-2018	\$4,910,809	\$1,127,793	\$ (940,350)	\$5,098,252	\$795,327	\$4,302,925
2018-2019	5,098,252	1,971,873	(2,017,449)	5,052,676	876,329	4,176,347
2019-2020	5,052,676	723,384	(1,098,728)	4,677,332	809,160	3,868,172
<i><u>General Liability</u></i>						
2017-2018	\$1,147,766	\$2,017,449	\$(2,124,777)	\$1,040,438	\$339,112	\$701,326
2018-2019	1,040,438	625,487	(1,127,793)	538,132	175,875	362,257
2019-2020	538,132	1,438,676	(757,408)	1,219,400	456,359	763,041

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, 2020

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, 2020 and pension expenses for the year then ended June 30, 2020:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Deferred outflows of resources:			
Pension contribution after measurement date	\$ 1,907,072	\$ 2,799,261	\$ 4,706,333
Difference between expected and actual experience	1,031,273	2,228,947	3,260,220
Changes of assumptions	708,033	1,399,285	2,107,318
Adjustment due to differences in proportions	28,625	-	28,625
Difference between City contributions and proportionate share of contributions	-	652,725	652,725
Total deferred outflows of resources	<u>\$ 3,675,003</u>	<u>\$ 7,080,218</u>	<u>\$ 10,755,221</u>
Aggregate Net pension liabilities:			
Aggregate Net pension liabilities	<u>\$ 14,848,242</u>	<u>\$ 34,138,671</u>	<u>\$ 48,986,913</u>
Total net pension liabilities	<u>\$ 14,848,242</u>	<u>\$ 34,138,671</u>	<u>\$ 48,986,913</u>
Deferred inflows of Resources:			
Difference between expected and actual experience	\$ 79,903	\$ -	\$ 79,903
Changes of assumptions	250,992	273,069	524,061
Difference between projected and actual earning on pension plan investments	259,593	469,635	729,228
Adjustment due to differences in proportions	195,133	1,654,770	1,849,903
Difference between City contributions and proportionate share of contributions	155,072	-	155,072
Total deferred inflows of Resources	<u>\$ 940,693</u>	<u>\$ 2,397,474</u>	<u>\$ 3,338,167</u>
Pension expenses:	<u>\$ 3,069,498</u>	<u>\$ 6,521,585</u>	<u>\$ 9,591,083</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, 2020

Note 9 – Defined Benefit Pension Plans (Continued)

General Information about the Pension Plan (Continued)

Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by the benefit terms:

	Plans					
	Fire Tier 1	Fire Tier 2	Fire PEPRA	Police Tier 1	Police Tier 2	Police PEPRA
Active employees	-	-	-	21	3	11
Transferred and terminated employees	12	1	3	5	1	2
Separated	4	1	1	5	2	2
Retired Employees and Beneficiaries	60	-	-	93	1	-
Total	<u>76</u>	<u>2</u>	<u>4</u>	<u>124</u>	<u>7</u>	<u>15</u>

	Plans		
	Misc. Tier 1	Misc. Tier 2	Misc. PEPRA
Active employees	37	15	55
Transferred and terminated employees	46	10	15
Separated	47	4	17
Retired Employees and Beneficiaries	141	1	-
Total	<u>271</u>	<u>30</u>	<u>87</u>

Benefit Provided

CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Classic and PEPRA Safety CalPERS member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. PEPRA 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 (effective prior to 7/1/11)
- Fire Tier 2: 2% (at age 50) of the average final 12 months compensation (effective 7/1/11)
- Fire PEPRA: 2.7% (at age 57) of the average final 36 months compensation (effective 1/1/13)
- Police Tier 1: 3% (at age 50) of the average final 12 months compensation (effective prior to 7/1/11)
- Police Tier 2: 2% (at age 50) of the average final 12 months compensation (effective 7/1/11)
- Police Tier PEPRA: 2.7% (at age 57) of the average final 36 months compensation (effective 1/1/13)
- Miscellaneous Tier 1: 2% (at age 55) of the average final 12 months compensation (effective prior to 7/1/11)
- Miscellaneous Tier 2: 2% (at age 60) of the average final 12 months compensation (effective 7/1/11)
- PEPRA Miscellaneous: 2% (at age 62) of the average final 36 months compensation (effective 1/1/13)

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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 fiscal year ended June 30, 2020, the contributions recognized as part of pension expense for the plan totaled \$9,591,083. For the measurement period ended June 30, 2019 (the measurement date), the average contribution rate were as follows:

<u>Plans</u>	<u>Active Employee Contribution Rate</u>	<u>Employer Contribution Rate</u>
Fire Tier 1	9.000%	47.239%
Fire Tier 2	0.000%	0.000%
Fire PEPRAs	12.750%	14.145%
Police Tier 1	9.000%	109.020%
Police Tier 2	9.000%	18.620%
Police PEPRAs	12.750%	13.140%
Misc. Tier 1	7.000%	41.020%
Misc. Tier 2	7.000%	8.318%
Misc. PEPRAs	6.250%	6.840%

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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, 2018 valuation was rolled forward to determine June 30, 2019 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, 2017 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.

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, 2020

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, 2018.

<u>Asset Class</u>	<u>New Strategic Allocation-%</u>	<u>Real Return Years 1-10¹-%</u>	<u>Real Return Years 11+²-%</u>
Global Equity	50.00	4.80	5.98
Global Fixed Income	28.00	1.00	2.62
Inflation Assets	0.00	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Assets	13.00	3.75	4.93
Liquidity	1.00	0.00	-0.92

¹An expected inflation of 2.0% used for this period

²An expected inflation of 2.92% 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% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate + 1% (8.15%)</u>
Miscellaneous	<u>\$ 22,821,755</u>	<u>\$ 14,848,242</u>	<u>\$ 8,266,670</u>
Safety	<u>\$ 50,709,943</u>	<u>\$ 34,138,671</u>	<u>\$ 20,552,824</u>

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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:

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Miscellaneous			
Balance at: 6/30/18 (Valuation date)	\$ 54,826,994	\$ 40,848,844	\$ 13,978,150
Balance at: 6/30/19 (Measurement date)	\$ 57,559,283	\$ 42,215,765	\$ 15,343,518
Net Changes during 2018-2019	\$ 2,732,289	\$ 1,366,921	\$ 1,365,368
Safety			
Balance at: 6/30/18 (Valuation date)	\$ 116,840,514	\$ 83,229,181	\$ 33,611,333
Balance at: 6/30/19 (Measurement date)	\$ 118,283,374	\$ 82,976,536	\$ 35,306,838
Net Changes during 2018-2019	\$ 1,442,860	\$ (252,645)	\$ 1,695,505

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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, 2018). 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, 2019). 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, 2019 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2017-2018).
- (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:

	<u>Miscellaneous</u>	<u>Safety</u>
June 30, 2019	0.37090%	0.57283%
June 30, 2020	0.37079%	0.54687%
Change - Increase (Decrease)	-0.00011%	-0.02596%

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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, 2020, the City recognized pension expense as follows:

Miscellaneous	\$	3,069,498
Safety		6,521,585
		\$ 9,591,083

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 2018-2019 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, 2020, 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	\$ 1,907,072	\$ -
Difference between expected and actual experience	1,031,273	(79,903)
Changes of assumptions	708,033	(250,992)
Difference between projected and actual earning on pension plan investments	-	(259,593)
Adjustment due to differences in proportions	28,625	(195,133)
Difference between City contributions and proportionate share of contributions	-	(155,072)
	\$ 3,675,003	\$ (940,693)
Total	\$ 3,675,003	\$ (940,693)

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (Continued):

	Safety	
	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution after measurement date	\$ 2,799,261	\$ -
Difference between expected and actual experience	2,228,947	-
Changes of assumptions	1,399,285	(273,069)
Difference between projected and actual earning on pension plan investments	-	(469,635)
Adjustment due to differences in proportions	-	(1,654,770)
Difference between City contributions and proportionate share of contributions	652,725	-
Total	\$ 7,080,218	\$ (2,397,474)

At June 30, 2020, 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ended June 30,	Deferred Outflows/ (Inflows) of Resources	
	Miscellaneous	Safety
2021	\$ 942,195	\$ 2,222,185
2022	(255,346)	(552,968)
2023	87,933	122,889
2024	52,256	91,377
2025	-	-
Thereafter	-	-
	\$ 827,238	\$ 1,883,843

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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, which is a single-employer defined benefit plan. 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, 2020

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, 2020 were as follows:

Participants	Total
Active employees	121
Retirees	67
Retirees not receiving benefits	-
Total	188

Net OPEB Liability

The City’s net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions

The total OPEB liability, measured as of June 30, 2019, 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, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2019.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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%
	100.00%	

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, 2019:

Plan's OPEB Liability/(Asset)		
Discount Rate - 1% (5.00%)	Current Discount Rate (6.00%)	Discount Rate + 1% (7.00%)
\$ 1,039,740	\$ (551,436)	\$ (1,892,229)

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, 2019:

Plan's OPEB Liability/(Asset)		
Healthcare		
-1.00%	Trend Rate	+1.00%
\$ (1,704,132)	\$ (551,436)	\$ 830,784

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 10 – Other Postemployment Benefit Plan (Continued)

Change in Net OPEB Liability

	Total OPEB Liability (Asset)	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2018 (Valuation Date)	\$ 10,926,306	\$ 11,574,347	\$ (648,042)
Changes Recognized for the Measurement Period:			
Service Cost	327,066	-	327,066
Interest on the total OPEB liability	661,475	-	661,475
Changes of benefit terms	-	-	-
Difference between expected and actual experience	632,713	-	632,713
Changes of assumptions	771,624	-	771,624
Contributions from the employer	-	1,486,917	(1,486,917)
Contributions from employees	-	-	-
Net investment income, net of administrative expense	-	838,766	(838,776)
Benefit payments, including refunds of employee contributions	(457,550)	(457,550)	-
Administrative Expense	-	(29,410)	29,410
Net Changes during July 1, 2018 to June 30, 2019	<u>1,935,328</u>	<u>1,838,723</u>	<u>96,605</u>
Balance at June 30, 2019 (Measurement Date)	<u>\$ 12,861,634</u>	<u>\$ 13,413,070</u>	<u>\$ (551,436)</u>

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

For the year ended June 30, 2020, OPEB expense in the amount of \$377,522 is included in the accompanying statement of activities.

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of resources</u>	<u>Deferred Inflows of resources</u>
Employer contribution after measurement date	\$ 870,427	\$ -
Differences between expected and actual experience	547,211	-
Changes in assumptions	667,350	-
Difference between projected and actual earning on plan investments	-	(255,212)
	<u>\$ 2,084,988</u>	<u>\$ (255,212)</u>

The \$870,427 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset in the year June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30	Amount
2021	\$ 87,119
2022	85,119
2023	164,120
2024	167,534
2025	189,776
Thereafter	<u>265,681</u>
Total	<u>\$ 959,349</u>

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 11 – Classification of Fund Balances

At June 30, 2020, fund balances are classified in the governmental funds as follows:

	General Fund	Grants Special Revenue Fund	Sewer Special Revenue Fund	Capital Improvements Capital Projects	Nonmajor Governmental Funds	Total
Nonspendable						
Prepaid items	\$ 499,454	\$ -	\$ 728	\$ -	\$ 15,179	\$ 515,361
Total nonspendable	<u>499,454</u>	<u>-</u>	<u>728</u>	<u>-</u>	<u>15,179</u>	<u>515,361</u>
Restricted						
Verizon PEG Grant	56,969	-	-	-	-	56,969
General Plan						
Maintenance Fees	158,350	-	-	-	-	158,350
Chamber Marquee Donation	50,000	-	-	-	-	50,000
Chamber Holiday						
Decorations Donations	19,909	-	-	-	-	19,909
CASP Fees	32,978	-	-	-	-	32,978
Lighting District	-	-	-	-	15,850	15,850
Gas Tax	-	-	-	-	514,785	514,785
Source Reduction/Recycling	-	-	-	-	118,808	118,808
Proposition "A" Open Space	-	-	-	-	14,360	14,360
Parks/Rec Facility Projects	-	-	-	-	355,925	355,925
Undergrounding Districts	-	-	-	-	7,144	7,144
Prop A, C and Measure						
R Transit Projects	-	-	-	-	1,747,399	1,747,399
Air Quality						
Improvement Projects	-	-	-	-	76,277	76,277
Supplemental Law						
Enforcement Services Funds	-	-	-	-	327,737	327,737
Asset Forfeiture – Drug						
Enforcement and Education	-	-	-	-	637,080	637,080
Fire Protection	-	-	-	-	25,299	25,299
Community Development						
Block Grant	-	-	-	-	4,671	4,671
Grants	-	425,732	-	-	-	425,732
Measure M	-	-	-	-	78,134	78,134
RTI Undersea Cable	-	-	-	-	470,817	470,817
RTI Undersea Cable						
Tidelands	-	-	-	-	257,034	257,034
Lease Revenue Bond	-	-	-	-	118	118
Storm Drain	-	-	-	-	1,733,258	1,733,258
Total restricted	<u>318,206</u>	<u>425,732</u>	<u>-</u>	<u>-</u>	<u>6,384,696</u>	<u>7,128,634</u>
Committed						
In Lieu Fee- Parking						
Facilities	86,700	-	-	-	-	86,700
Tyco & Tyco Tidelands	-	-	-	-	1,405,179	1,405,179
Retirement Trust	829,060	-	-	-	-	829,060
Retirement Rate Stabilization	1,021,575	-	-	-	-	1,021,575
Total committed	<u>1,937,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,405,179</u>	<u>3,342,514</u>
Assigned						
Capital Projects	367,439	-	-	8,001,575	-	8,369,014
Capital Facility Reserve	-	-	-	1,267,968	-	1,267,968
Sewers and Storm Drains	-	-	5,326,856	-	-	5,326,856
Fund Balance Carryforward						
for 20-21 Budget	454,496	-	-	-	-	454,496
Reappropriations	684,995	-	-	-	-	684,995
Contingencies	6,023,218	-	-	-	-	6,023,218
Compensated absences	267,950	-	-	-	-	267,950
Prop A Exchange	579,194	-	-	-	-	579,194
Reserves for Fire						
Services	238,859	-	-	-	-	238,859
Total assigned	<u>8,616,151</u>	<u>-</u>	<u>5,326,856</u>	<u>9,269,543</u>	<u>-</u>	<u>23,212,550</u>
Unassigned	<u>1,751,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(249,166)</u>	<u>1,502,561</u>
	<u>\$13,122,873</u>	<u>\$ 425,732</u>	<u>5,327,584</u>	<u>\$ 9,269,543</u>	<u>\$ 7,555,888</u>	<u>\$ 35,701,620</u>

