



**City of Hermosa
Beach, California**

**Annual
Comprehensive
Financial Report**

For the Year Ended June 30, 2023

City of Hermosa Beach

Hermosa Beach, California

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2023

Prepared by the
Finance Department of Hermosa Beach

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City of Hermosa Beach
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

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City of Hermosa Beach

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

January 30, 2024

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

Introduction

Presented herein is the Annual Comprehensive Financial Report (ACFR) of the City of Hermosa Beach for the fiscal year ended June 30, 2023. 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.

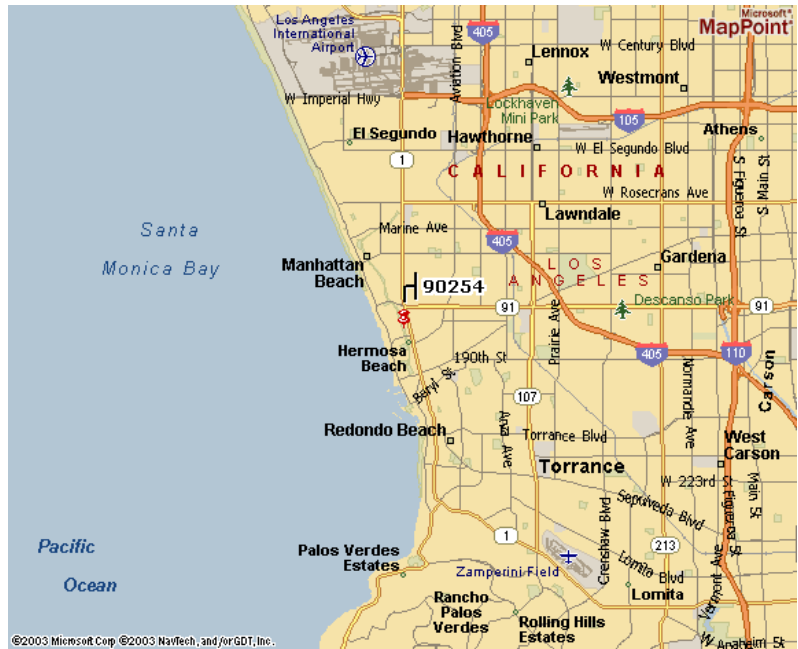
Audit

The City of Hermosa Beach's financial statements have been audited by Gruber and Lopez, Inc., 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, 2023, 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, 2023, 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 19,018, 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 2022-23 fiscal year, beach attendance ranged from a low of 81,900 in November 2022 to a high of 898,000 in July 2022, according to the Los Angeles County Fire Department, Lifeguard Division.



The City of Hermosa Beach, incorporated on January 14, 1907 as a general law city, operates under the Council-Manager form of government. Policy-making and legislative authority are vested in a governing council consisting of five members of the City Council elected on a non-partisan basis at large for a four-year term. Council members serve staggered terms, with an election every two years. One member is chosen by fellow members to serve as Mayor for a period of approximately nine months; 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, public works (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 Facts is shown on the following page.

U.S. CENSUS BUREAU QUICK FACTS

Category	Hermosa Beach	California	Category	Hermosa Beach	California
Persons under 5 years, 2022 estimate	5.0%	5.7%	Persons under 18 years, 2022 estimate	19.3%	22.3%
Persons 65 years and over, 2022 estimate	14.0%	15.8%	Female persons, 2022 estimate	46.0%	49.9%
Non-Hispanic White	73.4%	34.7%	Hispanic	11.4%	40.3%
Non-Hispanic Black	0.6%	6.5%	Non-Hispanic American Indian	0.0%	1.7%
Non-Hispanic Asian	7.3%	16.3%	Persons per households, 2018-2022	2.00	2.89
Bachelor's Degree or higher, persons age 25+, 2018-2022	78.3%	35.9%	High School graduate or higher, persons age 25+, 2018-2022	99.1%	84.4%
Per capita income in the past 12 months (2022 dollars), 2018-2022	\$106,731	\$45,591	Persons below poverty level, 2018-2022	5.8%	12.2%
Households, 2018-2022	8,882	13,315,822	Owner-occupied housing units, 2018-2022	51.4%	55.6%
Median value of owner-occupied housing units, 2018-2022	\$1,862,400	\$659,300	Housing units in multi-unit structures, 2022	46.2%	35.5%
Households with a computer, 2018-2022	98.4%	95.9%	Mean travel time to work, 2018-2022	31 minutes	29.2 minutes

The U.S. Census Bureau Quick Facts are as of January 2024. 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 revenue estimates and requests for appropriations to the Finance Director according to a budget calendar. The Finance Director and City Manager use 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. Several funds including the Tyco Tideland Fund, the Myrtle District Administrative Expense Fund, the

FEMA Special Revenue Fund, the CARES Act Fund, and the Greenwich Underground Fund did not have an adopted budget due to no estimated revenue or appropriations. For the General Fund and major governmental funds with appropriated annual budgets, this comparison is presented as Required Supplementary Information on pages 80–88. 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

American Rescue Plan Act (ARPA) of 2021. The City received \$4,621,755 in federal funds in two payments. ARPA funds include the following eligible uses:

1. To respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impact industries such as tourism, travel, and hospitality; or
2. To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the State, territory, or Tribal/local government that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work; or
3. For the provision of government services to the extent of the reduction in revenue of such State, territory, or Tribal/local government due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year of the State, territory, or Tribal government prior to the emergency; or
4. To make necessary investments in water, sewer, or broadband infrastructure.

The covered period for eligible expenditures is March 21, 2021 to December 31, 2024. Costs can be obligated by December 31, 2024, but must be expended by December 31, 2026. See the Management Discussion and Analysis for more information about the City’s use of ARPA funding.

Local economy. With a General Fund revenue increase of 5 percent, the local economy continued recovery from the rapid downturn in 2020 due to the pandemic.

Hermosa Beach is a “bedroom community” as evidenced by a household count of 8,882 and an in-city business count of 665 (excluding apartments and home occupations).

Growth in secured and unsecured valuation for Hermosa Beach is 6.2 as compared to 6.9 percent for Los Angeles County. The 6.2 percent growth was the 28th highest of 88 cities in Los Angeles County. The table below shows the comparison of median home prices between Hermosa Beach and Los Angeles County.

	Median Home Prices		Average Median Prices	
	June 30, 2023	June 30, 2022	2022-23	2021-22
Hermosa Beach	\$ 3,498,444	\$ 2,067,500	\$ 2,110,516	\$ 2,052,069
Los Angeles County	\$ 864,000	\$ 860,000	\$ 744,146	\$ 798,583

General Fund Secured Property Taxes increased 6 percent in 2022–23, 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 are management, sales, and advertising/marketing. Residents typically enjoy access to a much more diverse employment base with the proximity of all the other cities in Los Angeles County. The unemployment rate in Hermosa Beach as of June 2023 is 3.2 percent, compared with 5.3 percent for Los Angeles County and 4.9 percent for California. The rates are

higher than June 2022 City, County and State rates of 2.9 percent, 4.9 percent and 4.1 percent, respectively.

Sales tax receipts for 2022–23 are down 6 percent from the prior year primarily due to a decrease in the County and State Pools. The lower pool receipts represent 64 percent of the total decrease due to in-state fulfillment from large warehouses and existing retail outlets rather than online. Sales tax revenue increased 17 percent in 2020–2021 and 21 percent in 2021–2022 so revenue is at a very high level, even with the decrease. The Eating/Drinking Category which produces the highest sales tax at 33 percent of the total, increased 5 percent.

Revenue from transient occupancy tax (TOT) (the tax on hotel stays) increased 9 percent from 2021–22. TOT revenue is higher than 2018–19 pre-COVID by 58 percent. One new 30 room boutique hotel was added October of 2020. Revenue increased 85 percent from 2020–21 to 2021–22. A new 8 room hotel was opened April 2023 but is not included yet. Average occupancy for 2022–23 for 10 hotels was 77 percent vs. the prior year's rate of 75 percent. Hermosa Beach has ten hotels and one youth hostel, with room capacities ranging from 8 rooms to 96 rooms. There are also seven short term vacation rentals in the commercial area with eight rooms/units.. Travelers have definitely returned to this attractive beach location.

Utility user tax (UUT) revenue increased 17 percent last year and is the fourth highest source of tax revenue at almost \$2.5 million. The largest increase was in natural gas service at 180 percent with electric second at 103 percent.

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

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 \$59,358,585 were recorded in 2022–23 and the unrestricted net position was reduced accordingly. The change in accounting standards impacted only the government-wide financial statements, 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 statements, notes, and required supplemental information. There is no impact to the fund financial statements. See Note 10 for more information.

In 2021–22 City implemented GASB 87, Leases, which establishes a single model for lease accounting based on the underlying principle that leases are financings of the right to use the underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about government's leasing activities. For more information see Note 1, Section Q- Leases Receivable, Note 1, Section R- Accounting Changes, and Note 4- Lease Revenues.

As a matter of record, the following GASB statements are effective for the June 30, 2023 financial statements. GASB Statement 91, Conduit Debt Obligations, and GASB Statement 96, Subscription-Based Information Technology Arrangements. The adoption of GASB 91 did not significantly impact the City. The primary objective of GASB 96 is to enhance the relevance and consistency about governments' subscription activities. Under this Statement, the City is required to recognize a subscription liability and

intangible right-to-use subsection asset as described in Note 1, Section R- Accounting Changes, and Note 7.

California Public Employees Retirement System (CalPERS). The preliminary CalPERS investment return as of June 2023 was 5.8 percent, bringing the total fund performance to 6.1 percent for the five-year period, 7.1 percent for the ten-year period, and 7 percent for the twenty-year period. With CalPERS discount rate of 6.8 percent and 2023 preliminary return of 5.8 percent, the estimated overall funded status stands at 72 percent.

The 2020–21 rate of return triggered a reduction in the discount rate used to calculate employer and Public Employee’s Pension Reform Act (PEPRA) member contributions due to the Funding Risk Mitigation Policy approved in 2015. The Funding Risk Mitigation policy lowers the discount rate in years of good investment returns. The discount rate, or assumed rate of return, dropped from 7 percent to 6.8 percent. This was the first time the policy has been triggered.

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 percent of pay (escalating). Gains and losses are amortized over 20 rather than 30 years, 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 was effective with the June 30, 2019 valuation for 2021–22 contributions.

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.

On December 20, 2016, the CalPERS Board approved a change in the discount rate from 7.5 percent to 7 percent 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 increases 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) that paid off from 2018-19 to 2019-20 which helped mitigate the rate increases.

The City created a Retirement Stabilization Fund in 2003-04 to plan for anticipated rate increases. This amount now appears as part of the “committed” balance in the General Fund in the amount of \$1,021,575. Funds were approved by City Council to be placed in a retirement trust, but the plan for a trust was paused due to COVID-19 and will be reevaluated.