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 12 – Non-City Obligations

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
2021	\$ 25,296	\$ 5,115	\$ 30,411
2022	26,510	3,992	30,502
2023	27,783	2,929	30,712
2024	29,116	1,684	30,800
2025	30,514	732	31,246
	<u>\$ 139,219</u>	<u>\$ 14,452</u>	<u>\$ 153,671</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
2021	\$ 45,765	\$ 12,297	\$ 58,062
2022	48,135	10,301	58,436
2023	50,606	8,203	58,809
2024	53,181	5,998	59,179
2025	55,867	3,680	59,547
2026	58,666	1,247	59,913
Total	<u>\$ 312,220</u>	<u>\$ 41,729</u>	<u>\$ 353,946</u>

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 13 – Commitments and Contingencies

A. Commitments

The City had several outstanding or planned construction and other projects as of June 30, 2020. These projects are evidenced by contractual commitments with contractors and include:

Project	Spent to Date	Commitment Remaining
Permit Software Upgrade and Integration Project	\$ 507,582	\$ 171,468
Fire Department Facility and Equipment Conversion	653,163	1,380,508
Total	\$ 1,160,745	\$ 1,551,976

Of the commitments listed above, \$1,272,852 represents commitments in the Capital Projects Fund, \$171,468 represents commitments in internal service funds, and \$107,656 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 2019-2020 is \$227,271.

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.

D. Ongoing Operations

The City’s operations may be affected by the recent and ongoing outbreak of COVID-19, which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, possible effects may include, but are not limited to, a reduction in certain tax revenues and a decline in the value of investments, which could have an impact on the City’s financial position and operating results. There is significant uncertainty as to the severity and longevity of the outbreak and City management is in the process of evaluating the impact on the City and its financial statements.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 14 – Subsequent Events

Management has evaluated subsequent events through March 26, 2021 which is the date the financial statements were available to be issued, and has determined that there are no transactions that will have a significant impact on the City.

**REQUIRED SUPPLEMENTARY
INFORMATION (UNAUDITED)**

CITY OF HERMOSA BEACH
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Fund balance, July 1, 2019	\$ 10,514,092	\$ 10,514,092	\$ 10,514,092	\$ -
Revenues (inflows):				
Property taxes	18,879,914	18,970,723	19,119,818	149,095
Other taxes	10,374,113	8,572,354	9,148,685	576,331
Licenses and permits	1,215,677	734,016	729,622	(4,394)
Fines and forfeitures	2,135,049	2,084,412	2,160,244	75,832
Use of money and property	911,506	656,674	663,616	6,942
Intergovernmental	147,641	132,085	128,680	(3,405)
Charges for services	7,381,847	5,653,988	6,139,719	485,731
Miscellaneous	124,192	114,252	84,835	(29,417)
Interest earned on investments	217,862	201,256	368,071	166,815
Transfers in	402,922	2,312,672	2,312,036	(636)
Amount available for appropriations	<u>41,790,723</u>	<u>39,432,432</u>	<u>40,855,326</u>	<u>1,422,894</u>
Charges to appropriations (outflows):				
Legislative and legal	1,699,036	1,466,252	1,300,018	166,234
General government	5,035,032	5,341,692	4,554,234	787,458
Public safety	22,695,099	21,301,474	21,459,563	(158,089)
Community development	2,261,750	2,149,062	2,039,680	109,382
Culture and recreation	1,556,347	1,494,775	1,521,029	(26,254)
Public works	6,381,411	5,621,422	5,342,252	279,170
Capital outlay	788,681	882,208	411,204	471,004
Transfers out	1,165,795	1,618,562	1,618,565	(3)
Total charges to appropriations	<u>41,583,151</u>	<u>39,875,447</u>	<u>38,246,545</u>	<u>1,628,902</u>
Fund balance, June 30, 2020	<u>\$ 10,721,664</u>	<u>\$ 10,071,077</u>	<u>\$ 13,122,873</u>	<u>\$ (206,008)</u>

CITY OF HERMOSA BEACH

Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule - Grants Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Fund balance, July 1, 2019	\$ 506,715	\$ 506,715	\$ 506,715	\$ -
Revenues (inflows):				
Intergovernmental	1,524,765	314,014	153,030	(160,984)
Miscellaneous	<u>1,348,601</u>	<u>179,554</u>	<u>569,466</u>	<u>389,912</u>
Amount available for appropriations	<u>2,873,366</u>	<u>493,568</u>	<u>722,496</u>	<u>228,928</u>
Charges to appropriations (outflows):				
General government	-	20,000	12,500	7,500
Public safety	1,800	144,138	74,286	69,852
Community development	-	52,161	66,618	(14,457)
Public works	5,300	84,150	48,139	36,011
Capital outlay	<u>4,485,669</u>	<u>4,744,359</u>	<u>601,936</u>	<u>4,142,423</u>
Total charges to appropriations	<u>4,492,769</u>	<u>5,044,808</u>	<u>803,479</u>	<u>4,241,329</u>
Fund balance (deficit), June 30, 2020	<u>\$ (1,112,688)</u>	<u>\$ (4,044,525)</u>	<u>\$ 425,732</u>	<u>\$ (4,012,401)</u>

CITY OF HERMOSA BEACH
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule - Sewer Special Revenue Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Fund balance, July 1, 2019	<u>\$ 6,774,790</u>	<u>\$ 6,774,790</u>	<u>\$ 6,774,790</u>	<u>\$ -</u>
Revenues (inflows):				
Intergovernmental	13,475	15,697	10,222	(5,475)
Charges for services	1,121,185	1,088,792	1,109,736	20,944
Interest earned on investments	<u>159,651</u>	<u>157,067</u>	<u>229,301</u>	<u>72,234</u>
Amount available for appropriations	<u>1,294,311</u>	<u>1,261,556</u>	<u>1,349,259</u>	<u>87,703</u>
Charges to appropriations (outflows):				
Public works	437,797	466,414	396,826	69,588
Capital outlay	<u>2,650,000</u>	<u>2,939,258</u>	<u>2,399,639</u>	<u>539,619</u>
Total charges to appropriations	<u>3,087,797</u>	<u>3,405,672</u>	<u>2,796,465</u>	<u>609,207</u>
Fund balance, June 30, 2020	<u><u>\$ 4,981,304</u></u>	<u><u>\$ 4,630,674</u></u>	<u><u>\$ 5,327,584</u></u>	<u><u>\$ (521,504)</u></u>

City of Hermosa Beach
Required Supplementary Information (Unaudited) (Continued) Notes to the Budgetary Comparison
Schedule For the Year Ended June 30, 2020

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.

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CITY OF HERMOSA BEACH
Required Supplementary Information (Unaudited) (Continued)
Schedule of City's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2020

Last Ten Fiscal Years

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

	June 30, 2019 ¹ Fiscal Year 2019-20	June 30, 2018 ¹ Fiscal Year 2018-19	June 30, 2017 ¹ Fiscal Year 2017-18	June 30, 2016 ¹ Fiscal Year 2016-17	June 30, 2015 ¹ Fiscal Year 2015-16	June 30, 2014 ¹ Fiscal Year 2014-15
City's Proportion of the Net Pension Liability/(Asset)	0.37079%	0.37090%	0.14664%	0.14882%	0.15099%	0.16331%
City's Proportionate share of the Net Pension Liability/(Asset)	\$ 14,848,242	\$ 13,978,150	\$ 14,452,712	\$ 12,877,883	\$ 10,364,015	\$ 10,161,668
City's Covered payroll	\$ 7,192,641	\$ 7,402,032	\$ 6,785,443	\$ 6,540,869	\$ 5,700,485	\$ 5,355,599
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its covered payroll	206.44%	188.84%	214.32%	196.88%	181.81%	189.74%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	75.95%	74.50%	72.80%	73.59%	78.00%	78.34%

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

	June 30, 2018 ¹ Fiscal Year 2018-19	June 30, 2018 ¹ Fiscal Year 2018-19	June 30, 2017 ¹ Fiscal Year 2017-18	June 30, 2016 ¹ Fiscal Year 2016-17	June 30, 2015 ¹ Fiscal Year 2015-16	June 30, 2014 ¹ Fiscal Year 2014-15
City's Proportion of the Net Pension Liability/(Asset)	0.54687%	0.57283%	0.35213%	0.37217%	0.40019%	0.42012%
City's Proportionate share of the Net Pension Liability/(Asset)	\$ 34,138,671	\$ 33,611,333	\$ 34,921,802	\$ 32,204,127	\$ 27,469,000	\$ 26,141,972
City's Covered payroll	\$ 4,108,280	\$ 5,320,583	\$ 5,597,657	\$ 5,342,937	\$ 5,492,822	\$ 5,065,109
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its covered payroll	830.97%	631.72%	623.86%	602.74%	500.09%	516.12%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	71.77%	71.23%	69.01%	68.78%	72.40%	74.24%

¹ 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 six year are presented.

CITY OF HERMOSA BEACH
Required Supplementary Information (Unaudited) (Continued)
Schedule of City's Contributions - Pensions
For the Year Ended June 30, 2020

Last Ten Fiscal Years

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

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14 ¹
Actuarially determined contribution ²	\$ 618,021	\$ 575,931	\$ 527,115	\$ 518,722	\$ 469,656	\$ 883,493	\$ 799,637
Contributions in relation to the actuarially determined contributions ²	<u>\$ (1,907,072)</u>	<u>\$ (1,682,561)</u>	<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>\$ (1,289,051)</u>	<u>\$ (1,106,630)</u>	<u>\$ (989,630)</u>	<u>\$ (860,429)</u>	<u>\$ (775,464)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll ²	\$ 7,191,189	\$ 7,192,641	\$ 7,402,032	\$ 6,785,443	\$ 6,540,869	\$ 5,700,485	\$ 5,355,599
Contributions as a percentage of covered employee payroll	26.52%	23.39%	20.49%	20.33%	19.04%	15.50%	14.93%

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

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14 ¹
Actuarially determined contribution ²	\$ 753,728	\$ 804,633	\$ 1,016,858	\$ 1,029,129	\$ 1,033,371	\$ 2,842,420	\$ 1,923,392
Contributions in relation to the actuarially determined contributions ²	<u>\$ (2,799,261)</u>	<u>\$ (3,878,196)</u>	<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>\$ (2,045,533)</u>	<u>\$ (3,073,563)</u>	<u>\$ (3,209,924)</u>	<u>\$ (2,892,050)</u>	<u>\$ (2,664,744)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll ²	\$ 4,130,518	\$ 4,108,280	\$ 5,320,583	\$ 5,597,651	\$ 5,342,937	\$ 5,492,822	\$ 5,065,109
Contributions as a percentage of covered employee payroll	67.77%	94.40%	79.44%	70.05%	69.22%	51.75%	37.97%

¹ 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 seven years are presented.

² Covered Payroll represented above is based on pensionable earnings provided by the employer.

Notes to Schedule

None.