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 percent of the General Fund appropriations for economic uncertainties, unforeseen emergencies. The goal was increased to 20 percent starting fiscal year 2023–24.

Compensated Absences—Goal equal to 25 percent 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 \$2,700,989 in 2022–23 as a result of improved revenue and salary savings due to vacant positions and employee leaves. Due to the ongoing economic uncertainty, 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 2023–24 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.

Primary capital projects coming up, (other than street and sewer improvements, which occur every year) include Bus Stop Improvements, Pay-By-App Parking Signage, Utility Box Wrappings, Strand Bollards Permitting and Design, Gateway and Wayfinding Signs Conceptual Design, PCH Mobility Improvement Project, Hermosa Avenue Green Street, Strand Bikeway and Walkway Improvements at 35th Street, Pedestrian Crossing Safety Improvements, Prospect Avenue Curb Ramps, Longfellow Sidewalk Improvements, Parking Lot A Improvements, Tree Well Grates, Greenbelt Pedestrian Trail, City Park Lighting Conceptual Design, Citywide Park Master Plan, Temporary Beach Accessible Routes, South Park Slope and Irrigation Repairs, City Wide ADA Improvements, Downtown Strategic Plan Implementation, New Corporate Yard Facility, Bard Trailer Improvements, Civic Center Charging Stations, Tsunami Siren, Pickleball Court Resurfacing, Citywide Roof Repair, Municipal Pier Structural and Electrical Repairs, City Park Restrooms and Renovations, Parking Lot D improvements, Emergency Operations Center Renovations, Clark Building Renovations, 14th Street Beach Restroom Construction, Parking Lot A Improvements, Police Station Improvements, ADA Improvements, and Parking Structure (Lot C) Improvements.

Cash management policies and practices. Temporarily idle cash was invested during the year in obligations of the U.S. Treasury, 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 percent. 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 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 Company, 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, 2023, the City has thirty-two (32) active Tier 1 employees, eighteen (18) active Tier 2 employees and ninety-one (91) 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 eighty (80) retirees receiving these benefits. The OPEB trust is currently 102.4 percent funded. Additional information on the City's other postemployment benefit plan can be found in Note 10 of the Notes to the Financial Statements.

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. The trust was put on hold due to the COVID-19 pandemic and will be reevaluated.

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 report for fiscal year ending June 30, 2022 is still under review by the Government Finance Officers Association (GFOA). The certificate, when received, will be added to the electronic version of the report. No printed copies are distributed. The GFOA awarded a 2021 Certificate of Achievement for Excellence in Financial Reporting to the City of Hermosa Beach for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021 which was the thirtieth 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 Annual Comprehensive Financial Report 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 Lopez, Inc, 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.

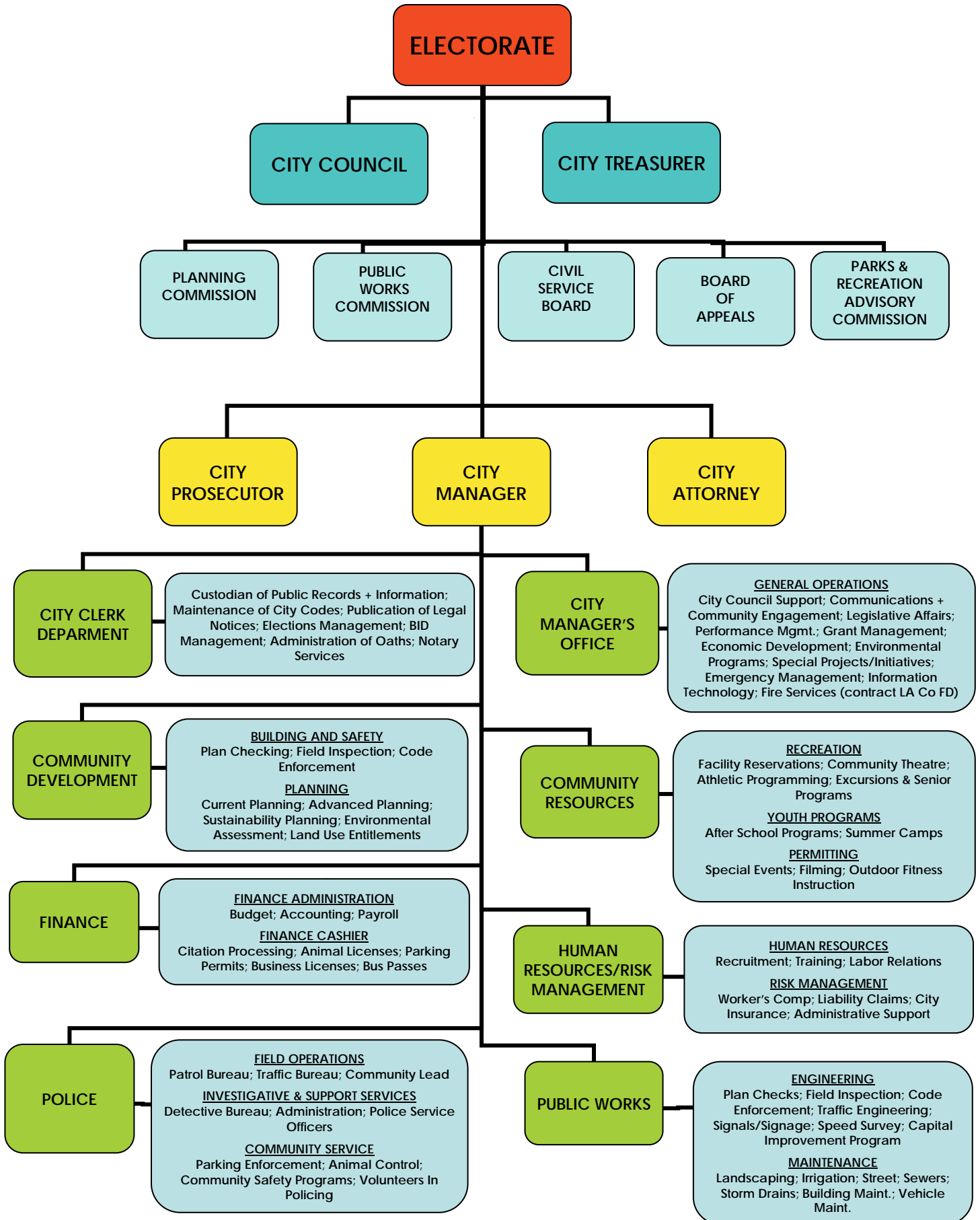
Respectfully submitted,



Viki Copeland
Finance Director



CITY OF HERMOSA BEACH ORGANIZATIONAL CHART



PRINCIPAL OFFICIALS OF THE CITY OF HERMOSA BEACH, CALIFORNIA

June 30, 2023

Elected and Administrative Officials

City Council

Raymond Jackson
Justin Massey
Michael Detoy
Dean Francios
Rob Saemann

Mayor
Mayor Pro Tem
Councilmember
Councilmember
Councilmember

Other Elected Official

Karen Nowicki

City Treasurer

Administrative Officials

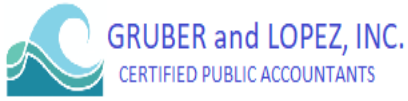
Suja Lowenthal
Myra Maravilla
Angela Crespi
Carrie Tai

Lisa Nichols

Viki Copeland
Vanessa Godinez

Paul LeBaron
Joseph San Clemente

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



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

Independent Auditors' Report

Opinions

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, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Hermosa Beach, California's basic financial statements as listed in the table of contents.

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 of Hermosa Beach, California, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hermosa Beach, California, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hermosa Beach, California's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Hermosa Beach, California's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hermosa Beach, California's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, 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 85 to 88 and 89 to 91, 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.

Supplementary Information

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

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

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2024, 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.

GRUBER AND LOPEZ, INC.

Gruber and Lopez, Inc.

Newport Beach, California
January 30, 2024

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, 2023. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found on pages v - xii of this report.

Financial Highlights

- 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 \$80,942,077 (net position). Unrestricted net position has a deficit balance of \$729,396. Excluding the \$59,358,585 aggregate net pension liability, \$58,629,189 represents unrestricted net position and may be used to meet the government's ongoing obligations.
- The City's net position increased by \$14,727,024.
- As of June 30, 2023, the City of Hermosa Beach's governmental funds reported combined ending fund balances of \$47,429,546, an increase of \$3,423,625 in comparison with the prior year. This increase is due to revenue exceeding expenditures in the current year.
- At the end of the current fiscal year, the City of Hermosa Beach's governmental fund balances of \$47,429,546 are comprised of non-spendable funds of \$640,420; restricted funds of \$15,727,766; committed funds of \$5,108,056; and assigned funds of \$25,390,844 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 64 percent, or \$30,498,900 of the \$47,429,546 in funds could be redirected at the discretion of the City Council. An additional \$562,460 or 1 percent is unassigned. See Note 11 in the Notes to the Basic Financial Statements.
- At the end of 2022-23, \$2,700,989 of unspent funds remained in the General Fund as a result of increased revenue and lower expenditures due to vacancies and employee leaves. Due to the ongoing economic uncertainty since the 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 \$15,314,603 or 35 percent 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 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, 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 thirty-three 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
Grants Special Revenue Fund
Tyco Special Revenue Fund
RTI Undersea Cable 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 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Data from the other twenty-eight 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 funds. A budgetary comparison statement has been provided for the General Fund, ARPA Special Revenue Fund, Tyco Special Revenue Fund, RTI Undersea Cable Special Revenue Fund, and Capital Improvement Capital Projects Fund in the Required Supplementary Information and Supplementary Information sections to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 25-30 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 33-35 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 pages 38-39 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 44-78 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 80-91 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 96-144 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, 2023, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$80,942,077. Without the net pension liability of \$59,358,585, the net position would be \$140,300,662.

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 percent 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 2022–23 contributions. The contributions are deferred to 2023–24 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, 2022.
- **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, 2023		
(dollars in thousands)		
	Governmental Activities	
	2023	2022
Current and Other Assets	\$ 81,184	\$ 74,768
Noncurrent Assets	68,624	69,425
Total Assets	149,808	144,193
Deferred Outflows of Resources	30,208	14,637
Current Liabilities	8,696	8,667
Noncurrent Liabilities:		
Net Pension Liability	59,359	31,904
Long-term Liabilities- Other	15,483	15,276
Total Liabilities	83,538	55,847
Deferred Inflows of Resources	15,536	36,768
Net Position:	80,942	66,215
Net Invested in Capital Assets	67,871	66,545
Restricted	13,800	10,995
Unrestricted	(729)	(11,325)
Total Net Position	80,942	66,215

The largest portion of the City of Hermosa Beach’s net position \$80,942,077 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 \$13,800,053 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 (\$729,396). Excluding the \$59,358,585 net pension liability, \$58,629,189 is available to meet the City’s ongoing obligations to residents.