CITY OF HERMOSA BEACH
Required Supplementary Information (Unaudited) (Continued)
Schedule of Changes in the Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2020

Last Ten Fiscal Years

For the Measurement Period:	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
Total OPEB Liability			
Service cost	\$ 327,066	\$ 317,540	\$ 326,000
Interest on the total OPEB Liability	661,475	631,597	624,000
Actual and expected experience difference	632,713.00	-	-
Changes in assumptions	771,624	-	-
Changes in benefit terms	-	-	(381,000)
Benefit payments	<u>(457,550)</u>	<u>(463,831)</u>	<u>(399,000)</u>
Net change in total OPEB liability	1,935,328	485,306	170,000
Total OPEB liability - beginning	<u>10,926,306</u>	<u>10,441,000</u>	<u>10,271,000</u>
Total OPEB liability - ending (a)	<u>\$ 12,861,634</u>	<u>\$ 10,926,306</u>	<u>\$ 10,441,000</u>
 Plan Fiduciary Net Position			
Contribution - employer	\$ 1,486,916	\$ 1,569,307	\$ 1,050,000
Net investment income	838,766	645,729	906,000
Benefit payments	(457,550)	(463,831)	(399,000)
Administrative expense	<u>(29,410)</u>	<u>(26,857)</u>	<u>(23,000)</u>
Net change in plan fiduciary net position	1,838,722	1,724,348	1,534,000
Plan fiduciary net position - beginning	<u>11,574,348</u>	<u>9,850,000</u>	<u>8,316,000</u>
Plan fiduciary net position - ending (b)	<u>13,413,070</u>	<u>11,574,348</u>	<u>\$ 9,850,000</u>
 Net OPEB liability (asset) - ending (a)-(b)	<u>\$ (551,436)</u>	<u>\$ (648,042)</u>	<u>\$ 591,000</u>
 Fiduciary net position as a % of total OPEB liability	104.30%	105.90%	94.34%
 Covered payroll	10,461,266	11,551,135	11,551,135
 Net OPEB liability as a percentage of payroll	-5.27%	-5.61%	5.12%

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

CITY OF HERMOSA BEACH
Required Supplementary Information (Unaudited) (Continued)
Schedule of City's Contributions - OPEB
For the Year Ended June 30, 2020

For the Measurement Period:	Last Ten Fiscal Years			
	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
Actuarially determined contributions	\$ 314,000	\$ 324,000	\$ 818,000	\$ 818,000
Contributions in relation to the actuarially determined contribution	<u>(870,427)</u>	<u>(1,486,916)</u>	<u>(1,569,000)</u>	<u>(1,050,000)</u>
Contribution deficiency (excess)	<u>\$ (556,427)</u>	<u>\$ (1,162,916)</u>	<u>\$ (751,000)</u>	<u>\$ (232,000)</u>
Covered payroll	<u>\$ 12,297,066</u>	<u>\$ 10,461,266</u>	<u>\$ 11,551,135</u>	<u>\$ 10,955,041</u>
Contributions as a percentage of covered payroll	7.08%	14.21%	13.58%	9.58%

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

SUPPLEMENTARY INFORMATION

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NON MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds:

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

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

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

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.

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.

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.

NON MAJOR GOVERNMENTAL FUNDS (Continued)

Special Revenue Funds (Continued):

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.

Proposition "A" Transit Special Revenue 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.

FEMA Special Revenue Fund - This fund is used to account for emergency response related expenditures reimbursed by the Federal Emergency Management Agency (FEMA).

CARES Act Special Revenue Fund - This fund is used to account for COVID-19 related expenditures reimbursable under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

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, 2020

Special Revenue Funds

		Lighting and Landscaping District	State Gas Tax	AB 939	Prop A Open Space	Tyco
ASSETS						
Cash and investments	\$	53,642	\$ 432,912	\$ 129,400	\$ 8,220	\$ 1,319,631
Accounts receivable		9,266	96,503	8,417	6,140	84,483
Property taxes receivable, net		11,605	-	-	-	-
Reimbursable grants receivable		-	-	-	-	-
Interest receivable		41	337	100	-	1,047
Other assets		-	-	-	-	-
Total assets	\$	74,554	\$ 529,752	\$ 137,917	\$ 14,360	\$ 1,405,161
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$	38,922	\$ 14,967	\$ 18,500	\$ -	\$ -
Accrued wages and benefits payable		3,429	-	498	-	-
Unearned revenues		-	-	-	-	-
Due to other funds		-	-	-	-	-
Compensated absences, due within one year		4,748	-	111	-	-
Total liabilities		47,099	14,967	19,109	-	-
Deferred inflows of resources:						
Unavailable revenue		11,605	-	-	-	-
Total deferred inflows of resources		11,605	-	-	-	-
Fund Balances:						
Nonspendable		-	-	-	-	-
Restricted		15,850	514,785	118,808	14,360	-
Committed		-	-	-	-	1,405,161
Unassigned		-	-	-	-	-
Total fund balances		15,850	514,785	118,808	14,360	1,405,161
Total liabilities, deferred inflows and fund balances	\$	74,554	\$ 529,752	\$ 137,917	\$ 14,360	\$ 1,405,161

CITY OF HERMOSA BEACH
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2020

	Special Revenue Funds				
	Tyco Tidelands	Parks/ Recreation Facilities Tax	Bayview Drive Administrative Expense	Myrtle District Administrative Expense	Loma District Administrative Expense
ASSETS					
Cash and investments	\$ 18	\$ 361,657	\$ 4,249	\$ -	\$ -
Accounts receivable	-	2,000	-	-	-
Property taxes receivable, net	-	-	-	-	-
Reimbursable grants receivable	-	-	-	-	-
Interest receivable	-	278	3	-	-
Other assets	-	-	-	-	-
Total assets	\$ 18	\$ 363,935	\$ 4,252	\$ -	\$ -
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 8,010	\$ 364	\$ -	\$ -
Accrued wages and benefits payable	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Due to other funds	-	-	-	111	-
Compensated absences, due within one year	-	-	-	-	-
Total liabilities	-	8,010	364	111	-
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	355,925	3,888	-	-
Committed	18	-	-	-	-
Unassigned	-	-	-	(111)	-
Total fund balances	18	355,925	3,888	(111)	-
Total liabilities, deferred inflows and fund balances	\$ 18	\$ 363,935	\$ 4,252	\$ -	\$ -

CITY OF HERMOSA BEACH
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2020

Special Revenue Funds

	Special Revenue Funds				
	Beach Drive Assessment District Admin Expense	Proposition "C"	Measure "R"	Air Quality Management District	Supplemental Law Enforcement Services
ASSETS					
Cash and investments	\$ 3,598	\$ 1,067,543	\$ 286,704	\$ 63,364	\$ 327,624
Accounts receivable	-	-	10,000	12,976	-
Property taxes receivable, net	-	-	-	-	-
Reimbursable grants receivable	-	-	-	-	-
Interest receivable	3	842	225	50	255
Other assets	-	-	-	-	11,590
Total assets	<u>\$ 3,601</u>	<u>\$ 1,068,385</u>	<u>\$ 296,929</u>	<u>\$ 76,390</u>	<u>\$ 339,469</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 345	\$ 7,368	\$ 17,716	\$ -	\$ 142
Accrued wages and benefits payable	-	1	-	113	-
Unearned revenues	-	-	-	-	-
Due to other funds	-	-	-	-	-
Compensated absences, due within one year	-	-	188	-	-
Total liabilities	<u>345</u>	<u>7,369</u>	<u>17,904</u>	<u>113</u>	<u>142</u>
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Nonspendable	-	-	-	-	11,590
Restricted	3,256	1,061,016	279,025	76,277	327,737
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>3,256</u>	<u>1,061,016</u>	<u>279,025</u>	<u>76,277</u>	<u>339,327</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,601</u>	<u>\$ 1,068,385</u>	<u>\$ 296,929</u>	<u>\$ 76,390</u>	<u>\$ 339,469</u>

CITY OF HERMOSA BEACH
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2020

Special Revenue Funds

	Asset Seizure and Forfeiture	Fire Protection	CDBG	Measure "M"	RTI Undersea Cable
ASSETS					
Cash and investments	\$ 636,911	\$ 25,280	\$ -	\$ 188,759	\$ 470,450
Accounts receivable	-	-	180,485	-	22,500
Property taxes receivable, net	-	-	-	-	-
Reimbursable grants receivable	-	-	-	-	-
Interest receivable	499	19	-	151	367
Other assets	-	3,589	-	-	-
Total assets	<u>\$ 637,410</u>	<u>\$ 28,888</u>	<u>\$ 180,485</u>	<u>\$ 188,910</u>	<u>\$ 493,317</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 330	\$ -	\$ 3,645	\$ 110,776	\$ -
Accrued wages and benefits payable	-	-	-	-	-
Unearned revenues	-	-	-	-	22,500
Due to other funds	-	-	172,169	-	-
Compensated absences, due within one year	-	-	-	-	-
Total liabilities	<u>330</u>	<u>-</u>	<u>175,814</u>	<u>110,776</u>	<u>22,500</u>
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Nonspendable	-	3,589	-	-	-
Restricted	637,080	25,299	4,671	78,134	470,817
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>637,080</u>	<u>28,888</u>	<u>4,671</u>	<u>78,134</u>	<u>470,817</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 637,410</u>	<u>\$ 28,888</u>	<u>\$ 180,485</u>	<u>\$ 188,910</u>	<u>\$ 493,317</u>

CITY OF HERMOSA BEACH
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2020

	Special Revenue Funds			
	RTI			
	Undersea			
	Cable	Proposition		CARES
	Tidelands	"A" Transit	FEMA	Act
ASSETS				
Cash and investments	\$ 256,834	\$ 447,560	\$ -	\$ -
Accounts receivable	-	-	-	-
Property taxes receivable, net	-	-	-	-
Reimbursable grants receivable	-	-	252,000	15,174
Interest receivable	200	367	-	-
Other assets	-	-	-	-
Total assets	\$ 257,034	\$ 447,927	\$ 252,000	\$ 15,174
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 40,342	\$ 109	\$ -
Accrued wages and benefits payable	-	227	-	15,174
Unearned revenues	-	-	-	-
Due to other funds	-	-	248,946	-
Compensated absences, due within one year	-	-	-	-
Total liabilities	-	40,569	249,055	15,174
Deferred inflows of resources:				
Unavailable revenue	-	-	252,000	-
Total deferred inflows of resources	-	-	252,000	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	257,034	407,358	-	-
Committed	-	-	-	-
Unassigned	-	-	(249,055)	-
Total fund balances	257,034	407,358	(249,055)	-
Total liabilities, deferred inflows and fund balances	\$ 257,034	\$ 447,927	\$ 252,000	\$ 15,174

CITY OF HERMOSA BEACH
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2020

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
	Storm Drain	2015 Lease Revenue Bonds	
ASSETS			
Cash and investments	\$ 1,770,789	\$ 118	\$ 7,855,263
Accounts receivable	-	-	432,770
Property taxes receivable, net	-	-	11,605
Reimbursable grants receivable	-	-	267,174
Interest receivable	-	-	4,784
Other assets	-	-	15,179
Total assets	\$ 1,770,789	\$ 118	\$ 8,586,775
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 29,743	\$ -	\$ 291,279
Accrued wages and benefits payable	5,491	-	24,933
Unearned revenues	-	-	22,500
Due to other funds	-	-	421,226
Compensated absences, due within one year	2,297	-	7,344
Total liabilities	37,531	-	767,282
Deferred inflows of resources:			
Unavailable revenue	-	-	263,605
Total deferred inflows of resources	-	-	263,605
Fund Balances:			
Nonspendable	-	-	15,179
Restricted	1,733,258	118	6,384,696
Committed	-	-	1,405,179
Unassigned	-	-	(249,166)
Total fund balances	1,733,258	118	7,555,888
Total liabilities, deferred inflows and fund balances	\$ 1,770,789	\$ 118	\$ 8,586,775

CITY OF HERMOSA BEACH
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

Special Revenue Funds

	Lighting and Landscaping District	State Gas Tax	AB 939	Prop A Open Space	Tyco
REVENUES:					
Property taxes	\$ 453,536	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	-	-	-	-	337,932
Intergovernmental	-	830,357	-	-	-
Charges for services	-	-	65,585	-	-
Miscellaneous	-	-	-	-	-
Interest earned on investments	1,304	14,005	2,384	-	42,286
Total revenues	<u>454,840</u>	<u>844,362</u>	<u>67,969</u>	<u>-</u>	<u>380,218</u>
EXPENDITURES:					
Current:					
General government	-	-	27,077	-	-
Public safety	-	-	-	-	-
Community development	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Public works	691,094	-	-	-	-
Capital outlay	-	369,998	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>691,094</u>	<u>369,998</u>	<u>27,077</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(236,254)</u>	<u>474,364</u>	<u>40,892</u>	<u>-</u>	<u>380,218</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	234,963	-	-	-	-
Transfers out	(11,054)	(360,763)	-	(20,557)	-
Total other financing sources (uses)	<u>223,909</u>	<u>(360,763)</u>	<u>-</u>	<u>(20,557)</u>	<u>-</u>
CHANGE IN FUND BALANCES	<u>(12,345)</u>	<u>113,601</u>	<u>40,892</u>	<u>(20,557)</u>	<u>380,218</u>
Fund balances, beginning of year	28,195	401,184	77,916	34,917	1,024,943
Fund balances (deficits), end of year	<u>\$ 15,850</u>	<u>\$ 514,785</u>	<u>\$ 118,808</u>	<u>\$ 14,360</u>	<u>\$ 1,405,161</u>

CITY OF HERMOSA BEACH

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)

Nonmajor Governmental Funds

For the Year Ended June 30, 2020

Special Revenue Funds

	Tyco Tidelands	Parks/ Recreation Facilities Tax	Bayview Drive Administrative Expense	Myrtle District Administrative Expense	Loma District Administrative Expense
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	7,793	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	17,216	-	-	-
Miscellaneous	-	-	4,500	-	-
Interest earned on investments	7	12,537	145	-	80
Total revenues	<u>7</u>	<u>37,546</u>	<u>4,645</u>	<u>-</u>	<u>80</u>
EXPENDITURES:					
Current:					
General government	-	-	1,508	-	590
Public safety	-	-	-	-	-
Community development	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	-	28,423	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>-</u>	<u>28,423</u>	<u>1,508</u>	<u>-</u>	<u>590</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>7</u>	<u>9,123</u>	<u>3,137</u>	<u>-</u>	<u>(510)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	(2,307)	-	(5,715)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(2,307)</u>	<u>-</u>	<u>(5,715)</u>
CHANGE IN FUND BALANCES	7	9,123	830	-	(6,225)
Fund balances, beginning of year	11	346,802	3,058	(111)	6,225
Fund balances (deficits), end of year	<u>\$ 18</u>	<u>\$ 355,925</u>	<u>\$ 3,888</u>	<u>\$ (111)</u>	<u>\$ -</u>

CITY OF HERMOSA BEACH

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)

Nonmajor Governmental Funds

For the Year Ended June 30, 2020

	Special Revenue Funds				
	Beach Drive Assessment District Admin Expense	Proposition "C"	Measure "R"	Air Quality Management District	Supplemental Law Enforcement Services
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	317,088	237,476	-	128,414
Fines and forfeitures	-	-	-	-	-
Use of money and property	-	-	-	-	-
Intergovernmental	-	-	-	61,020	-
Charges for services	-	-	-	-	-
Miscellaneous	3,500	-	-	-	-
Interest earned on investments	133	30,444	17,439	702	11,200
Total revenues	3,633	347,532	254,915	61,722	139,614
EXPENDITURES:					
Current:					
General government	1,420	-	-	3,690	-
Public safety	-	-	-	-	48,023
Community development	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	-	-	363,386	-	42,530
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	1,420	-	363,386	3,690	90,553
REVENUES OVER (UNDER) EXPENDITURES	2,213	347,532	(108,471)	58,032	49,061
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(1,891)	-	-	-	-
Total other financing sources (uses)	(1,891)	-	-	-	-
CHANGE IN FUND BALANCES	322	347,532	(108,471)	58,032	49,061
Fund balances, beginning of year	2,934	713,484	387,496	18,245	290,266
Fund balances (deficits), end of year	\$ 3,256	\$ 1,061,016	\$ 279,025	\$ 76,277	\$ 339,327

CITY OF HERMOSA BEACH

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)

Nonmajor Governmental Funds

For the Year Ended June 30, 2020

	Special Revenue Funds				
	Asset Seizure and Forfeiture	Fire Protection	CDBG	Measure "M"	RTI Undersea Cable
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	267,089	-
Fines and forfeitures	77,558	-	-	-	-
Use of money and property	-	-	-	-	67,501
Intergovernmental	-	-	150,573	-	-
Charges for services	-	10,294	-	-	-
Miscellaneous	-	-	-	-	-
Interest earned on investments	20,213	1,671	-	3,545	15,537
Total revenues	<u>97,771</u>	<u>11,965</u>	<u>150,573</u>	<u>270,634</u>	<u>83,038</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	2,792	43,062	-	-	-
Community development	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	3,148	-	150,873	215,548	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>5,940</u>	<u>43,062</u>	<u>150,873</u>	<u>215,548</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>91,831</u>	<u>(31,097)</u>	<u>(300)</u>	<u>55,086</u>	<u>83,038</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCES	91,831	(31,097)	(300)	55,086	83,038
Fund balances, beginning of year	545,249	59,985	4,971	23,048	387,779
Fund balances (deficits), end of year	<u>\$ 637,080</u>	<u>\$ 28,888</u>	<u>\$ 4,671</u>	<u>\$ 78,134</u>	<u>\$ 470,817</u>

CITY OF HERMOSA BEACH

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)

Nonmajor Governmental Funds

For the Year Ended June 30, 2020

	Special Revenue Funds			
	RTI Undersea Cable Tidelands	Proposition "A" Transit	FEMA	CARES Act
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	382,263	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	3,667	-	-
Miscellaneous	-	-	-	-
Interest earned on investments	9,009	24,961	-	-
Total revenues	<u>9,009</u>	<u>410,891</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Current:				
General government	-	752	249,055	-
Public safety	-	48,325	-	-
Community development	-	34,615	-	-
Culture and recreation	-	66,864	-	-
Public works	-	-	-	-
Capital outlay	-	75,581	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>-</u>	<u>226,137</u>	<u>249,055</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>9,009</u>	<u>184,754</u>	<u>(249,055)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCES	9,009	184,754	(249,055)	-
Fund balances, beginning of year	248,025	222,604	-	-
Fund balances (deficits), end of year	<u>\$ 257,034</u>	<u>\$ 407,358</u>	<u>\$ (249,055)</u>	<u>\$ -</u>

CITY OF HERMOSA BEACH

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)

Nonmajor Governmental Funds

For the Year Ended June 30, 2020

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
	Storm Drain	2015 Lease Revenue Bonds	
REVENUES:			
Property taxes	\$ -	\$ -	\$ 453,536
Other taxes	700,000	-	2,040,123
Fines and forfeitures	-	-	77,558
Use of money and property	-	-	405,433
Intergovernmental	-	-	1,041,950
Charges for services	-	-	96,762
Miscellaneous	-	-	8,000
Interest earned on investments	52,564	-	260,166
Total revenues	<u>752,564</u>	<u>-</u>	<u>4,383,528</u>
EXPENDITURES:			
Current:			
General government	-	-	284,092
Public safety	-	-	142,202
Community development	-	-	34,615
Culture and recreation	-	-	66,864
Public works	253,959	-	945,053
Capital outlay	20,052	-	1,269,539
Debt service:			
Principal	-	480,000	480,000
Interest and fiscal charges	-	310,107	310,107
Total expenditures	<u>274,011</u>	<u>790,107</u>	<u>3,532,472</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>478,553</u>	<u>(790,107)</u>	<u>851,056</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	789,863	1,024,826
Transfers out	-	-	(402,287)
Total other financing sources (uses)	<u>-</u>	<u>789,863</u>	<u>622,539</u>
CHANGE IN FUND BALANCES	478,553	(244)	1,473,595
Fund balances, beginning of year	1,254,705	362	6,082,293
Fund balances (deficits), end of year	<u>\$ 1,733,258</u>	<u>\$ 118</u>	<u>\$ 7,555,888</u>

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, 2020

	Budgeted Amounts	Actual	Variance with
	Final	Amounts	Final Budget
Fund balance, July 1, 2019	\$ 28,195	\$ 28,195	\$ -
Revenues (inflows):			
Property taxes	457,800	453,536	(4,264)
Interest earned on investments	235	1,304	1,069
Transfers in	234,963	234,963	-
Amount available for appropriations	692,998	689,803	(3,195)
Charges to appropriations (outflows):			
Public works	700,532	691,094	9,438
Transfers out	11,054	11,054	-
Total charges to appropriations	711,586	702,148	9,438
Fund balance, June 30, 2020	\$ 9,607	\$ 15,850	\$ (12,633)

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, 2020

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2019	\$ 401,184	\$ 401,184	\$ -
Revenues (inflows):			
Intergovernmental	870,501	830,357	(40,144)
Interest earned on investments	<u>6,927</u>	<u>14,005</u>	<u>7,078</u>
Amount available for appropriations	<u>877,428</u>	<u>844,362</u>	<u>(33,066)</u>
Charges to appropriations (outflows):			
Capital outlay	822,489	369,998	452,491
Transfers out	<u>360,763</u>	<u>360,763</u>	<u>-</u>
Total charges to appropriations	<u>1,183,252</u>	<u>730,761</u>	<u>452,491</u>
Fund balance, June 30, 2020	<u><u>\$ 95,360</u></u>	<u><u>\$ 514,785</u></u>	<u><u>\$ (485,557)</u></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, 2020

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2019	\$ 77,916	\$ 77,916	\$ -
Revenues (inflows):			
Charges for services	61,528	65,585	4,057
Interest earned on investments	<u>2,054</u>	<u>2,384</u>	<u>330</u>
Amount available for appropriations	<u>63,582</u>	<u>67,969</u>	<u>4,387</u>
Charges to appropriations (outflows):			
General government	<u>27,316</u>	<u>27,077</u>	<u>239</u>
Total charges to appropriations	<u>27,316</u>	<u>27,077</u>	<u>239</u>
Fund balance, June 30, 2020	<u>\$ 114,182</u>	<u>\$ 118,808</u>	<u>\$ 4,148</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, 2020

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2019	\$ 34,917	\$ 34,917	\$ -
Revenues (inflows):			
Intergovernmental	<u>20,557</u>	<u>-</u>	<u>(20,557)</u>
Amount available for appropriations	<u>20,557</u>	<u>-</u>	<u>(20,557)</u>
Charges to appropriations (outflows):			
Capital outlay	1,198,548	-	1,198,548
Transfers out	<u>20,557</u>	<u>20,557</u>	<u>-</u>
Total charges to appropriations	<u>1,219,105</u>	<u>20,557</u>	<u>1,198,548</u>
Fund balance (deficit), June 30, 2020	<u>\$ (1,163,631)</u>	<u>\$ 14,360</u>	<u>\$ (1,219,105)</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, 2020

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2019	\$ 1,024,943	\$ 1,024,943	\$ -
Revenues (inflows):			
Use of money and property	337,932	337,932	-
Interest earned on investments	<u>26,158</u>	<u>42,286</u>	<u>16,128</u>
Amount available for appropriations	<u>364,090</u>	<u>380,218</u>	<u>16,128</u>
Charges to appropriations (outflows):			
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2020	<u>\$ 1,389,033</u>	<u>\$ 1,405,161</u>	<u>\$ 16,128</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, 2020

	Budgeted Amounts <u>Final</u>	Actual Amounts <u> </u>	Variance with Final Budget <u> </u>
Fund balance, July 1, 2019	\$ 11	\$ 11	\$ -
Revenues (inflows):			
Interest earned on investments	<u>-</u>	<u>7</u>	<u>7</u>
Amount available for appropriations	<u>-</u>	<u>7</u>	<u>7</u>
Charges to appropriations (outflows):			
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2020	<u>\$ 11</u>	<u>\$ 18</u>	<u>\$ 7</u>

CITY OF HERMOSA BEACH

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

Park/Recreation Facilities Tax Special Revenue Fund

For the Year Ended June 30, 2020

	Budgeted Amounts	Actual	Variance with
	Final	Amounts	Final Budget
Fund balance, July 1, 2019	\$ 346,802	\$ 346,802	\$ -
Revenues (inflows):			
Other taxes	7,793	7,793	-
Charges for services	53,404	17,216	(36,188)
Interest earned on investments	8,282	12,537	4,255
Amount available for appropriations	69,479	37,546	(31,933)
Charges to appropriations (outflows):			
Capital outlay	416,281	28,423	387,858
Total charges to appropriations	416,281	28,423	387,858
Fund balance, June 30, 2020	\$ -	\$ 355,925	\$ (419,791)

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, 2020

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2019	\$ 3,058	\$ 3,058	\$ -
Revenues (inflows):			
Miscellaneous	4,500	4,500	-
Interest earned on investments	<u>87</u>	<u>145</u>	<u>58</u>
Amount available for appropriations	<u>4,587</u>	<u>4,645</u>	<u>58</u>
Charges to appropriations (outflows):			
General government	1,400	1,508	(108)
Transfers out	<u>2,307</u>	<u>2,307</u>	<u>-</u>
Total charges to appropriations	<u>3,707</u>	<u>3,815</u>	<u>(108)</u>
Fund balance, June 30, 2020	<u><u>\$ 3,938</u></u>	<u><u>\$ 3,888</u></u>	<u><u>\$ 166</u></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, 2020

	Budgeted Amounts	Actual	Variance with
	Final	Amounts	Final Budget
Fund balance, July 1, 2019	\$ 6,225	\$ 6,225	\$ -
Revenues (inflows):			
Interest earned on investments	156	80	(76)
Amount available for appropriations	156	80	(76)
Charges to appropriations (outflows):			
General government	100	590	(490)
Transfers out	6,350	5,715	635
Total charges to appropriations	6,450	6,305	145
Fund balance (deficit), June 30, 2020	\$ (69)	\$ -	\$ (221)

CITY OF HERMOSA BEACH

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Beach Drive District Administrative Expense Special Revenue Fund
For the Year Ended June 30, 2020**