At June 30, 2023, 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, 2023 and June 30, 2022.

Governmental Activities. Governmental activities increased the City of Hermosa Beach’s net position by \$14,727,024. Significant elements of this change are as follows:

Changes in Net Positions		
June 30, 2023		
(dollars in thousands)		
	Governmental Activities	
	2023	2022
Revenues:		
Program Revenues:		
Charges For Services	\$ 9,970	\$ 9,601
Operating Grants and Contributions	8,022	4,964
Capital Grants and Contributions	130	60
General Revenues:		
Property Taxes	23,146	21,886
Other Taxes	14,214	13,841
Grants and Contributions Not		
Restricted to Specific Programs	2,200	2,212
Other	1,828	1,331
Total Revenues	59,510	53,895
Expenses:		
Legislative and Legal	1,450	1,542
General Government	5,522	5,788
Public Safety	24,019	26,721
Community Development	1,963	2,365
Culture and Recreation	1,878	2,476
Public Works	9,693	8,721
Interest and Fiscal Charges	258	149
Total Expenses	44,783	47,762
Increase (Decrease) in Net Position	14,727	6,133
Net Position - Beginning	\$ 66,215	\$ 60,082
Net Position - Ending	\$ 80,942	\$ 66,215

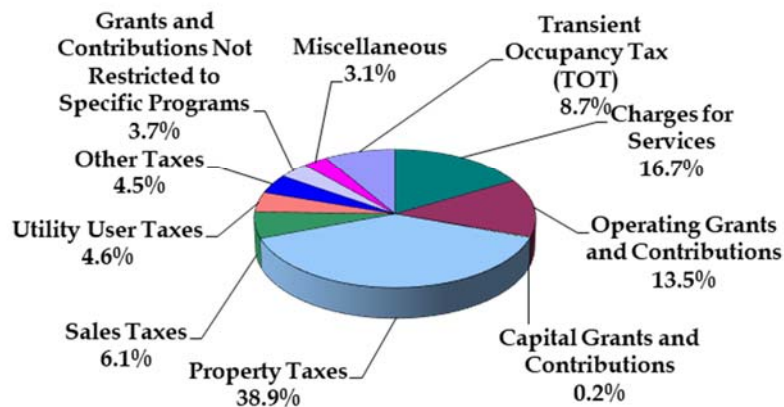
Revenue for Governmental Activities

- Property tax revenue increased 1,259,670 or 6 percent, which is in line with continued growth in property values.
- Sales Tax revenue decreased by \$227,085 or 6 percent, primarily due to a decrease in the County and State Pools. Sales tax increased by 21 percent in 2021-22 and by 17 percent in 2020-21 and revenue remains strong despite the decrease.
- Transient Occupancy Tax (TOT) revenue increased by \$420,376 or 9 percent, presumably due to increased room rates. The overall occupancy rate for hotels in 2022-23 was 77 percent compared to 75 percent in 2021-22. A new hotel was added in April 2023 and the number of permitted short-term vacation rentals increased in 2022-23 from five to eight.
- Utility User Tax was up by \$392,649 or 17 percent. The largest increase was in the category natural gas service.
- Operating Grants & Contributions increased by \$3,057,689 or 62 percent due to an increase in Measure W Funds, and the receipt of MTA Measure R grant funds, CDBG funds for ADA related CIPs, and FEMA reimbursement for Covid-19 related expenditures. The City also received the second half of the American Rescue Plan Act of

2021 allocation. \$2,369,269 of the \$4,621,755 allocation was previously received in 2021-22. The \$2.3 million included in the 2021-22 Budget was used to partially restore staffing to pre-pandemic levels and for the provision of public safety to the extent of the reduction in revenue due to the COVID-19 public health emergency. \$1,313,107 of the second payment of \$2.3 million was used for the provision of public safety to the extent of the reduction in revenue due to the COVID-19 public health emergency in 2022-23, leaving \$997,769 for future use.

- Real Property Transfer Tax decreased by \$347,292 or 51 percent. Two large condominium complexes were sold in 2021-22.
- Charges for services increased by \$369,254 or 4 percent due to the increase in building permits, reinstatement of encroachment fees for permanent encroachments and the implementation of fees for temporary outdoor dining decks in March 2022, and continued increase in parking related revenue due to increased meter usage from the pandemic lows .

Revenue by Source - Government Activities



Revenue:	2023	2022
Property Taxes	\$ 23,145,983	\$ 21,886,313
Charges for Services	9,969,850	9,600,596
Operating Grants & Contributions	8,022,157	4,964,468
Transient Occupancy Tax (TOT)	5,151,136	4,730,760
Sales Tax	3,621,875	3,848,960
Utility Users Taxes	2,761,918	2,369,269
Other Taxes	2,679,129	2,891,425
Grants & Contributions not Restricted to Specific Programs	2,200,305	2,212,461
Miscellaneous	1,828,531	1,331,049
Capital Grants & Contributions	129,994	60,645
Total Revenues	\$ 59,510,878	\$ 53,895,946

Expenses for Governmental Activities

Expenses for Governmental Activities decreased by \$2,978,851 or 6 percent.

Legislative and Legal expenses decreased by \$91,288 or 6 percent. This is primarily due to GASB 68 and 75 recording of the department's share of the pension and OPEB obligation adjustments. Reviewing costs in the governmental funds, there were increased staffing costs in the City Clerk's office due to the Deputy City Clerk's position, which was filled in March of 2022, and the hiring of a Senior Office Assistant. Contract services costs also increased due to consulting work related to updating the City's records retention schedule and City records organization. City Attorney costs were also up over 2021-22.

General Government decreased by \$265,767 or 5 percent. This is primarily due to GASB 68 and 75 recording of the department's share of the pension and OPEB obligation adjustments. Reviewing costs in the governmental funds, there were increased salary and benefit costs due to filling of the vacant Senior Management Analyst and Management Analyst positions in the City Manager's office and Accountant positions in Finance. The allocation of the Human Resources Analyst position was funded 100 percent by the General Fund due to the addition of a Risk Management Analyst in the Insurance Fund. There was also an increase in signing and retention bonuses as the City worked to stabilize personnel levels throughout the City.

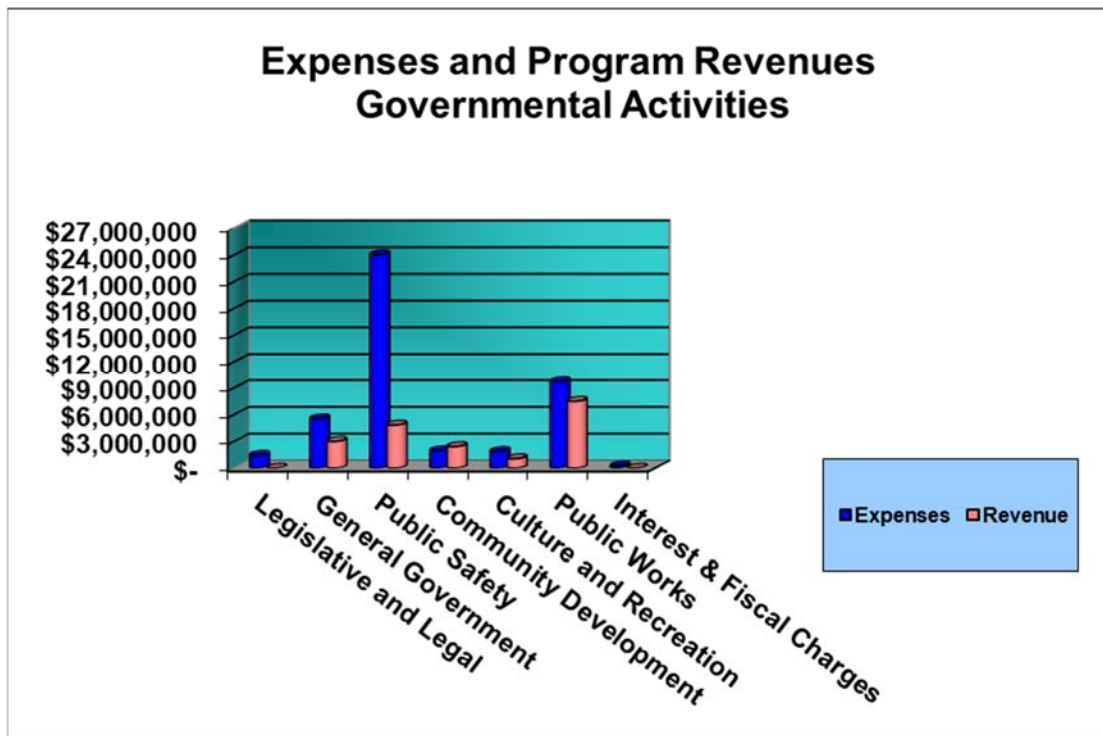
Public Works expenses increased by \$971,668 or 11 percent. There were increased staff costs due to the hiring of the Public Work's Management Analyst position, Public Works Inspector, Engineering Technician, Senior and Assistant Engineers, and Maintenance I workers. The department also had several interns working in both Public Works Administration and the Public Works Yard. There were also increases to contract services in Parks due to the Citywide landscaping services contract. There were increase CIPs costs due to the Municipal Pier Structural Assessment and Repairs project.

Community Development expenses decreased by \$402,313 or 17 percent. This is primarily due to GASB 68 and 75 recording of the department's share of the pension and OPEB obligation adjustments. The Community Development department also had reduced salary and benefit cost due to ongoing staff vacancies.

Culture and Recreation expenses decreased by \$598,046 or 24 percent This is primarily due to GASB 68 and 75 recording of the department's share of the pension and OPEB obligation adjustments. Reviewing costs in the governmental funds, expenditures increased slightly due to the hiring of the vacant Senior Recreation Supervisor position.

Public Safety decreased by \$2,701,598 or 10 percent. This is primarily due to GASB 68 and 75 recording of the department's share of the pension and OPEB obligation adjustments. Reviewing costs in the governmental funds, expenditures were up due to an increase in contract services costs for Fire Services and retirement costs related to the Fire unfunded liability annual payment. Additionally, staff costs increased in Community Services as Community Services Officer positions were filled.

Interest and fiscal charges increased in 2022-23 in the amount of \$108,473 or 73 percent.



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 \$47,429,546, an increase of \$3,423,625 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 balances of \$640,420 due to prepaid items, the largest of which is the July Fire Services payment.
- Restricted fund balance of \$15,727,766 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, M and W Funds, Asset Forfeiture Funds, Supplemental Law Enforcement Funds (COPS), Fire Protection Funds, and Sewer and Storm Drain Funds.
- Committed fund balance of \$5,108,056 which includes retirement stabilization funds, parking in lieu fees, and reserves for a retirement trust.
- Assigned fund balance of \$25,390,844 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 Storm Drain funds.