	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Fund balance, July 1, 2019	\$ 2,934	\$ 2,934	\$ -
Revenues (inflows):			
Miscellaneous	3,500	3,500	-
Interest earned on investments	<u>82</u>	<u>133</u>	<u>51</u>
Amount available for appropriations	<u>3,582</u>	<u>3,633</u>	<u>51</u>
Charges to appropriations (outflows):			
General government	1,503	1,420	83
Transfers out	<u>1,891</u>	<u>1,891</u>	<u>-</u>
Total charges to appropriations	<u>3,394</u>	<u>3,311</u>	<u>83</u>
Fund balance, June 30, 2020	<u><u>\$ 3,122</u></u>	<u><u>\$ 3,256</u></u>	<u><u>\$ (32)</u></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, 2020

	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Fund balance, July 1, 2019	\$ 713,484	\$ 713,484	\$ -
Revenues (inflows):			
Other taxes	339,024	317,088	(21,936)
Interest earned on investments	<u>22,288</u>	<u>30,444</u>	<u>8,156</u>
Amount available for appropriations	<u>361,312</u>	<u>347,532</u>	<u>(13,780)</u>
Charges to appropriations (outflows):			
Public works	<u>370,875</u>	<u>-</u>	<u>370,875</u>
Total charges to appropriations	<u>370,875</u>	<u>-</u>	<u>370,875</u>
Fund balance, June 30, 2020	<u>\$ 703,921</u>	<u>\$ 1,061,016</u>	<u>\$ (384,655)</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, 2020

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2019	\$ 387,496	\$ 387,496	\$ -
Revenues (inflows):			
Other taxes	254,268	237,476	(16,792)
Miscellaneous	384,325	-	(384,325)
Interest earned on investments	<u>15,645</u>	<u>17,439</u>	<u>1,794</u>
Amount available for appropriations	<u>654,238</u>	<u>254,915</u>	<u>(399,323)</u>
Charges to appropriations (outflows):			
Capital outlay	<u>756,091</u>	<u>363,386</u>	<u>392,705</u>
Total charges to appropriations	<u>756,091</u>	<u>363,386</u>	<u>392,705</u>
Fund balance, June 30, 2020	<u>\$ 285,643</u>	<u>\$ 279,025</u>	<u>\$ (792,028)</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, 2020

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2019	\$ 18,245	\$ 18,245	\$ -
Revenues (inflows):			
Intergovernmental	25,000	61,020	36,020
Interest earned on investments	<u>432</u>	<u>702</u>	<u>270</u>
Amount available for appropriations	<u>25,432</u>	<u>61,722</u>	<u>36,290</u>
Charges to appropriations (outflows):			
General government	<u>3,920</u>	<u>3,690</u>	<u>230</u>
Total charges to appropriations	<u>3,920</u>	<u>3,690</u>	<u>230</u>
Fund balance, June 30, 2020	<u>\$ 39,757</u>	<u>\$ 76,277</u>	<u>\$ 36,060</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, 2020

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
	Final		
Fund balance, July 1, 2019	\$ 290,266	\$ 290,266	\$ -
Revenues (inflows):			
Other taxes	124,581	128,414	3,833
Interest earned on investments	6,993	11,200	4,207
Amount available for appropriations	131,574	139,614	8,040
Charges to appropriations (outflows):			
Public safety	70,743	48,023	22,720
Capital outlay	42,600	42,530	70
Total charges to appropriations	113,343	90,553	22,790
Fund balance, June 30, 2020	\$ 308,497	\$ 339,327	\$ (14,750)

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, 2020

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2019	\$ 545,249	\$ 545,249	\$ -
Revenues (inflows):			
Fines and forfeitures	-	77,558	77,558
Interest earned on investments	<u>12,917</u>	<u>20,213</u>	<u>7,296</u>
Amount available for appropriations	<u>12,917</u>	<u>97,771</u>	<u>84,854</u>
Charges to appropriations (outflows):			
Public safety	62,350	2,792	59,558
Capital outlay	<u>3,590</u>	<u>3,148</u>	<u>442</u>
Total charges to appropriations	<u>65,940</u>	<u>5,940</u>	<u>60,000</u>
Fund balance, June 30, 2020	<u>\$ 492,226</u>	<u>\$ 637,080</u>	<u>\$ 24,854</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, 2020

	<u>Budgeted Amounts</u> Final	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Fund balance, July 1, 2019	\$ 59,985	\$ 59,985	\$ -
Revenues (inflows):			
Charges for services	12,000	10,294	(1,706)
Interest earned on investments	<u>1,318</u>	<u>1,671</u>	<u>353</u>
Amount available for appropriations	<u>13,318</u>	<u>11,965</u>	<u>(1,353)</u>
Charges to appropriations (outflows):			
Public safety	<u>43,062</u>	<u>43,062</u>	<u>-</u>
Total charges to appropriations	<u>43,062</u>	<u>43,062</u>	<u>-</u>
Fund balance (deficit), June 30, 2020	<u>\$ 30,241</u>	<u>\$ 28,888</u>	<u>\$ (1,353)</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, 2020**

	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Fund balance, July 1, 2019	\$ 4,971	\$ 4,971	\$ -
Revenues (inflows):			
Intergovernmental	<u>146,081</u>	<u>150,573</u>	<u>4,492</u>
Amount available for appropriations	<u>146,081</u>	<u>150,573</u>	<u>4,492</u>
Charges to appropriations (outflows):			
Capital outlay	<u>304,353</u>	<u>150,873</u>	<u>153,480</u>
Total charges to appropriations	<u>304,353</u>	<u>150,873</u>	<u>153,480</u>
Fund balance (deficit), June 30, 2020	<u><u>\$ (153,301)</u></u>	<u><u>\$ 4,671</u></u>	<u><u>\$ (148,988)</u></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, 2020

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2019	\$ 23,048	\$ 23,048	\$ -
Revenues (inflows):			
Other taxes	288,170	267,089	(21,081)
Interest earned on investments	<u>5,362</u>	<u>3,545</u>	<u>(1,817)</u>
Amount available for appropriations	<u>293,532</u>	<u>270,634</u>	<u>(22,898)</u>
Charges to appropriations (outflows):			
Capital outlay	<u>306,231</u>	<u>215,548</u>	<u>90,683</u>
Total charges to appropriations	<u>306,231</u>	<u>215,548</u>	<u>90,683</u>
Fund balance, June 30, 2020	<u>\$ 10,349</u>	<u>\$ 78,134</u>	<u>\$ (113,581)</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, 2020

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2019	\$ 387,779	\$ 387,779	\$ -
Revenues (inflows):			
Use of money and property	354,000	67,501	(286,499)
Interest earned on investments	<u>9,528</u>	<u>15,537</u>	<u>6,009</u>
Amount available for appropriations	<u>363,528</u>	<u>83,038</u>	<u>(280,490)</u>
Charges to appropriations (outflows):			
Capital outlay	<u>482,260</u>	<u>-</u>	<u>482,260</u>
Total charges to appropriations	<u>482,260</u>	<u>-</u>	<u>482,260</u>
Fund balance, June 30, 2020	<u>\$ 269,047</u>	<u>\$ 470,817</u>	<u>\$ (762,750)</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, 2020

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2019	\$ 248,025	\$ 248,025	\$ -
Revenues (inflows):			
Other taxes	192,000	-	(192,000)
Interest earned on investments	<u>5,878</u>	<u>9,009</u>	<u>3,131</u>
Amount available for appropriations	<u>197,878</u>	<u>9,009</u>	<u>(188,869)</u>
Charges to appropriations (outflows):			
Capital outlay	<u>240,000</u>	<u>-</u>	<u>240,000</u>
Total charges to appropriations	<u>240,000</u>	<u>-</u>	<u>240,000</u>
Fund balance, June 30, 2020	<u>\$ 205,903</u>	<u>\$ 257,034</u>	<u>\$ (428,869)</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, 2020

	Budgeted Amounts	Actual	Variance with
	Final	Amounts	Final Budget
Fund balance, July 1, 2019	\$ 222,604	\$ 222,604	\$ -
Revenues (inflows):			
Other taxes	408,722	382,263	(26,459)
Charges for services	4,000	3,667	(333)
Interest earned on investments	23,513	24,961	1,448
Amount available for appropriations	436,235	410,891	(25,344)
Charges to appropriations (outflows):			
General government	1,700	752	948
Public safety	65,000	48,325	16,675
Community development	38,570	34,615	3,955
Culture and recreation	103,000	66,864	36,136
Capital outlay	127,579	75,581	51,998
Total charges to appropriations	335,849	226,137	109,712
Fund balance, June 30, 2020	\$ 322,990	\$ 407,358	\$ (135,056)

CITY OF HERMOSA BEACH

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

FEMA Special Revenue Fund

For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2019	\$ -	\$ -	\$ -
Revenues (inflows):			
Intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>
Amount available for appropriations	<u>-</u>	<u>-</u>	<u>-</u>
Charges to appropriations (outflows):			
General government	<u>-</u>	<u>249,055</u>	<u>(249,055)</u>
Total charges to appropriations	<u>-</u>	<u>249,055</u>	<u>(249,055)</u>
Fund balance (deficit), June 30, 2020	<u><u>\$ -</u></u>	<u><u>\$ (249,055)</u></u>	<u><u>\$ 249,055</u></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, 2020

	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Fund balance, July 1, 2019	\$ 1,254,705	\$ 1,254,705	\$ -
Revenues (inflows):			
Other taxes	-	700,000	700,000
Interest earned on investments	30,902	52,564	21,662
Transfers in	<u>700,000</u>	<u>-</u>	<u>(700,000)</u>
 Amount available for appropriations	 <u>730,902</u>	 <u>752,564</u>	 <u>21,662</u>
Charges to appropriations (outflows):			
Public works	339,543	253,959	85,584
Capital outlay	<u>1,570,000</u>	<u>20,052</u>	<u>1,549,948</u>
 Total charges to appropriations	 <u>1,909,543</u>	 <u>274,011</u>	 <u>1,635,532</u>
 Fund balance, June 30, 2020	 <u>\$ 76,064</u>	 <u>\$ 1,733,258</u>	 <u>\$ (1,613,870)</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, 2020

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2019	\$ 362	\$ 362	\$ -
Revenues (inflows):			
Transfers in	<u>789,863</u>	<u>789,863</u>	<u>-</u>
Amount available for appropriations	<u>789,863</u>	<u>789,863</u>	<u>-</u>
Charges to appropriations (outflows):			
Principal	480,000	480,000	-
Interest and fiscal charges	<u>310,212</u>	<u>310,107</u>	<u>105</u>
Total charges to appropriations	<u>790,212</u>	<u>790,107</u>	<u>105</u>
Fund balance, June 30, 2020	<u>\$ 13</u>	<u>\$ 118</u>	<u>\$ (105)</u>

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INTERNAL SERVICE FUNDS

Insurance Fund - This fund was created to account for costs associated with the City's insurances: liability, workers' compensation, unemployment, auto, property and officials' bonds 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, 2020

	<u>Insurance Fund</u>	<u>Equipment Replacement Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 8,704,930	\$ 5,450,056	\$ 14,154,986
Account receivables	-	4,112	4,112
Other assets	-	1,800	1,800
Total current assets	<u>8,704,930</u>	<u>5,455,968</u>	<u>14,160,898</u>
Noncurrent assets:			
Nondepreciable capital assets	-	195,245	195,245
Depreciable capital assets, net of accumulated depreciation	-	3,283,032	3,283,032
Total noncurrent assets	<u>-</u>	<u>3,478,277</u>	<u>3,478,277</u>
Total assets	<u>8,704,930</u>	<u>8,934,245</u>	<u>17,639,175</u>
LIABILITIES			
Current liabilities:			
Accounts payable	147,404	157,753	305,157
Accrued wages and benefits payable	7,943	14,722	22,665
Workers' compensation claims payable - due within one year	809,160	-	809,160
General liability claims payable - due within one year	456,359	-	456,359
Compensated absences - due within one year	9,060	16,744	25,804
Total current liabilities	<u>1,429,926</u>	<u>189,219</u>	<u>1,619,145</u>
Long-term liabilities:			
Workers' compensation claims payable - due in more than one year	3,868,172	-	3,868,172
General liability claims payable - due in more than one year	763,041	-	763,041
Total long-term liabilities	<u>4,631,213</u>	<u>-</u>	<u>4,631,213</u>
Total liabilities	<u>6,061,139</u>	<u>189,219</u>	<u>6,250,358</u>
NET POSITION			
Net investment in capital assets	-	3,478,277	3,478,277
Unrestricted	2,643,791	5,266,749	7,910,540
Total net position	<u>\$ 2,643,791</u>	<u>\$ 8,745,026</u>	<u>\$ 11,388,817</u>