- Unassigned fund balance of \$562,460, which is the unspent funds of \$2,700,989 in the General Fund reduced by a due to other funds liability of \$1,185,409 primarily for COVID-19 related claims in the FEMA Fund.

The General Fund, ARPA Special Revenue Fund, Tyco Special Revenue Fund, RTI Undersea Cable Special Revenue Fund, and Capital Improvement Capital Projects Fund qualified as major funds under the GASB Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*, reporting criteria.

The General Fund balance decreased in 2022-23 by \$1,500,471. While there were unspent funds remaining of \$2,700,989, there was a transfer in of \$1,313,107 from the ARPA Special Revenue Fund and transfers out of \$7,464,343, including one-time transfers out to the Insurance Fund and Equipment Replacement Fund to meet the funding goal, to the Capital Improvement Capital Projects Fund to fund future CIP needs,

Overall General Fund revenue increased by 5 percent over 2021–22. The increase is a result of the following: an increase in property taxes of 6 percent; an increase in other taxes of 7 percent; an increase in licenses and permits of 21 percent; an increase in use of money and property of 7 percent; an increase in intergovernmental of 5 percent; and an increase in charges for services of 3 percent. The increases were partially offset by a decrease in sales tax of 6 percent; a decrease in fines and forfeitures of 13 percent; and a decrease in miscellaneous of 25 percent. Interest earned on investments is negative \$113,810 due to unrealized losses on investments.

General Fund expenditures show an increase of 7 percent as staffing and operations normalized from the COVID-19 reductions. The increase is primarily due to Legislative and Legal, General Government, Public Safety, Public Works and Capital Outlay. The City’s leadership has worked on a recruitment and retention strategy to fill positions that were previously frozen during the Covid-19 pandemic, new positions that were added in the 2022–23 budget, and positions vacant due to attrition. Additionally, as previously noted, there have been increased contract services costs related to fire services, records retention and organization, and landscaping services.

General Fund Budgetary Highlights

The final amended budget for revenue other than transfers increased by 6 percent from the adopted budget, based on revenue trends from the first five months of the year. Actual revenue was just under the final budget by \$589,601 or 1 percent for the following reasons:

- Property tax was up \$352,626 or 2 percent.
- Other taxes were up \$248,059 or 2 percent primarily due to conservative estimates in transient occupancy tax (TOT) and utility user tax (UUT), and franchise fee, which were partially offset by a decline in sales tax, as previously noted.
- Licenses and Permits were down \$454,761 or 30 percent primarily due to building permit revenue, which came in at 63 percent of budget.
- Fines and forfeitures were down \$308,748 or 18 percent due to a decrease in parking related court fines and an adjustment to administrative citations accrued in prior years.

- Charges for Services were up \$111,567 or 2 percent primarily due to an increase in plan check fees.
- Interest was down \$463,018 or 133 percent primarily due to the recording of unrealized losses on investments, which is not budgeted.

The final amended budget for appropriations other than Transfers Out increased over the original budget by 5 percent. Actual expenditures other than Transfers Out were less than the final appropriations by 9 percent primarily due to vacant positions and unspent one-time appropriations which may be requested for reappropriation to the 2023–24 budget.

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, 2023, amounts to \$67,871,420 (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

- Municipal Pier Structural Assessment and Repairs of \$1,808,722
- Annual Street Improvements of \$273,037
- City Park Restroom Renovations of \$553,023

Additional information on the City of Hermosa Beach’s capital assets can be found in Note 6.

Long-term Debt

In October 2020 the Hermosa Beach Public Financing Authority issued 2020 Lease Revenue Bonds to refund and defease the 2015 Lease Revenue Bonds issued to fund oil settlement costs. The refunding will save approximately \$965,000 through 2035. Other long-term liabilities include net pension liability and compensated absences. See Note 7 and Note 9.

Tyco Special Revenue Fund

The Tyco Fund is a major fund in 2022–23 due to the recording of leases receivable of \$3,284,819 and a corresponding deferred inflows of resources for lease revenue from Tyco that will be recognized over the lease term. This is a change in accounting rules due to the implementation of GASB 87 in FY 2021–22 , Leases, referred to in the Transmittal Letter and Note 1, Section R. For more information on the lease agreement, see Note 4 Lease Revenue. During the year ended June 30, 2023, the City recognized \$161,268 in lease revenue and \$125,070 in interest revenue during the current fiscal year related to the lease. There were capital outlay expenditures of \$309,959. The fund balance as of June 30, 2023 is \$1,967,398.

Grants Special Revenue Fund

The Grants Special Revenue Fund, a new major fund, reported a June 30, 2023 fund balance of - \$1,185,409 due to unavailable revenue of \$1,737,643. The City received the grant reimbursement related to CIP 629 Municipal Pier Structural Assessment and Repairs and CIP 660 Municipal Pier Electrical Repairs after the 60 day accrual period.

ARPA Special Revenue Fund

The final \$2,310,876 of the \$4,621,755 allocation of American Rescue Plan Act (ARPA) funds was received in 2022-23. \$1,313,107 was transferred to the General Fund to be used for the provision of public safety to the extent of the reduction in revenue due to the COVID-19 public health emergency. The fund balance at June 30, 2023 is \$997,769.

RTI Undersea Cable Special Revenue Fund

The RTI Undersea Cable Special Revenue Fund is a major fund again in 2022-23 due to the recording of leases receivable of \$3,894,618 and a corresponding deferred inflows of resources for lease revenue from MC Global that will be recognized over the lease term. This is a change in accounting rules due to the implementation of GASB 87 in FY 2021-22, Leases, referred to in the Transmittal Letter and Note 1, Section R. For more information on the lease agreement, see Note 4- Lease Revenue. There was a transfer out of \$239,245 to the Lighting/Landscaping District Fund to cover the budgeted deficit. The fund balance as of June 30, 2023 is \$885,423.

Capital Improvement Capital Projects Fund

Projects funded from the Capital Improvement Fund, a major fund, in 2022-23 include: Gateway and Wayfinding Signs Conceptual Design, Storm Drain Improvements, Greenbelt Pedestrian Trail, Citywide Park Master Plan, Temporary Beach Accessible Routes, Prospect Avenue Curb Ramps, South Park Slope and Irrigation Repairs. City Facilities Condition and Needs Assessment, Record Center Renovation, Civic Center Charging Stations, Kelly Courts Improvements, Police Facilities Improvements, Municipal Pier Electrical Repairs, City Park Restroom Renovations, Clark Building Renovations, Parking Structure (Lot C) Improvements, and Tree Well Grates. Transfers in of \$4,614,380 were made from 2020-21 unspent funds from the General Fund. The ending fund balance of \$12,331,476 includes \$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, 2023 was under the funding of \$3 million. The Insurance Fund beginning balance was \$2,359,392. Claims expenses and adjustments for actuarially determined claims payable were higher than expected, resulting in the ending balance of \$1,879,001.

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 2023-24 Budget includes the sixth full year with the County the final payments for the renovation of the Fire Department facility. The 2023-24 Budget also includes the following:
 - \$9,979,017 is committed for Contingency in the General Fund, which is an increase from the previous funding goal of 16 percent of operating expenditures to 20 percent and in line with the City's 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.
 - The remaining balance of \$997,769 is transferred to the General Fund from the American Rescue Plan Act (ARPA) of 2021 Fund for the provision of public safety to the extent of

the reduction in revenue due to the COVID-19 health emergency. The CARES Act Fund was also closed out into the General Fund.

- o \$664,416 is transferred from the General Fund for the 2020 Refunding Lease Revenue Bonds debt service. The 2015 Lease Revenue Bonds were refunded in 2020–21, saving approximately \$1 million over the life of the bonds. The bonds will be paid off in December 2035.
- o \$30.8 million of Capital Improvement Projects are funded, which includes \$6.5 million in new funding.
- o Six new positions are added, including four Maintenance Worker II positions, Public Works Assistant Superintendent, and Recreation Specialist.

Revenue Trends and Assumptions

Revenue for FY 2023–24 is estimated to increase 7 percent over FY 2022–23. All of the City’s largest revenue sources, property tax, transient occupancy tax, sales tax and utility user tax are faring well as the pandemic comes to a close. Secured property tax, is projected to increase by 8 percent FY 2023–24. Property tax is the largest and most stable source of revenue for the City. Sales tax is projected to increase by 3 percent and transient occupancy tax is projected to remain at the current level.

The City has come through uncharted territory in the three years since the pandemic began in March of 2020 and subsequent worldwide uncertainty over the war in Ukraine, rising operational costs, and disruption in supply chains. No contingency or “rainy day funds” were used in FY 2022–23 or in the two previous fiscal years during the pandemic. The City Council increased the level of contingency funds from the current policy of 16 percent of operating budget to 20 percent with the 2023–24 Adopted Budget.

Unemployment continues to remain relatively low. In June 2022, the City unemployment rate was 2.9 percent versus June 2023 of 3.2 percent. Los Angeles County was 4.7 percent versus 5.3 percent as of June 2023. The State’s unemployment rate was 4.9 percent versus 8.2 percent in June 2022. The U.S unemployment rate remained flat at 3.6 percent in June 2023 from June 2022.

The City’s FY 2023–24 Budget prioritizes foundational investments in organization and infrastructure, seeks to protect the City’s long-term fiscal sustainability within its current funding realities, and reflects the community’s values and spending priorities. The FY 2022–23 Budget sought to further COVID-19 recovery efforts and advance the City’s core resources – staff, infrastructure, and systems – towards the goal of maintaining fiscal sustainability and providing essential services Hermosa Beach residents expect and deserve. The investments made in FY 2022–23 stabilized personnel levels and laid the groundwork for critical operational evaluations and system enhancements. Many of these operational assessments are well underway and the FY 2023–24 Budget seeks to provide staff with the resources to make foundational improvements in operations, technology, and infrastructure.

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, 2023

	<u>Primary Governmental Activities</u>
ASSETS	
Current assets:	
Cash and investments	\$ 63,829,561
Accounts receivable	5,840,200
Property taxes receivable, net	970,362
Reimbursable grants receivable	435,607
Leases receivable	9,439,711
Interest receivable on investments	27,789
Other assets	<u>640,420</u>
Total current assets	<u>81,183,650</u>
Noncurrent assets:	
OPEB net asset	376,557
Capital assets:	
Non-depreciable	34,509,602
Depreciable, net	<u>33,738,375</u>
Total capital assets	<u>68,247,977</u>
Total noncurrent assets	<u>68,624,534</u>
Total assets	<u>149,808,184</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows of resources	25,592,909
OPEB related deferred outflows of resources	<u>4,615,457</u>
Total deferred outflows of resources	<u>30,208,366</u>

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH
Statement of Net Position (Continued)
June 30, 2023

	Primary Government
	Governmental Activities
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	3,750,812
Accrued salaries and benefits payable	1,063,725
Refundable deposits	574,521
Unearned revenue	72,901
Interest payable	97,867
Workers' compensation claims payable - due within one year	1,097,804
General liability claims payable - due within one year	527,457
Compensated absences - due within one year	848,232
Long-term debt - due within one year	662,833
Total current liabilities	8,696,152
Noncurrent liabilities:	
Workers' compensation claims payable - due in more than one year	4,791,245
General liability claims payable - due in more than one year	1,050,041
Compensated absences - due in more than one year	1,616,841
Long-term debt	8,025,984
Aggregate net pension liability	59,358,585
Total noncurrent liabilities	74,842,696
Total liabilities	83,538,848
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows of resources	5,144,653
OPEB related deferred inflows of resources	951,261
Leases related deferred inflows of resources	9,439,711
Total deferred inflows of resources	15,535,625
NET POSITION	
Net investment in capital assets	67,871,420
Restricted for:	
OPEB Asset	376,557
Capital projects	4,841,960
Street and sewer purposes	4,410,910
Transportation purposes	2,660,066
Public works	32,717
Public safety	1,003,846
Cultural and recreation	343,880
Undergrounding districts	130,117
Total restricted	13,800,053
Unrestricted (Deficit)	(729,396)
Total net position	\$ 80,942,077

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH

Statement of Activities

For the Year Ended June 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues			
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Program Revenue</u>
Primary Government:					
Governmental activities:					
Legislative and legal	\$ 1,450,333	\$ -	\$ -	\$ -	\$ -
General government	5,522,123	475,489	2,530,877	-	3,006,366
Public safety	24,019,361	4,664,069	135,370	28,000	4,827,439
Community development	1,962,635	2,210,691	217,825	-	2,428,516
Cultural and recreation	1,878,360	1,022,525	20,557	22,500	1,065,582
Public works	9,693,424	1,597,076	5,817,528	79,494	7,494,098
Interest and fiscal charges	<u>257,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 44,783,854</u>	<u>\$ 9,969,850</u>	<u>\$ 8,722,157</u>	<u>\$ 129,994</u>	<u>\$ 18,822,001</u>

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH
Statement of Activities (Continued)
For the Year Ended June 30, 2023

Functions/Programs	Net (expense) Revenue and Changes in Net Position
Primary Government:	
Governmental activities:	
Legislative and legal	\$ (1,450,333)
General government	(2,515,757)
Public safety	(19,191,922)
Community development	465,881
Cultural and recreation	(812,778)
Public works	(2,199,326)
Interest and fiscal charges	<u>(257,618)</u>
Total governmental activities	<u>(25,961,853)</u>
General revenues:	
Taxes:	
Property taxes	23,145,983
Sales taxes	3,621,875
Real property transfer tax	338,528
Franchise fees	823,981
Transient occupancy tax	5,151,136
Business license	1,222,095
Utility users tax	2,061,918
½ cent sales tax for public safety	<u>294,525</u>
Total taxes	36,660,041
Grants and contributions not restricted to specific programs	2,200,305
Miscellaneous	<u>1,828,531</u>
Total general revenues	<u>40,688,877</u>
Change in net position	14,727,024
Net position - beginning of year	<u>66,215,053</u>
Net position - end of year	<u>\$ 80,942,077</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 service agencies.

Tyco Special Revenue 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.

RTI Undersea Cable Special Revenue 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 project area.

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, 2023

Major Funds

		Major Funds		
	General	Grants Special Revenue Fund	Tyco Special Revenue Fund	RTI Undersea Cable Special Revenue Fund
ASSETS				
Cash and investments	\$ 16,397,678	\$ -	\$ 2,195,615	\$ 907,361
Accounts receivable	3,251,706	1,779,707	-	-
Property taxes receivable, net	934,415	-	-	-
Reimbursable grants receivable	-	420,433	-	-
Leases receivable	2,260,274	-	3,284,819	3,894,618
Interest receivable on investments	11,359	-	1,361	562
Other assets	622,095	-	-	-
Due from other funds	1,794,212	-	-	-
Total assets	<u>\$ 25,271,739</u>	<u>\$ 2,200,140</u>	<u>\$ 5,481,795</u>	<u>\$ 4,802,541</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,337,297	\$ 950,001	\$ 229,578	\$ -
Accrued wages and benefits payable	953,809	-	-	-
Refundable deposits	574,521	-	-	-
Unearned revenues	50,401	-	-	22,500
Due to other funds	-	697,858	-	-
Compensated absences, due within one year	10,087	47	-	-
Total liabilities	<u>2,926,115</u>	<u>1,647,906</u>	<u>229,578</u>	<u>22,500</u>
Deferred Inflows of Resources:				
Unavailable revenue	934,415	1,737,643	-	-
Leases	2,260,274	-	3,284,819	3,894,618
Total deferred inflows of resources	<u>3,194,689</u>	<u>1,737,643</u>	<u>3,284,819</u>	<u>3,894,618</u>
Fund Balances:				
Nonspendable	622,095	-	-	-
Restricted	513,248	-	-	-
Committed	2,255,235	-	1,967,398	885,423
Assigned	13,059,368	-	-	-
Unassigned	2,700,989	(1,185,409)	-	-
Total fund balances	<u>19,150,935</u>	<u>(1,185,409)</u>	<u>1,967,398</u>	<u>885,423</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 25,271,739</u>	<u>\$ 2,200,140</u>	<u>\$ 5,481,795</u>	<u>\$ 4,802,541</u>

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH

Balance Sheet (Continued)

Governmental Funds

June 30, 2023

	Major Funds		
	Capital Improvements Capital Projects Fund	Nonmajor Governmental Funds	Total
ASSETS			
Cash and investments	\$ 12,304,270	\$ 15,635,325	\$ 47,440,249
Accounts receivable	269,740	539,021	5,840,174
Property taxes receivable, net	-	35,947	970,362
Reimbursable grants receivable	-	15,174	435,607
Leases receivable	-	-	9,439,711
Interest receivable on investments	7,552	6,955	27,789
Other assets	-	18,325	640,420
Due from other funds	-	-	1,794,212
Total assets	\$ 12,581,562	\$ 16,250,747	\$ 66,588,524
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 215,925	\$ 799,670	3,532,471
Accrued wages and benefits payable	34,161	56,821	1,044,791
Refundable deposits	-	-	574,521
Unearned revenues	-	-	72,901
Due to other funds	-	1,096,354	1,794,212
Compensated absences, due within one year	-	188	10,322
Total liabilities	250,086	1,953,033	7,029,218
Deferred Inflows of Resources:			
Unavailable revenue	-	17,991	2,690,049
Leases	-	-	9,439,711
Total deferred inflows of resources	-	17,991	12,129,760
Fund Balances:			
Nonspendable	-	18,325	640,420
Restricted	-	15,214,518	15,727,766
Committed	-	-	5,108,056
Assigned	12,331,476	-	25,390,844
Unassigned	-	(953,120)	562,460
Total fund balances	12,331,476	14,279,723	47,429,546
Total liabilities, deferred inflows of resources and fund balances	\$ 12,581,562	\$ 16,250,747	\$ 66,588,524

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, 2023

Total Fund Balances - Total Governmental Funds \$ 47,429,546

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

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Nondepreciable, net of Internal Service Fund of \$365,074	\$ 34,144,528	
Depreciable, net of Internal Service Fund of \$2,514,240	<u>31,224,135</u>	
Total capital assets		65,368,663

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.

Insurance Fund	1,879,001	
Equipment Replacement Fund	<u>9,642,399</u>	
Total Internal Service Funds		11,521,400

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. 2,690,049

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:

Lease revenue bonds and premium	(8,596,848)	
Subscription agreements, net of \$43,430 reported in Internal Service Fund	(48,539)	
Interest payable	(97,867)	
Compensated absences, net of \$10,322 reported in accrued payroll	<u>(2,454,751)</u>	(11,198,005)

Deferred amounts relates to pension not available for current expenditures and are not reported in the governmental fund financial statements:

Pension related deferred outflows of resources	25,592,909	
Pension related deferred inflows of resources	(5,144,653)	

Net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds. (59,358,585)

Deferred amounts relates to other postemployment benefits not available for current expenditures and are not reported in the governmental fund financial statements:

OPEB related deferred outflows of resources	4,615,457	
OPEB related deferred inflows of resources	(951,261)	

Net OPEB asset is not due and payable in the current period and therefore is not reported in the governmental funds. 376,557

Net position of governmental activities \$ 80,942,077

CITY OF HERMOSA BEACH

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2023

	Major Funds			
	General	Grants Special Revenue Fund	Tyco Special Revenue Fund	RTI Undersea Cable Special Revenue Fund
REVENUES:				
Property taxes	\$ 22,712,284	\$ -	\$ -	\$ -
Other taxes	13,514,058	-	-	-
Licenses and permits	1,049,519	-	-	-
Fines and forfeitures	1,431,512	-	-	-
Use of money and property	1,336,263	-	161,268	251,663
Intergovernmental	120,277	214,849	-	-
Charges for services	7,567,352	-	-	-
Miscellaneous	249,399	86,538	134,369	147,884
Interest earned on investments	(113,810)	-	(9,299)	(3,772)
Total revenues	47,866,854	301,387	286,338	395,775
EXPENDITURES:				
Current:				
Legislative and legal	1,538,192	-	-	-
General government	5,765,635	9,900	-	-
Public safety	24,921,286	-	-	-
Community development	2,012,178	25,455	-	-
Culture and recreation	1,941,106	-	-	-
Public works	7,234,390	-	-	-
Capital outlay	223,680	1,589,477	309,959	-
Debt service:				
Principal	15,839	-	-	-
Interest and fiscal charges	2,580	-	-	-
Total expenditures	43,654,886	1,624,832	309,959	-
REVENUES OVER (UNDER) EXPENDITURES	4,211,968	(1,323,445)	(23,621)	395,775
OTHER FINANCING SOURCES (USES):				
Transfers in	1,687,526	-	-	-
Transfers out	(7,464,343)	-	(21,090)	(239,245)
Proceeds from subscriptions	64,378	-	-	-
Total other financing sources (uses)	(5,712,439)	-	(21,090)	(239,245)
NET CHANGE IN FUND BALANCE	(1,500,471)	(1,323,445)	(44,711)	156,530
Fund balances, beginning of year	20,651,406	138,036	2,012,109	728,893
Fund balances, end of year	\$ 19,150,935	\$ (1,185,409)	\$ 1,967,398	\$ 885,423