CITY OF HERMOSA BEACH

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

All Internal Service Funds

For the year ended June 30, 2020

	<u>Insurance Fund</u>	<u>Equipment Replacement Fund</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for services	\$ 2,707,639	\$ 1,913,124	\$ 4,620,763
Miscellaneous revenue	<u>203,000</u>	<u>-</u>	<u>203,000</u>
Total operating revenues	<u>2,910,639</u>	<u>1,913,124</u>	<u>4,823,763</u>
OPERATING EXPENSES:			
Salaries and wages	132,623	283,317	415,940
Contract services	1,212,702	844,292	2,056,994
Supplies	14	255,625	255,639
Claims expense	1,351,230	-	1,351,230
Depreciation	<u>-</u>	<u>558,647</u>	<u>558,647</u>
Total operating expenses	<u>2,696,569</u>	<u>1,941,881</u>	<u>4,638,450</u>
OPERATING INCOME	<u>214,070</u>	<u>(28,757)</u>	<u>185,313</u>
NON-OPERATING REVENUES (EXPENSES):			
Gain on disposal of capital assets	<u>-</u>	<u>12,648</u>	<u>12,648</u>
Total non-operating revenues (expenses)	<u>-</u>	<u>12,648</u>	<u>12,648</u>
INCOME BEFORE TRANSFERS	214,070	(16,109)	197,961
Transfers in	-	93,145	93,145
Transfers out	<u>(1,409,895)</u>	<u>-</u>	<u>(1,409,895)</u>
Total transfers	<u>(1,409,895)</u>	<u>93,145</u>	<u>(1,316,750)</u>
Change in net position	(1,195,825)	77,036	(1,118,789)
Net position, beginning of year	<u>3,839,616</u>	<u>8,667,990</u>	<u>12,507,606</u>
Net position, end of year	<u>\$ 2,643,791</u>	<u>\$ 8,745,026</u>	<u>\$ 11,388,817</u>

CITY OF HERMOSA BEACH
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2020

	Insurance Fund	Equipment Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received for services from other funds	\$ 2,707,639	\$ 1,918,024	\$ 4,625,663
Cash received from insurance recovery	203,000	-	203,000
Cash payments to suppliers for goods and services	(45,649)	(1,158,098)	(1,203,747)
Cash payments to employees for services	(133,538)	(282,189)	(415,727)
Cash payments for insurance premiums and claims	(2,084,699)	-	(2,084,699)
Net cash provided (used by) operating activities	<u>646,753</u>	<u>477,737</u>	<u>1,124,490</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers in	-	93,145	93,145
Transfers out	(1,409,895)	-	(1,409,895)
Net cash provided (used by) non-capital financing activities	<u>(1,409,895)</u>	<u>93,145</u>	<u>(1,316,750)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	(377,231)	(377,231)
Proceeds from sale of capital assets	-	12,648	12,648
Net cash provided (used by) capital and related financing activities	<u>-</u>	<u>(364,583)</u>	<u>(364,583)</u>
Net increase (decrease) in cash and cash equivalents	(763,142)	206,299	(556,843)
Cash and equivalents, beginning of year	<u>9,468,072</u>	<u>5,243,757</u>	<u>14,711,829</u>
Cash and equivalents, end of year	<u>\$ 8,704,930</u>	<u>\$ 5,450,056</u>	<u>\$ 14,154,986</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED BY) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 214,070	\$ (28,757)	\$ 185,313
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	558,647	558,647
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	-	4,900	4,900
(Increase) decrease in other assets	-	855	855
Increase (decrease) in accounts payable	127,665	(59,036)	68,629
Increase (decrease) in accrued wages and benefits payable	(2,695)	577	(2,118)
Increase (decrease) in workers' compensation claims payable	(375,344)	-	(375,344)
Increase (decrease) in general liability claims payable	681,268	-	681,268
Increase (decrease) in compensated absences	1,789	551	2,340
Total adjustments	<u>432,683</u>	<u>506,494</u>	<u>939,177</u>
Net cash provided (used) by operating activities	<u>\$ 646,753</u>	<u>\$ 477,737</u>	<u>\$ 1,124,490</u>

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FIDUCIARY FUND FINANCIAL STATEMENTS

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, 2020

	Bayview Drive Redemption	Bayview Drive Reserve	Lower Pier Avenue Assessment District Redemption	Beach Drive Assessment District Redemption
ASSETS				
Cash and investments	\$ 126,365	15,253	3,261	60,813
Interest receivable	99	12	2	48
Other accounts receivable	<u>2,034</u>	<u>-</u>	<u>-</u>	<u>452</u>
Total assets	<u>\$ 128,498</u>	<u>15,265</u>	<u>3,263</u>	<u>61,313</u>
LIABILITIES				
Installment account	\$ 128,498	5,265	3,263	61,313
Reserve requirement	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 128,498</u>	<u>15,265</u>	<u>3,263</u>	<u>61,313</u>

CITY OF HERMOSA BEACH

Combining Statement of Fiduciary Net Position (Continued)

All Agency Funds

June 30, 2020

	Beach Drive Assessment District Reserve	Myrtle Avenue Utility Undergrounding Assessment District	Loma Drive Utility Undergrounding Assessment District	Total
ASSETS				
Cash and investments	\$ 4,671	50,480	90,232	351,075
Interest receivable	4	-	-	165
Other accounts receivable	-	162	-	2,648
Total assets	\$ 4,675	50,642	90,232	353,888
LIABILITIES				
Installment account	\$ 1,675	50,642	90,232	340,888
Reserve requirement	3,000	-	-	13,000
Total liabilities	\$ 4,675	50,642	90,232	353,888

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Pages
Financial Trends	145-150
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	151-157
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	158-169
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.	
Demographic and Economic Information	170-172
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	173-174
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.	

CITY OF HERMOSA BEACH
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2011	2012	2013	2014	2015
Governmental activities:					
Net investment in capital assets	\$ 56,693,499	\$ 65,518,736	\$ 64,135,741	\$ 64,828,005	\$ 66,733,301
Restricted	1,968,275	3,860,192	4,050,722	4,476,554	4,188,404
Unrestricted	14,122,551	10,589,507	17,294,405	22,988,231	(24,869,037)
Total governmental activities net position	\$ 72,784,325	\$ 79,968,435	\$ 85,480,868	\$ 92,292,790	\$ 46,052,668
Business-type activities:					
Net investment in capital assets	\$ 9,998,669	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	(838,749)	-	-	-	-
Total business-type activities net position	\$ 9,159,920	\$ -	\$ -	\$ -	\$ -
Primary government:					
Net investment in capital assets	\$ 66,692,168	\$ 65,518,736	\$ 64,135,741	\$ 64,828,005	\$ 66,733,301
Restricted	1,968,275	3,860,192	4,050,722	4,476,554	4,188,404
Unrestricted	13,283,802	10,589,507	17,294,405	22,988,231	(24,869,037)
Total primary government net position	\$ 81,944,245	\$ 79,968,435	\$ 85,480,868	\$ 92,292,790	\$ 46,052,668

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

CITY OF HERMOSA BEACH
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting) (Continued)

	Fiscal Year				
	2016	2017	2018	2019	2020
Governmental activities:					
Net investment in capital assets	\$ 66,933,796	\$ 66,417,072	\$ 66,333,070	\$ 64,375,911	\$ 66,556,499
Restricted	3,774,552	5,260,908	5,584,794	5,056,977	6,399,646
Unrestricted	(18,769,530)	(13,287,058)	(10,942,703)	(8,841,583)	(12,400,420)
Total governmental activities net position	<u>\$ 51,938,818</u>	<u>\$ 58,390,922</u>	<u>\$ 60,975,161</u>	<u>\$ 60,591,305</u>	<u>\$ 60,555,725</u>
Business-type activities:					
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total business-type activities net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Primary government:					
Net investment in capital assets	\$ 66,933,796	\$ 66,417,072	\$ 66,333,070	\$ 64,375,911	\$ 66,556,499
Restricted	3,774,552	5,260,908	5,584,794	5,056,977	6,399,646
Unrestricted	(18,769,530)	(13,287,058)	(10,942,703)	(8,841,583)	(12,400,420)
Total primary government net position	<u>\$ 51,938,818</u>	<u>\$ 58,390,922</u>	<u>\$ 60,975,161</u>	<u>\$ 60,591,305</u>	<u>\$ 60,555,725</u>

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

CITY OF HERMOSA BEACH
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2011	2012	2013	2014	2015
Expenses:					
Governmental activities:					
Legislative and legal	\$ 972,979	\$ 4,677,233	\$ 881,556	\$ 1,076,211	\$ 1,293,214
General government	3,102,761	2,376,929	2,458,548	2,827,895	3,078,044
Public safety	17,698,263	18,179,929	16,431,962	16,856,166	16,737,044
Community development	1,223,581	1,235,058	1,260,996	1,519,632	1,710,563
Culture and recreation	1,133,467	1,037,790	1,087,000	1,068,388	1,257,311
Public works	6,725,147	7,239,076	7,529,499	7,420,724	6,985,762
Interest and fiscal charges	-	-	-	-	-
Total governmental activities expenses	<u>30,856,198</u>	<u>34,746,015</u>	<u>29,649,561</u>	<u>30,769,016</u>	<u>31,061,938</u>
Business-type activities:					
Downtown Enhancement	878,021	906,244	-	-	-
Total business-type activities expenses	<u>878,021</u>	<u>906,244</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government expenses	<u>31,734,219</u>	<u>35,652,259</u>	<u>29,649,561</u>	<u>30,769,016</u>	<u>31,061,938</u>
Program revenues:					
Governmental activities:					
Charges for services:					
General government	546,793	555,607	2,275,297	2,323,797	2,582,857
Public safety	4,646,663	5,112,011	5,282,223	5,455,694	5,398,329
Community development	797,248	860,158	1,125,637	1,641,773	1,679,400
Culture and recreation	975,469	957,989	1,271,845	1,425,451	1,522,417
Public works	1,025,008	938,822	989,656	892,784	1,085,165
Operating grants and contributions	700,691	828,722	702,873	1,106,254	983,628
Capital grants and contributions	902,506	759,889	255,996	260,844	328,649
Total governmental activities program revenues:	<u>9,594,378</u>	<u>10,013,198</u>	<u>11,903,527</u>	<u>13,106,597</u>	<u>13,580,445</u>
Business-type activities:					
Charges for services:					
Downtown Enhancement	1,409,952	1,649,197	-	-	-
Total business-type activities program revenues:	<u>1,409,952</u>	<u>1,649,197</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government program revenues:	<u>11,004,330</u>	<u>11,662,395</u>	<u>11,903,527</u>	<u>13,106,597</u>	<u>13,580,445</u>

CITY OF HERMOSA BEACH
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting) (Continued)

	Fiscal Year				
	2011	2012	2013	2014	2015
Net revenues (expenses):					
Governmental activities	(21,261,820)	(24,732,817)	(17,746,034)	(17,662,419)	(17,481,493)
Business-type activities	531,931	742,953	-	-	-
Total net revenues (expenses)	<u>(20,729,889)</u>	<u>(23,989,864)</u>	<u>(17,746,034)</u>	<u>(17,662,419)</u>	<u>(17,481,493)</u>
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Property taxes	11,518,645	11,598,615	12,151,229	12,910,426	13,739,648
Sales tax	2,209,559	2,474,651	2,598,752	2,653,631	2,768,225
Other taxes	6,060,992	6,461,065	6,638,189	6,924,202	7,179,945
Grants and contributions not restricted to specific programs	1,666,460	1,121,380	1,156,589	1,222,808	1,246,419
Investment income	91,910	109,571	130,709	141,794	510,668
Other general revenues	352,723	237,670	582,999	621,480	489,740
Transfers	259,513	9,913,975	-	-	-
Settlement	-	-	-	-	(14,000,000)
Total governmental activities	<u>22,159,802</u>	<u>31,916,927</u>	<u>23,258,467</u>	<u>24,474,341</u>	<u>11,934,645</u>
Business-type activities:					
Investment income	4,679	6,418	-	-	-
Miscellaneous	30,613	4,684	-	-	-
Transfers	(259,513)	(9,913,975)	-	-	-
Total business-type activities	<u>(224,221)</u>	<u>(9,902,873)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>21,935,581</u>	<u>22,014,054</u>	<u>23,258,467</u>	<u>24,474,341</u>	<u>11,934,645</u>
Changes in net assets					
Governmental activities:	897,982	7,184,110	5,512,433	6,811,922	(5,546,848)
Business-type activities:	307,710	(9,159,920)	-	-	-
Total primary government	<u>\$ 1,205,692</u>	<u>\$ (1,975,810)</u>	<u>\$ 5,512,433</u>	<u>\$ 6,811,922</u>	<u>\$ (5,546,848)</u>

CITY OF HERMOSA BEACH
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting) (Continued)