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, 2023

	Major Funds		
	Capital Improvements	Nonmajor Governmental	Total
	Capital Projects Fund	Funds	Total
REVENUES:			
Property taxes	\$ -	\$ 462,005	\$ 23,174,289
Other taxes	-	3,255,367	16,769,425
Licenses and permits	-	-	1,049,519
Fines and forfeitures	-	4,650	1,436,162
Use of money and property	-	202,000	1,951,194
Intergovernmental	-	3,611,688	3,946,814
Charges for services	-	1,353,602	8,920,954
Miscellaneous	10,117	9,061	637,368
Interest earned on investments	(77,624)	(7,139)	(211,644)
Total revenues	(67,507)	8,891,234	57,674,081
EXPENDITURES:			
Current:			
Legislative and legal	-	-	1,538,192
General government	36,324	44,784	5,856,643
Public safety	371,695	181,427	25,474,408
Community development	-	43,894	2,081,527
Culture and recreation	-	51,042	1,992,148
Public works	-	1,835,963	9,070,353
Capital outlay	1,220,217	2,089,838	5,433,171
Debt service:			
Principal	-	415,000	430,839
Interest and fiscal charges	-	301,598	304,178
Total expenditures	1,628,236	4,963,546	52,181,459
REVENUES OVER (UNDER) EXPENDITURES	(1,695,743)	3,927,688	5,492,622
OTHER FINANCING SOURCES (USES):			
Transfers in	4,614,380	976,933	7,278,839
Transfers out	-	(1,687,526)	(9,412,204)
Proceeds from subscriptions	-	-	64,378
Total other financing sources (uses)	4,614,380	(710,593)	(2,068,987)
NET CHANGE IN FUND BALANCE	2,918,637	3,217,095	3,423,635
Fund balances, beginning of year	9,412,839	11,062,628	44,005,911
Fund balances, end of year	\$ 12,331,476	\$ 14,279,723	\$ 47,429,546

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, 2023

Net Change in Fund Balances - Total Governmental Funds		\$ 3,423,635
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	\$ 5,433,171	
Less: repair and maintenance expenditures	<u>(1,294,040)</u>	
Total capital outlay		4,139,131
Depreciation expense of capital assets is reported in the Government-wide Statement of Activities, but		
Total depreciation reported in Government-wide Statement of Activities	(2,911,621)	
Less: depreciation reported in the Internal Service Fund	<u>676,164</u>	
Total		(2,235,457)
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.		
		1,704,053
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.		
		7,192,478
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.		
		339,187
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.		
		(512,716)
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.		
		477,399
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>199,314</u>
Change in net position of governmental activities		<u>\$ 14,727,024</u>

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, 2023

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
ASSETS	
Current assets:	
Cash and investments	\$ 16,389,312
Account receivables	26
Total current assets	<u>16,389,338</u>
Noncurrent assets:	
Nondepreciable capital assets	365,074
Depreciable capital assets, net of accumulated depreciation	<u>2,514,240</u>
Total noncurrent assets	<u>2,879,314</u>
Total assets	<u>19,268,652</u>
LIABILITIES	
Current liabilities:	
Accounts payable	218,341
Accrued wages and benefits payable	18,934
Workers' compensation claims payable - due within one year	1,097,804
General liability claims payable - due within one year	527,457
Subscription lease payable - due within one year	40,376
Total current liabilities	<u>1,902,912</u>
Long-term liabilities:	
Workers' compensation claims payable - due in more than one year	4,791,245
General liability claims payable - due in more than one year	1,050,041
Subscription lease payable - due in more than one year	3,054
Total long-term liabilities	<u>5,844,340</u>
Total liabilities	<u>7,747,252</u>
NET POSITION	
Net investment in capital assets	2,879,314
Unrestricted	<u>8,642,086</u>
Total net position	<u>\$ 11,521,400</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, 2023

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES:	
Charges for services	\$ 5,216,443
Miscellaneous revenue	37,450
Total operating revenues	5,253,893
OPERATING EXPENSES:	
Salaries and wages	429,975
Contract services	2,899,589
Supplies	511,403
Claims expense	2,657,944
Depreciation	676,164
Total operating expenses	7,175,075
OPERATING INCOME	(1,921,182)
NON-OPERATING REVENUES (EXPENSES):	
Interest expense	(3,335)
Loss on disposal of capital assets	(9,534)
Total non-operating revenues (expenses)	(12,869)
INCOME BEFORE TRANSFERS	(1,934,051)
Transfers in (note 5)	2,133,365
Total transfers	2,133,365
Change in net position	199,314
Net position, beginning of year	11,322,086
Net position, end of year	\$ 11,521,400

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH

Statement of Cash Flows

Proprietary Funds

For the year ended June 30, 2023

	Governmental Activities
	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received for services from other funds	\$ 5,216,444
Cash received from insurance recovery	37,450
Cash payments to suppliers for goods and services	(3,241,991)
Cash payments to employees for services	(435,964)
Cash payments for insurance premiums and claims	(2,125,463)
Net cash provided (used by) operating activities	<u>(549,524)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfers in	<u>2,133,365</u>
Net cash provided (used by) non-capital financing activities	<u>2,133,365</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(484,874)
Payment on subscription lease	40,095
Net cash provided (used by) capital and related financing activities	<u>(444,779)</u>
Net increase (decrease) in cash and cash equivalents	1,139,062
Cash and equivalents, beginning of year	<u>15,250,250</u>
Cash and equivalents, end of year	<u>\$ 16,389,312</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED BY) OPERATING ACTIVITIES:	
Operating income (loss)	\$ (1,921,182)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	676,164
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	1
(Increase) decrease in other assets	145,949
Increase (decrease) in accounts payable	24,052
Increase (decrease) in accrued wages and benefits payable	(2,459)
Increase (decrease) in workers' compensation claims payable	844,670
Increase (decrease) in general liability claims payable	(312,189)
Increase (decrease) in compensated absences	(4,530)
Total adjustments	<u>1,371,658</u>
Net cash provided (used) by operating activities	<u>\$ (549,524)</u>

See accompanying notes to the basic financial statements.

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FIDUCIARY FUND FINANCIAL STATEMENTS

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

CITY OF HERMOSA BEACH
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	<u>Custodial Funds</u>
ASSETS	
Cash and investments	\$ 302,575
Interest receivable	100
Other receivable	<u>5,384</u>
Total assets	<u><u>\$ 308,059</u></u>
LIABILITIES	
Assessment:	
Installment account	\$ 295,059
Reserve requirement	<u>13,000</u>
Total Liabilities	<u>308,059</u>
NET POSITION	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH

Statement of Changes in Fiduciary Net Position

All Custodial Funds

For the Year Ended June 30, 2023

	<u>Custodial Funds</u>
ADDITIONS	
Interest income	\$ 100
Other revenues	<u>307,959</u>
Total additions	<u>308,059</u>
DEDUCTIONS	
Miscellaneous	<u>308,059</u>
Total liabilities	<u>308,059</u>
Change in net position	-
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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City of Hermosa Beach
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For the Year Ended June 30, 2022

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City of Hermosa Beach
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For the Year Ended June 30, 2022

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City of Hermosa Beach
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

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, 2023

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 assets) 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 assets) 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

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.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) which are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property 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 funds:

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 service agencies.

Tyco Special Revenue 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.

RTI Undersea Cable Special Revenue 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 project area.

Capital Improvements 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.

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.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

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 custodial funds, which are custodial in nature (assets equal liabilities) and use the economic resources measurement focus. 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.

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.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Property Taxes Receivable (Continued)

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 (except for intangible right-to-use lease assets, the measurement of which is disclosed thereafter). 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

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, 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.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

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:

<u>CalPERS</u>	
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

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.

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.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

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

The following timeframes are used for OPEB reporting:

<u>OPEB</u>	
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

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.

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.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

N. Fund Balances (Continued)

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.

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.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Leases Receivable

Lessor: The City is a lessor for noncancellable leases of a portion of real property, as well as, building and roof space. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key elements and judgement include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

R. Leases Payable and Subscription Agreements Payable

Lessee: The City is a lessee for noncancellable leases of software subscriptions. The City recognizes a lease or subscription agreement liability and an intangible right-to-use lease or subscription agreement asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease or subscription agreement, the City initially measures the lease liability at the present value of payments expected to be made during the lease or subscription agreement term. Subsequently, the liability is reduced by the principal portion of payments made. The lease or subscription agreement asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) payments. The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The term includes the noncancellable period of the lease. Lease payments included in the measurement of the liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease or subscription agreement assets are reported with other capital assets and lease or subscription agreement liabilities are reported with long-term debt on the Statement of Net Position.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

S. Accounting Changes

The City adopted Statement on Governmental Accounting Standards (GASB Statements) No. 91-*Conduit Debt Obligations*; and No. 96-*Subscription-Based Information Technology Arrangements*. The City implemented GASB No. 96 during fiscal year June 30, 2023. The adoption of the GASB No. 91 did not significantly impact the City.

The primary objective of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset as described in note 1(R) above.

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, 2023:

	Government-Wide Statement of Net Position Governmental Activities	Statement of Fiduciary Net Position	Total
Cash and investments	\$ 63,829,561	\$ 302,575	\$ 64,132,136

The City's cash and investments at June 30, 2023 in more detail:

Cash and cash equivalents:	
Demand deposits	\$ 14,225,534
Petty cash	2,000
Total cash and cash equivalents	14,227,534
Investments:	
Local Agency Investment Fund	10,436,692
Los Angeles County Pooled Investments Funds	30,857,798
US Government Treasuries	454,875
US Government Bonds	2,452,860
Negotiable Certificates of Deposit	5,702,377
Total investments	49,904,602
Total cash and investments	\$ 64,132,136

A. Deposits

The carrying amounts of the City's demand deposits were \$14,225,534 at June 30, 2023. Bank balances at that date were \$14,533,718, 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.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Investments (Continued)

The fair 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.

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, 2023 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, 2023, the City had \$10,436,692 invested in LAIF, which had invested 20.91% 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, 2023, the City had \$30,857,798 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, 2023

Note 2 – Cash and Investments (Continued)

D. Fair Value Measurement

At June 30, 2023, 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, 2023:

Investment Type	Value	Level 1	Level 2	Uncategorized
Local Agency Investment Fund	\$ 10,436,692	\$ -	\$ -	\$ 10,436,692
Los Angeles County Pooled Investments Fund	30,857,798	-	-	30,857,798
US Government Treasuries	454,875	454,875	-	-
US Government Bonds	2,452,860	2,452,860	-	-
Negotiable Certificates of Deposit	5,702,377	-	-	5,702,377
Total	\$ 49,904,602	\$ 2,907,735	\$ -	\$ 46,996,867

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, 2023, 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	\$ 10,436,692	\$ 10,436,692	\$ -	\$ -	\$ -	\$ -
Los Angeles County Pooled Investments Fund	30,857,798	30,857,798	-	-	-	-
US Government Treasuries	454,875	-	-	454,875	-	-
US Government Bonds	2,452,860	-	-	1,352,050	1,100,810	-
Negotiable Certificates of Deposit	5,702,377	2,166,339	1,173,375	222,017	2,140,646	-
Total	\$ 49,904,602	\$ 43,460,829	\$ 1,173,375	\$ 2,028,942	\$ 3,241,456	\$ -

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, 2023, 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	20.91%
Los Angeles County Pooled Investments Fund	Not Rated	Not Rated	61.83%
US Government Treasuries	Aaa	AA+	0.91%
US Government Bonds	Aaa	AA+	4.92%
Negotiable Certificates of Deposits	Not Rated	Not Rated	11.43%
Total			100.00%

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, 2023.

Note 3 - Receivables

A. Government-Wide Financial Statements

At June 30, 2023, 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	\$ 5,840,200	\$ -	\$ 5,840,200
Property taxes receivable, net	970,362	-	970,362
Reimbursable grants receivable	435,607	-	435,607
Leases receivable	9,449,711	-	9,449,711
Interest receivable on investments	27,789	100	27,889
Other receivables	-	5,384	5,384
Total	\$ 16,723,669	\$ 5,484	\$ 16,729,153

B. Fund Financial Statements Receivables

Receivables consisted of amounts accrued in the ordinary course of operations. The total amount of accounts receivables for each major and nonmajor funds in the aggregate as of June 30, 2023, were as follows:

Governmental funds:	
General Fund	\$ 3,251,706
Grants	1,779,707
Capital Improvements	269,740
Nonmajor Funds	<u>539,021</u>
Total governmental funds	<u>5,840,174</u>
Total accounts receivable	<u>\$ 5,840,174</u>

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 3 – Receivables (Continued)

B. Fund Financial Statements (Continued)

Taxes Receivable

At June 30, 2023, 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	\$ 1,430,977	\$ (496,562)	\$ 934,415
Nonmajor funds	65,740	(29,793)	35,947
Total	\$ 1,496,717	\$ (526,355)	\$ 970,362

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, 2023 was as follows:

Governmental funds:	
Grants	\$ 420,433
Nonmajor Funds	15,174
Total governmental funds	435,607
Total grant receivables	\$ 435,607

Note 4 – Lease Receivable and Revenues

In March 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 an amendment equal to the greater of the consumer price index or 12.5% of the gross effective sublease rent for the previous 60 month period. In February 2016, the lease was increased to \$3,235. During the year ended June 30, 2023, the City recognized \$30,296 in lease revenue and \$26,103 in interest revenue during the current fiscal year related to the lease. As of June 30, 2023, the City’s receivable for lease payments was \$646,579. Also, the City has a deferred inflow of resources associated with the lease that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$646,579.

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. During the year ended June 30, 2023, the City recognized \$28,696 in lease revenue and \$177,088 in interest revenue during the current fiscal year related to the lease. As of June 30, 2023, the City’s receivable for lease payments was \$415,632. Also, the City has a deferred inflow of resources associated with the lease that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$415,632.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 4 – Lease Receivable and Revenues (Continued)

In June 2005, the City purchased property adjacent to City Hall that is used as a self - storage facility with Thielscher. 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 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 \$20,600. During the year ended June 30, 2023, the City recognized \$229,912 in lease revenue and \$24,307 in interest revenue during the current fiscal year related to the lease. As of June 30, 2023, the City’s receivable for lease payments was \$510,615. Also, the City has a deferred inflow of resources associated with the lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$510,615.

In February 2014, the City entered into a 20-year lease agreement with Verizon wireless, a cellular telephone company. The annual lease rate is expected to increase at a rate of 3% with base monthly payment amount of \$5,000. During the year ended June 30, 2022, the City recognized \$9,162 in lease revenue and \$27,686 in interest revenue during the current fiscal year related to the lease. As of June 30, 2023, the City’s receivable for lease payments was \$687,449. Also, the City has a deferred inflow of resources associated with the lease that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$687,449.

In 2016, three 25-year lease agreements with MC Global were initiated. The City receives quarterly lease payments that range from \$17,250 to \$22,500. During the year ended June 30, 2023, the City recognized \$251,663 in lease revenue and \$147,883 in interest revenue during the current fiscal year related to the leases. As of June 30, 2023, the City’s receivable for lease payments was \$3,894,617. Also, the City has a deferred inflow of resources associated with the lease that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$3,894,617.

In 2002, a 25-year lease agreements with Tycom was initiated. The City receives quarterly lease payments of \$75,000. During the year ended June 30, 2023, the City recognized \$161,268 in lease revenue and \$134,369 in interest revenue during the current fiscal year related to the lease. As of June 30, 2023, the City’s receivable for lease payments was \$3,284,818. Also, the City has a deferred inflow of resources associated with the lease that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$3,284,818.

Note 5 – Interfund Transactions

Due From/To Other Funds – At June 30, 2023, the City had the following due from/to other funds:

Due To Other Funds	Due From Other Funds	
	General Fund	Total
Grants	\$ 697,858	\$ 697,858
Nonmajor Governmental funds	1,096,354	1,096,354
Total	\$ 1,794,212	\$ 1,794,212

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, 2023

Note 5 – Interfund Transactions (Continued)

Transfers

During the year ended June 30, 2023, the City had the following transfers:

	Transfers in				Total
	General Fund	Capital Improvements Capital Projects Funds	Nonmajor Governmental Funds	Internal Service Funds	
Transfers out					
General Fund	\$ -	\$ 4,614,380	\$ 716,598	\$ 2,133,365	\$7,464,343
Tyco Special Revenue Fund	-	-	21,090	-	21,090
RTI Undersea Cable Special Rev Fund	-	-	239,245	-	239,245
Nonmajor Governmental Funds	<u>1,687,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,687,526</u>
Total	<u>\$ 1,687,526</u>	<u>\$ 4,614,380</u>	<u>\$ 976,933</u>	<u>\$ 2,133,365</u>	<u>\$9,412,204</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 \$716,598 to the 2015 Lease Revenue Bond Fund for debt service payment.

General Fund transferred \$2,133,365 to the Insurance Internal Service Fund to fund liability claims.

RTI Undersea Cable Special Revenue Fund transferred \$239,245 to Lighting /Landscaping Fund to cover deficit.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 6 – Capital Assets

The following is a summary of changes in capital assets for the governmental activities for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
<i>Capital assets not being depreciated:</i>				
Land	\$ 22,740,168	\$ -	\$ -	\$ 22,740,168
Construction in progress	8,011,741	4,103,447	(345,754)	11,769,434
Total capital assets not being depreciated	<u>30,751,909</u>	<u>4,103,447</u>	<u>(345,754)</u>	<u>34,509,602</u>
<i>Capital assets being depreciated:</i>				
Buildings and structures	13,619,166	-	-	13,619,166
Improvements other than buildings	15,362,907	-	-	15,362,907
Machinery and equipment	7,203,067	560,895	-	7,763,962
Vehicles	4,393,211	40,942	(60,829)	4,373,324
Right-to-use - Subscriptions	-	153,338	-	153,338
Infrastructure	56,751,239	112,414	-	56,863,653
Total capital assets being depreciated	<u>97,329,590</u>	<u>867,589</u>	<u>(60,829)</u>	<u>98,136,350</u>
Less accumulated depreciation for:				
Buildings and structures	(6,492,643)	(259,600)	-	(6,752,243)
Improvements other than buildings	(13,678,520)	(220,898)	-	(13,899,418)
Machinery and equipment	(5,513,586)	(504,744)	-	(6,018,330)
Vehicles	(2,962,405)	(349,808)	50,018	(3,262,195)
Right-to-use - Subscriptions	-	(64,518)	-	(64,518)
Infrastructure	(32,889,218)	(1,512,053)	-	(34,401,271)
Total accumulated depreciation	<u>(61,536,372)</u>	<u>(2,911,621)</u>	<u>50,018</u>	<u>(64,397,975)</u>
Total capital assets being depreciated, net	<u>35,793,218</u>	<u>(2,044,032)</u>	<u>(10,811)</u>	<u>33,738,375</u>
Total governmental activities	<u>\$ 66,545,127</u>	<u>\$ 2,059,415</u>	<u>\$ (356,565)</u>	<u>\$ 68,247,977</u>

Depreciation expense was charged to functions/programs of governmental activities for the year ended June 30, 2023 as follows:

Legislative and legal	\$ 94,162
General government	358,521
Public safety	1,559,447
Community development	127,423
Culture and recreation	121,952
Public works	650,116
Total depreciation expense	<u>\$ 2,911,621</u>

Note 7 – Long-Term Liabilities

Summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2023 is as follows:

	Balance			Balance June 30, 2023	Classification	
	July 1, 2022	Additions	Deletions		Due within One Year	Due in more than One Year
2020 Lease revenue bond	\$ 7,755,000	\$ -	\$ (415,000)	\$ 7,340,000	\$ 435,000	\$ 6,905,000
Bonds Premium	1,413,953	-	(157,105)	1,256,848	157,105	1,099,743
Subscription agreements	-	148,396	(56,427)	91,969	70,728	21,241
Compensated absences	1,970,263	1,886,972	(1,392,162)	2,465,073	848,232	1,616,841
	<u>\$ 11,139,216</u>	<u>\$ 2,035,368</u>	<u>\$ (2,020,694)</u>	<u>\$ 11,153,890</u>	<u>\$ 1,511,065</u>	<u>\$ 9,642,825</u>

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 7 – Long-Term Liabilities (Continued)

2020 Lease Revenue Bonds

In October 2020, the PFA issued \$8,150,000 Hermosa Beach Public Financing Authority 2020 Lease Revenue Bonds to (i) refund and defease the 2015 Lease revenue bonds and (ii) pay the costs of issuing the 2020 Bonds. Interest rate is 1.92% and is payable semiannually on May 1 and November 1 of each year, commencing May 1, 2021. Principal payments range from \$395,000 to \$715,000 commencing November 2021 through November 2035. The 2020 bonds are secured solely by the pledge revenues and certain funds held under the indenture. The 202 bonds are not secured by a pledge of the taxing power of the City. Upon default, the payment in default will continue as an obligation of the City until the amount in default has been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment at the highest rate of interest on any Outstanding 2020 Bond. The outstanding balance at June 30, 2023 was \$7,340,000.

The annual debt service requirements by year are as follows:

Year ending June 30,	Principal	Interest	Total
2024	\$ 435,000	\$ 293,600	\$ 728,600
2025	450,000	276,200	726,200
2026	470,000	258,200	728,200
2027	490,000	239,400	728,400
2028	510,000	219,800	729,800
2029-2033	2,920,000	773,400	3,693,400
2034-2036	2,065,000	167,200	2,232,200
	<u>\$ 7,340,000</u>	<u>\$ 2,227,800</u>	<u>\$ 9,567,800</u>

Subscription Agreement Payable

In July 2019, the City entered into a 60 month subscription for the use of license and permit software. An initial subscription liability was recorded in the amount of \$84,017. As of June 30, 2023, the value of the subscription liability is \$43,430. The City is required to make annual fixed payments ranging from \$26,548 to \$40,588. The subscription has an interest rate of 4.0%. The value of the right to use asset as of June 30, 2023 was \$84,017 with accumulated amortization of \$47,538.