	Fiscal Year				
	2016	2017	2018	2019	2020
Expenses:					
Governmental activities:					
Legislative and legal	\$ 2,083,297	\$ 2,043,740	\$ 1,869,599	\$ 1,563,872	\$ 1,644,044
General government	2,262,107	3,598,512	4,129,246	4,257,735	6,023,648
Public safety	20,034,932	18,911,734	25,496,398	21,257,544	25,546,098
Community development	1,347,087	1,787,364	2,264,015	2,054,759	3,215,102
Culture and recreation	1,108,749	1,310,740	1,769,893	1,565,784	1,867,143
Public works	9,131,490	7,957,044	9,176,521	12,847,372	7,515,310
Interest and fiscal charges	-	-	-	375,815	295,723
Total governmental activities expenses	<u>35,967,662</u>	<u>35,609,134</u>	<u>44,705,672</u>	<u>43,922,881</u>	<u>46,107,068</u>
Business-type activities:					
Downtown Enhancement	-	-	-	-	-
Total business-type activities expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government expenses	<u>35,967,662</u>	<u>35,609,134</u>	<u>44,705,672</u>	<u>43,922,881</u>	<u>46,107,068</u>
Program revenues:					
Governmental activities:					
Charges for services:					
General government	2,414,955	2,433,987	2,538,028	476,403	685,320
Public safety	5,254,859	4,993,104	4,957,188	3,137,319	4,857,617
Community development	1,996,538	1,664,132	1,691,752	1,735,699	1,532,538
Culture and recreation	1,178,323	1,341,455	1,223,789	974,306	546,379
Public works	2,217,610	2,374,774	2,292,254	3,426,223	1,426,203
Operating grants and contributions	755,650	601,816	517,244	3,505,669	3,419,173
Capital grants and contributions	203,033	327,534	27,821	526,421	833,644
Total governmental activities program revenues:	<u>14,020,968</u>	<u>13,736,802</u>	<u>13,248,076</u>	<u>13,782,040</u>	<u>13,300,874</u>
Business-type activities:					
Charges for services:					
Downtown Enhancement	-	-	-	-	-
Total business-type activities program revenues:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government program revenues:	<u>14,020,968</u>	<u>13,736,802</u>	<u>13,248,076</u>	<u>13,782,040</u>	<u>13,300,874</u>

CITY OF HERMOSA BEACH
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting) (Continued)

	Fiscal Year				
	2016	2017	2018	2019	2020
Net revenues (expenses):					
Governmental activities	(21,946,694)	(21,872,332)	(31,457,596)	(30,140,841)	(32,806,194)
Business-type activities	-	-	-	-	-
Total net revenues (expenses)	<u>(21,946,694)</u>	<u>(21,872,332)</u>	<u>(31,457,596)</u>	<u>(30,140,841)</u>	<u>(32,806,194)</u>
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Property taxes	15,317,458	15,714,094	17,097,712	18,640,303	19,584,959
Sales tax	2,895,794	2,816,289	3,151,207	3,133,311	2,722,468
Other taxes	7,527,467	7,930,375	7,878,400	7,107,116	7,134,010
Grants and contributions not restricted to specific programs	1,369,042	1,304,880	1,315,223	2,346,524	1,829,299
Investment income	455,234	-	-	-	-
Other general revenues	267,849	564,798	982,343	2,701,560	1,499,878
Transfers	-	-	-	-	-
Settlement (Note 14)	-	-	-	-	-
Total governmental activities	<u>27,832,844</u>	<u>28,330,436</u>	<u>30,424,885</u>	<u>33,928,814</u>	<u>32,770,614</u>
Business-type activities:					
Investment income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Transfers	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>27,832,844</u>	<u>28,330,436</u>	<u>30,424,885</u>	<u>33,928,814</u>	<u>32,770,614</u>
Changes in net assets					
Governmental activities:	5,886,150	6,458,104	(1,032,711)	3,787,973	(35,580)
Business-type activities:	-	-	-	-	-
Total primary government	<u>\$ 5,886,150</u>	<u>\$ 6,458,104</u>	<u>\$ (1,032,711)</u>	<u>\$ 3,787,973</u>	<u>\$ (35,580)</u>

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
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
2019	18,640,303	3,133,311	272,138	720,853	244,252	3,251,349	2,195,815	1,107,723	29,565,744
2020	19,584,959	2,722,468	313,331	717,191	239,965	2,599,810	2,093,903	1,162,017	29,433,644

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CITY OF HERMOSA BEACH
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2011	2012	2013	2014	2015
General Fund:					
Reserved					
Unreserved					
Non-spendable	\$ 35,613	\$ 14,271	\$ 21,589	\$ 10,603	\$ 19,444
Restricted	172,021	255,200	391,504	410,289	460,304
Committed	10,592	10,592	10,592	28,900	28,900
Assigned	5,635,231	5,776,500	6,555,423	7,655,210	10,005,040
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 5,853,457</u>	<u>\$ 6,056,563</u>	<u>\$ 6,979,108</u>	<u>\$ 8,105,002</u>	<u>\$ 10,513,688</u>
All other governmental funds:					
Reserved					
Unreserved, reported in:					
Special revenue funds					
Non-spendable	\$ -	\$ 1,500	\$ -	\$ 1,600	\$ -
Restricted	-	3,604,992	3,659,218	4,083,450	3,728,100
Committed	-	117,415	137,166	432,606	431,716
Assigned	4,216,497	961,251	847,266	2,831,179	7,646,948
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 4,216,497</u>	<u>\$ 4,685,158</u>	<u>\$ 4,643,650</u>	<u>\$ 7,348,835</u>	<u>\$ 11,806,764</u>
Total governmental funds	<u>\$ 10,069,954</u>	<u>\$ 10,741,721</u>	<u>\$ 11,622,758</u>	<u>\$ 15,453,837</u>	<u>\$ 22,320,452</u>

CITY OF HERMOSA BEACH
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting) (Continued)

	Fiscal Year				
	2016	2017	2018	2019	2020
General Fund:					
Reserved					
Unreserved					
Non-spendable	\$ 21,261	\$ 66,700	\$ 478,479	\$ 40,110	\$ 499,454
Restricted	329,890	158,149	170,336	345,902	318,206
Committed	28,900	1,115,600	1,144,500	1,108,275	1,937,335
Assigned	8,529,250	8,322,103	7,781,460	9,019,805	8,616,151
Unassigned	-	-	-	-	1,751,727
Total general fund	<u>\$ 8,909,301</u>	<u>\$ 9,662,552</u>	<u>\$ 9,574,775</u>	<u>\$ 10,514,092</u>	<u>\$ 13,122,873</u>
All other governmental funds:					
Reserved					
Unreserved, reported in:					
Special revenue funds					
Non-spendable	\$ 5,835	\$ 7,083	\$ 9,280	\$ 2,310	\$ 15,907
Restricted	3,430,617	5,102,759	7,677,889	5,561,493	6,810,428
Committed	1,305,276	879,008	1,144,884	1,024,954	1,405,179
Assigned	11,348,565	12,706,958	13,068,691	16,241,139	14,596,399
Unassigned	(24,138)	-	-	(111)	(249,166)
Total all other governmental funds	<u>\$ 16,066,155</u>	<u>\$ 18,695,808</u>	<u>\$ 21,900,744</u>	<u>\$ 22,829,785</u>	<u>\$ 22,578,747</u>
Total governmental funds	<u>\$ 24,975,456</u>	<u>\$ 28,358,360</u>	<u>\$ 31,475,519</u>	<u>\$ 33,343,877</u>	<u>\$ 35,701,620</u>

CITY OF HERMOSA BEACH
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2011	2012	2013	2014	2015
Revenues:					
Property taxes	\$ 11,978,616	\$ 12,056,548	\$ 12,618,579	\$ 13,368,615	\$ 14,198,054
Other taxes	9,023,359	9,722,036	10,076,591	10,492,906	10,992,377
Licenses and permits	627,056	668,405	783,121	971,336	916,073
Fines and forfeitures	2,219,052	2,475,311	2,416,031	2,781,240	2,652,193
Use of money and property	653,752	815,367	1,102,797	1,077,154	1,087,758
Intergovernmental	1,678,980	1,555,097	896,216	1,350,674	1,290,849
Charges for services	4,005,420	4,301,971	6,312,731	6,722,773	7,318,409
Miscellaneous	538,098	198,858	469,725	630,271	688,047
Interest earned on investments	91,913	109,186	131,749	137,909	244,026
Total revenues	<u>30,816,246</u>	<u>31,902,779</u>	<u>34,807,540</u>	<u>37,532,878</u>	<u>39,387,786</u>
Expenditures					
Current:					
Legislative and legal	960,365	1,170,820	893,460	1,093,518	1,170,229
General government	3,001,906	2,293,402	2,550,162	2,806,176	3,040,426
Public safety	16,516,892	16,604,695	16,926,014	17,768,720	18,142,958
Community development	1,189,993	1,177,696	1,279,999	1,548,185	1,722,513
Culture and recreation	1,044,131	989,265	1,110,456	1,132,849	1,246,532
Public works	3,907,921	3,852,318	4,946,423	5,216,430	5,317,541
Capital outlay	3,044,697	2,414,507	1,813,990	2,774,016	3,620,185
Debt service:					
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>29,665,905</u>	<u>28,502,703</u>	<u>29,520,504</u>	<u>32,339,894</u>	<u>34,260,384</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,150,341</u>	<u>3,400,076</u>	<u>5,287,036</u>	<u>5,192,984</u>	<u>5,127,402</u>
Other financing sources (uses)					
Proceeds from sale of assets		2,360	-	-	-
Transfers in	2,239,196	1,911,100	1,381,842	3,905,349	6,911,913
Transfers out	<u>(4,045,652)</u>	<u>(4,641,769)</u>	<u>(5,787,841)</u>	<u>(5,267,254)</u>	<u>(5,172,700)</u>
Total other financing sources (uses)	<u>(1,806,456)</u>	<u>(2,728,309)</u>	<u>(4,405,999)</u>	<u>(1,361,905)</u>	<u>1,739,213</u>
Net change in fund balances	<u>\$ (656,115)</u>	<u>\$ 671,767</u>	<u>\$ 881,037</u>	<u>\$ 3,831,079</u>	<u>\$ 6,866,615</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
Last Ten Fiscal Years
(modified accrual basis of accounting) (Continued)

	Fiscal Year				
	2016	2017	2018	2019	2020
Revenues:					
Property taxes	\$ 15,113,479	\$ 16,209,008	\$ 17,530,492	\$ 18,565,796	\$ 19,573,354
Other taxes	11,302,910	11,821,528	12,248,900	12,306,567	11,188,808
Licenses and permits	1,111,366	967,956	1,055,631	850,059	729,622
Fines and forfeitures	2,412,554	2,122,335	2,809,367	2,373,432	2,237,802
Use of money and property	965,738	1,047,084	1,340,018	1,952,941	1,069,049
Intergovernmental	949,255	1,031,191	358,523	1,062,434	1,333,882
Charges for services	8,130,681	8,412,322	9,259,210	8,303,529	7,346,217
Miscellaneous	679,937	540,021	249,152	634,114	673,546
Interest earned on investments	445,260	6,175	152,359	1,380,012	1,173,125
Total revenues	<u>41,111,180</u>	<u>42,157,620</u>	<u>45,003,652</u>	<u>47,428,884</u>	<u>45,325,405</u>
Expenditures					
Current:					
Legislative and legal	1,958,940	1,448,509	1,313,261	1,499,065	1,300,018
General government	3,458,191	3,722,659	3,751,020	4,274,743	4,850,826
Public safety	21,272,474	21,392,637	21,468,409	22,087,381	21,676,051
Community development	1,806,130	1,869,018	2,034,235	2,063,502	2,140,913
Culture and recreation	1,291,808	1,395,915	1,446,996	1,600,519	1,587,893
Public works	6,622,698	6,106,648	6,343,525	6,756,773	6,732,270
Capital outlay	2,953,123	1,644,253	2,164,817	6,058,710	5,206,334
Debt service:					
Principal	-	335,000	434,992	460,000	480,000
Interest	233,425	375,332	355,738	332,497	310,107
Total expenditures	<u>39,596,789</u>	<u>38,289,971</u>	<u>39,312,993</u>	<u>45,133,190</u>	<u>44,284,412</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,514,391</u>	<u>3,867,649</u>	<u>5,690,659</u>	<u>2,295,694</u>	<u>1,040,993</u>
Other financing sources (uses)					
Proceeds from sale of assets	11,799,905	-	-	-	-
Transfers in	5,733,408	1,942,014	1,271,842	4,155,801	3,930,602
Transfers out	(16,392,700)	(2,356,750)	(3,915,326)	(4,583,137)	(2,613,852)
Total other financing sources (uses)	<u>1,140,613</u>	<u>(414,736)</u>	<u>(2,643,484)</u>	<u>(427,336)</u>	<u>1,316,750</u>
Net change in fund balances	<u>\$ 2,655,004</u>	<u>\$ 3,452,913</u>	<u>\$ 3,047,175</u>	<u>\$ 1,868,358</u>	<u>\$ 2,357,743</u>
Debt service as a percentage of noncapital expenditures	0.6%	2.0%	2.2%	2.1%	2.1%

CITY OF HERMOSA BEACH
General Government Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal year ended June 30	Property tax	Sales tax	Real property transfer tax	Franchise fees	Transient occupancy tax	Utility user's tax	Other	Total
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	28,030,535
2018	17,530,492	3,151,207	326,224	722,316	3,295,207	2,229,906	2,524,040	29,779,392
2019	18,565,796	3,133,311	272,138	720,853	3,251,349	1,495,815	3,433,101	30,872,363
2020	19,573,354	2,722,468	313,331	717,191	2,599,810	2,093,903	2,742,105	30,762,162

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
2011	4,422,662	397,297	12,412	76,659	(46,807)	4,862,223	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)	5,379,727	1.00	5,332,719	5.63%
2015	5,181,815	455,035	12,635	104,834	(43,278)	5,711,041	1.00	5,667,767	6.16%
2016	5,522,546	484,979	13,186	111,635	(43,260)	6,089,086	1.00	6,045,828	6.62%
2017	5,994,296	508,160	13,921	120,700	(43,295)	6,593,782	1.00	6,550,489	8.29%
2018	6,432,195	532,168	14,242	145,238	(41,125)	7,082,718	1.00	7,041,591	7.42%
2019	6,837,257	566,389	15,437	162,374	(41,043)	7,540,414	1.00	7,499,372	6.46%
2020	7,218,636	599,922	16,254	181,411	(26,930)	7,989,293	1.00	7,962,363	5.95%

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	
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
2019	1.000000	0.025942	0.022229	-	-	0.003500	1.051671
2020	1.000000	0.039696	0.021555	-	-	0.003500	1.064751

* 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

CITY OF HERMOSA BEACH
Principal Property Tax Payers
Current Year and Ten Years ago

Taxpayer	2020	
	Taxable assessed value	Percent of total city taxable assessed value
Crico of Fountain Place Limited Partnership (1)	\$ 84,060,546	1.05%
EQR Gallery Apartments Limited Partnership (1)	75,263,017	0.94%
South Bay LLC (7)	26,950,453	0.34%
1601 PCH LP (1)	26,415,600	0.33%
Stand and Pier Hermosa Parent LLC (5)	25,226,978	0.32%
Sailfish Holdings LLC (3)	20,017,939	0.25%
Hermosa Hotel Investments LLC (1)	19,827,880	0.25%
IWF Hotel Hermosa LP (1)	17,879,568	0.22%
International Church of the Foursquare (5)	17,807,289	0.22%
Kathy Ishii Trust (2)	17,770,053	0.22%
	\$ 331,219,323	4.14%

Taxpayer	2011	
	Taxable assessed value	Percent of total city taxable assessed value
Crico of Fountain Place Limited Partnership (1)	\$ 72,854,465	1.50%
EQR Gallery Apartments Limited Partnership (1)	66,974,494	1.38%
Diana Albergate Trust (5)	24,874,122	0.51%
1601 PCH LP (1)	23,750,000	0.49%
Barbara K Robinson (5)	19,301,191	0.40%
Sepulveda Blvd Properties LLC (5)	17,290,778	0.36%
Hermosa Hotel Investments LLC (1)	16,398,759	0.34%
Reg8 Plaza Hermosa LLC (7)	14,270,539	0.29%
Beta Group (2)	12,322,479	0.25%
Robert J & Renae Desantis Trust (1)	11,907,050	0.24%
	\$ 279,943,877	5.76%

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
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%
2019	15,894,003	15,455,825	97.24%	-	15,455,825	97.24%
2020	16,884,378	16,257,197	96.29%	-	16,257,197	96.29%

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	
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
2019	422	40,170,245	38	2,785,223	7,540,414,646
2020	388	31,076,905	43	4,961,480	7,989,293,188

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

CITY OF HERMOSA BEACH
Direct and Overlapping Debt
June 30, 2020

City assessed valuation Redevelopment agency incremental valuation Total assessed valuation	\$ 7,989,293,188 - <u>\$ 7,989,293,188</u>								
	<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;"></td> <td style="width: 25%; text-align: center;">Percentage applicable</td> <td style="width: 25%; text-align: center;">Outstanding debt 6/30/19</td> <td style="width: 25%; text-align: center;">Estimated share of overlapping debt</td> </tr> <tr> <td></td> <td style="border-top: 1px solid black; border-bottom: 1px solid black;"></td> <td style="border-top: 1px solid black; border-bottom: 1px solid black;"></td> <td style="border-top: 1px solid black; border-bottom: 1px solid black;"></td> </tr> </table>		Percentage applicable	Outstanding debt 6/30/19	Estimated share of overlapping debt				
	Percentage applicable	Outstanding debt 6/30/19	Estimated share of overlapping debt						
Overlapping debt repaid with property taxes:									
West Basin Water District debt service	0.620%	18,151,752	112,566						
Hermosa Beach School District debt service 2005 refunding	100.000%	4,583,647	4,583,647						
Hermosa Beach School District debt service 2016 A	100.000%	24,135,000	24,135,000						
Hermosa Beach School District debt service 2016 B	100.000%	23,000,000	23,000,000						
El Camino Community College District 2002 series 2012C	6.715%	175,210,018	11,765,515						
El Camino Community College District 2012 refunding	6.715%	25,335,000	1,701,269						
El Camino Community College District 2012 series 2016 A	6.715%	88,550,000	5,946,215						
El Camino Community College District 2016 refunding	6.715%	66,625,000	4,473,931						
El Camino Community College District 2012 series 2018B	6.715%	48,610,000	3,264,207						
Total overlapping debt repaid with property taxes		\$ 474,200,417	78,982,350						
City direct debt:									
2015 Lease Revenue Bonds (including premiums)			\$ 10,047,508						
Total City direct debt			10,047,508						
Total direct and overlapping debt			\$ 89,029,858						
Direct Debt	0.000%								
Overlapping Debt	0.990%								
Total Debt	0.990%								

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.

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CITY OF HERMOSA BEACH
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year				
	2011	2012	2013	2014	2015
Assessed valuation	\$ 4,862,223,524	\$ 4,944,940,538	\$ 5,093,189,582	\$ 5,379,750,286	\$ 5,711,045,616
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	\$ 1,215,555,881	\$ 1,236,235,135	\$ 1,273,297,396	\$ 1,344,937,572	\$ 1,427,761,404
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	\$ 182,333,382	\$ 185,435,270	\$ 190,994,609	\$ 201,740,636	\$ 214,164,211
Total net debt applicable to limit	\$ -	\$ -	\$ -	\$ -	\$ -
Legal debt margin	\$ 182,333,382	\$ 185,435,270	\$ 190,994,609	\$ 201,740,636	\$ 214,164,211
Total debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

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

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

**CITY OF HERMOSA BEACH
Legal Debt Margin Information
Last Ten Fiscal Years (Continued)**

	Fiscal Year				
	2016	2017	2018	2019	2020
Assessed valuation	\$ 6,089,089,031	\$ 6,593,783,921	\$ 7,082,716,558	\$ 7,540,414,646	\$ 7,989,293,188
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	\$ 1,522,272,258	\$ 1,648,445,980	\$ 1,770,679,140	\$ 1,885,103,662	\$ 1,997,323,297
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	\$ 228,340,839	\$ 247,266,897	\$ 265,601,871	\$ 282,765,549	\$ 299,598,495
Total net debt applicable to limit	\$ -	\$ 11,265,000	\$ 10,830,000	\$ 10,370,000	\$ 9,890,000
Legal debt margin	\$ 228,340,839	\$ 236,001,897	\$ 254,771,871	\$ 272,395,549	\$ 289,708,495
Total debt applicable to the limit as a percentage of debt limit	0%	4.7%	4.3%	3.8%	3.4%

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
Ratios of Outstanding Debt by Type
Last Ten Calendar Years

Fiscal Year Ended June 30	<u>Governmental Activities</u>		Total Primary Government	Percentage of Personal Income ¹	Per Capita Debt ²
	Lease Revenue Bonds	Total Government Activities			
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
2019	\$ 10,370,000	\$ 10,370,000	\$ 10,370,000	1.20%	522
2020	\$ 9,890,000	\$ 9,890,000	\$ 9,890,000	1.38%	504

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

¹ This ratio is calculated using the median household income for the prior calendar year.

² 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)

Outstanding General Bonded Debt

Fiscal Year Ended June 30	Lease Revenue Bonds	Total	Percent Assessed Value¹	Per Capita
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
2019	\$ 10,370,000	\$ 10,370,000	72.71%	522
2020	\$ 9,890,000	\$ 9,890,000	80.78%	504

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

¹ 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
				Principal¹	Interest	
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	8.66
2018	45,004	36,356	8,648	435	356	10.93
2019	47,429	38,282	9,147	460	332	11.55
2020	45,325	38,630	6,695	480	310	8.47

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.

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

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)
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
2019	19,847	628,808,732	62,224	-	2.2%	1,568
2020	19,614	653,482,910	65,094	-	10.2%	1,593

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 2019.
- (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	2020	
	Number of employees	Percent of total employment
Early Strides Child Development Center	148	3.13%
City of Hermosa Beach	144	3.05%
Von's	111	2.35%
Hermosa Beach School District	94	1.99%
Trader Joe's	85	1.80%
Lazy Acres	84	1.78%
Sunrise Assisted Living	83	1.76%
Hennessey's Tavern	75	1.59%
First Steps for Kids, Inc.	70	1.48%
Sangria dba American Junkie	66	1.40%

Employer	2011	
	Number of employees	Percent of total employment
24 Hour Fitness	175	3.93%
City of Hermosa Beach	163	3.66%
Hope Chapel	120	2.69%
Von's	117	2.63%
Hermosa Beach School District	113	2.54%
Hennessey's Tavern	94	2.11%
Shorewood Realtors, Inc.	87	1.95%
Ralph's Grocery	69	1.55%
First Step for Kids, Inc.	60	1.35%
Comedy & Magic Club	59	1.32%

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									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General government	16	13	17	18	20	20	21	21	20	19
Public safety	72	74	74	75	81	82	76	63 ¹	64	65
Community development	9	8	8	8	8	10	11	12	11	12
Culture and recreation	3	3	2	2	3	4	4	4	4	4
Public works	16	17	15	20	17	23	23	21	20	22
Total	<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>119</u>	<u>122</u>

<u>Function</u>	Part-time employees as of June 30									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General government	-	-	-	3	4	6	4	5	10	5
Public safety	26	12	24	13	6	14	5	3 ¹	3	2
Community development	1	1	1	2	3	2	3	2	4	3
Culture and recreation	20	19	26	21	25	27	29	25	40	9
Public works	-	1	2	-	3	1	3	2	3	3
Total	<u>47</u>	<u>33</u>	<u>53</u>	<u>39</u>	<u>41</u>	<u>50</u>	<u>44</u>	<u>37</u>	<u>60</u>	<u>22</u>

Source: City of Hermosa Beach Finance Department

¹ 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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public safety										
Police:										
Physical arrests	795	781	857	945	732	739	615	589	536	389
Traffic citations issued	1,593	2,290	1,819	3,421	2,406	1,966	1,826	1,408	1,154	498
Parking citations issued	63,010	68,193	70,678	74,228	65,783	62,957	56,398	57,206	66,029	66,029
Fire:										
Number of emergency calls	2,149	2,487	2,488	2,386	2,467	2,678	2,427	1,965 ¹	1,549	2,344
Inspections	436	559	495	657	1,061	540	611	227 ²	-	-
Community development:										
Building permits issued	567	492	462	537	509	622	488	519	460	431
Culture and recreation:										
Number of recreation classes	172	169	129	134 ³	514	526	498	617	422	431
Total enrollment	3,798	4,327	4,982	5,464	4,247	4,947	4,817	5,271	5,109	3,050
Public works:										
Graffiti removal	468	383	408	212	209	200	112	201 ⁴	148	49
Permits issued	564	718	736	819	904	1,406	1,496	1,617	1,615	2,717

Source: Various city departments.

Note:

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

² 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.

³ 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.

⁴ 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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public safety										
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Parking meters	1,663 ¹	1,663	1,663	1,565	1,553	1,553	1,557	1,558	1,558	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	40	40	40	40	40	40	37
Streets (miles)	40	40	40	40	40	40	40	40	40	40
Streetlights	392	392	392	400	400	400	400	400	400	400
Storm drains (miles)	1	1	1	2	2	2	2	2	2	2
Traffic Signals	18	19	19	19	19	19	19	19	19	19
Infiltration (miles) ²	0.6	0.6	0.6	0.6	0.2	0.2	0.2	0.2	0.2	0.2

Source: City of Hermosa Beach Finance Department

¹The 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.

OTHER REPORTS

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An Independent CPA Firm

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

**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**

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, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hermosa Beach, California as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Hermosa Beach's basic financial statements, and have issued our report thereon dated March 26, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Hermosa Beach's internal control over financial reporting (internal control) as a basis for designing 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 City of Hermosa Beach's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Hermosa Beach'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 entity'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.

Honorable Mayor and City Council
City of Hermosa Beach
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Hermosa Beach's financial statements are free from 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 financial statements. 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

David L. Gruber and Associates, Inc.

David L. Gruber and Associates, Inc.

Newport Beach, California
March 26, 2021