In May 2022, the City entered into a 66 month subscription for the use of budget software. An initial subscription liability was recorded in the amount of \$64,378. As of June 30, 2023, the value of the subscription liability is \$48,538. The City is required to make annual fixed payments ranging from \$10,261 to \$26,435. The subscription has an interest rate of 4.0%. The value of the right to use asset as of June 30, 2023 was \$69,320 with accumulated amortization of \$16,980.

The following future principal and interest payments on the leases payable and subscription agreements payable for June 30 are as follows:

Year ending June 30,	Principal	Interest	Total
2024	\$ 70,928	\$ 3,248	\$ 74,176
2025	10,261	424	10,685
2026	10,780	439	11,219
	<u>\$ 91,969</u>	<u>\$ 4,111</u>	<u>\$ 96,080</u>

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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”).

The City purchases workers’ compensation coverage through a self-insured program available through ICRMA. The City maintains a \$500,000 self-insured retention limit and participates in a self-insured risk sharing pool through the ICRMA of coverage up to statutory limits.

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

ICRMA’s annual budget is based on estimated actuarially determined member losses within the risk sharing layer, administrative expenses and excess insurance.

The City’s premiums to ICRMA in the amount of \$1,553,527 for the fiscal year 2022-2023 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 \$7,466,547 reported at June 30, 2023 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.

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, 2023

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, 2023 and pension expenses for the year then ended June 30, 2023:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Deferred outflows of resources:			
Pension contribution after measurement date	\$ 2,025,370	\$ 3,982,811	\$ 6,008,181
Difference between expected and actual experience	363,390	1,707,736	2,071,126
Change in assumptions	1,854,246	4,160,584	6,014,830
Change in employer’s proportion	13,576	1,654,568	1,668,144
Differences between projected and actual investment earnings	3,314,587	6,516,042	9,830,628
Total deferred outflows of resources	<u>\$ 7,571,169</u>	<u>\$ 18,021,740</u>	<u>\$ 25,592,909</u>
Aggregate Net pension liabilities:			
Aggregate Net pension liabilities	<u>\$ 18,095,347</u>	<u>\$ 41,263,238</u>	<u>\$ 59,358,585</u>
Total net pension liabilities (1)	<u>\$ 18,095,347</u>	<u>\$ 41,263,238</u>	<u>\$ 59,358,585</u>
Deferred inflows of Resources:			
Difference between projected and actual experience	\$ 243,383	\$ 448,086	\$ 691,469
Change in employer’s proportions	382,654	114,292	496,946
Difference between City contributions and proportionate share of contributions	744,852	3,211,386	3,956,238
Total deferred inflows of Resources	<u>\$ 1,370,889</u>	<u>\$ 3,773,764</u>	<u>\$ 5,144,653</u>
Pension expenses (credits):	<u>\$ (739,758)</u>	<u>\$ (444,538)</u>	<u>\$ (1,184,296)</u>

(1) Pension plan have typically been liquidated by the General Fund.

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, 2023

Note 9 – Defined Benefit Pension Plans (Continued)

General Information about the Pension Plan (Continued)

Employees Covered by Benefit Terms

At June 30, 2023, the following employees were covered by the benefit terms:

	<u>Plans</u>					
	<u>Fire Tier 1</u>	<u>Fire Tier 2</u>	<u>Fire PEPRA</u>	<u>Police Tier 1</u>	<u>Police Tier 2</u>	<u>Police PEPRA</u>
Active employees	-	-	-	21	2	9
Transferred and terminated employees	12	1	3	4	2	5
Separated	4	1	1	4	2	3
Retired Employees and Beneficiaries	60	-	-	93	2	1
Total	<u>76</u>	<u>2</u>	<u>4</u>	<u>122</u>	<u>8</u>	<u>18</u>

	<u>Plans</u>		
	<u>Misc. Tier 1</u>	<u>Misc. Tier 2</u>	<u>Misc. PEPRA</u>
Active employees	31	16	63
Transferred and terminated employees	42	11	28
Separated	47	5	25
Retired Employees and Beneficiaries	146	1	-
Total	<u>266</u>	<u>33</u>	<u>116</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, 2023

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, 2022, the contributions recognized as part of pension expense(credit) for the plan totaled \$(1,184,296). For the measurement period ended June 30, 2022 (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	0.000%	\$1,079,692
Fire Tier 2	0.000%	\$ 0
Fire PEPR	0.000%	\$ 3,967
Police Tier 1	9.000%	25.64%
Police Tier 2	9.000%	20.97%
Police PEPR	13.750%	13.66%
Misc. Tier 1	7.000%	10.87%
Misc. Tier 2	7.000%	9.12%
Misc. PEPR	6.750%	7.47%

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, 2021 valuation was rolled forward to determine June 30, 2021 total pension liability based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment rate of return	7.15% 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 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% 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 6.90 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 6.90 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 6.90 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, 2023

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, 2020.

<u>Asset Class</u>	<u>New Strategic Allocation-%</u>	<u>Real Return Years 1-10^{1,2} -%</u>
Global Equity – cap-weighted	30.00	4.45
Global Equity – non-cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	(5.00)	(0.59)

¹An expected inflation of 2.3% used for this period

²Figures are based on the 2021-22 Asset Liability Management study.

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 6.90%, 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 (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1%</u> <u>(5.90%)</u>	<u>Current Discount</u> <u>Rate (6.90%)</u>	<u>Discount Rate + 1%</u> <u>(7.90%)</u>
Miscellaneous	<u>\$ 27,038,718</u>	<u>\$ 18,095,347</u>	<u>\$ 10,737,173</u>
Safety	<u>\$ 59,957,458</u>	<u>\$ 41,263,238</u>	<u>\$ 25,984,936</u>

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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: 6/30/21 (Valuation date)	\$ 62,393,349	\$ 53,447,644	\$ 8,945,705
Balance at: 6/30/22 (Measurement date)	\$ 63,601,884	\$ 51,930,450	\$ 11,671,434
Net Changes during 2021-2022	\$ 1,208,535	\$ (1,517,194)	\$ 2,725,729
Safety			
Balance at: 6/30/21 (Valuation date)	\$ 127,785,931	\$ 104,828,042	\$ 22,957,889
Balance at: 6/30/22 (Measurement date)	\$ 132,099,626	\$ 103,411,575	\$ 28,688,051
Net Changes during 2021-2022	\$ 4,313,695	\$ (1,416,467)	\$ 5,730,162

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, 2019). 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, 2020). 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, 2020 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2018-2019).
- (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 fair 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, 2023	0.47112%	0.65417%
June 30, 2022	0.38672%	0.60049%
Change - Increase (Decrease)	(0.08441)%	(0.05368)%

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, 2023, the City recognized pension expense(credit) as follows:

Miscellaneous	\$ (739,758)
Safety	(444,538)
	\$ (1,184,286)
	\$ (1,184,286)

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 2021-2022 measurement period is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of the active employees) by 153,587 (the total number of participants: active, inactive, and retired).

At June 30, 2023, 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	\$ 2,025,370	\$ -
Difference between expected and actual experience	363,390	(243,383)
Changes of assumptions	1,854,246	-
Difference between projected and actual earning on pension plan investments	3,314,587	-
Adjustment due to differences in proportions	13,576	(382,654)
Difference between City contributions and proportionate share of contributions	-	(744,852)
	-	(744,852)
Total	\$ 7,571,169	\$ (1,370,889)

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Safety	
	Deferred outflows	
Pension contribution after measurement date	\$ 3,982,811	\$ -
Difference between expected and actual experience	1,707,736	(448,086)
Changes of assumptions	4,160,584	-
Difference between projected and actual earning on pension plan investments	6,516,041	-
Adjustment due to differences in proportions	1,654,568	(114,292)
Difference between City contributions and proportionate share of contributions	-	(3,211,386)
Total	\$ 18,021,740	\$ (3,773,764)

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, 2023. Deferred inflows of resources represent an acquisition of net assets that applies to future periods. 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	Deferred Outflows/ (Inflows) of Resources	
	Ended June 30,	Miscellaneous
2024	\$ 875,738	\$ 2,544,862
2025	783,029	2,372,313
2026	488,828	1,373,122
2027	2,027,315	3,974,868
2028	-	-
Thereafter	-	-
	\$ 4,174,910	\$ 10,265,165

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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 \$1,059 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, 2023

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, 2023 were as follows:

Participants	Total
Active employees	125
Retirees	78
Retirees not receiving benefits	2
Total	205

Net OPEB Liability

The City’s net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2021.

Actuarial Assumptions

The total OPEB liability, measured as of June 30, 2022, was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	5.50% Pre-funded in PARS Moderate Strategy
Inflation	2.50% 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, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2020 through June 30, 2021.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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	50.00%	4.560%
Fixed Income	45.00%	0.780%
Cash	5.00%	(0.500)%
	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 5.50 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, 2022:

Plan's OPEB Liability/(Asset)		
Discount Rate - 1% (4.50%)	Current Discount Rate (5.50%)	Discount Rate + 1% (6.50%)
\$ 1,443,520	\$ (376,557)	\$ (1,922,813)

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, 2022:

Plan's OPEB Liability/(Asset)		
Healthcare		
-1.00%	Trend Rate	+1.00%
\$ (1,778,172)	\$ (376,557)	\$ 1,293,071

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, 2022 (Valuation Date)	\$ 14,878,244	\$ 17,758,290	\$ (2,880,046)
Changes Recognized for the Measurement Period:			
Service Cost	328,880	-	328,880
Interest on the total OPEB liability	819,527	-	819,527
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions from the employer	-	1,047,488	(1,047,488)
Contributions from employees	-	-	-
Net investment income, net of administrative expense	-	(2,363,706)	2,363,706
Benefit payments, including refunds of employee contributions	(613,220)	(613,220)	-
Administrative Expense	-	(38,864)	38,864
Net Changes during July 1, 2021 to June 30, 2022	<u>535,187</u>	<u>(1,968,302)</u>	<u>2,503,489</u>
Balance at June 30, 2023 (Measurement Date)	<u>\$ 15,413,431</u>	<u>\$ 15,789,988</u>	<u>\$ (376,557)</u>

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

For the year ended June 30, 2023, OPEB expense in the amount of \$742,033 is included in the accompanying statement of activities.

At June 30, 2023, 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	\$ 1,081,220	\$ -
Differences between expected and actual experience	290,705	(951,261)
Changes in assumptions	1,821,354	-
Difference between projected and actual earning on plan investments	1,422,178	-
	<u>\$ 4,615,457</u>	<u>\$ (951,261)</u>

The \$1,081,220 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, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30	Amount
2024	\$ 541,937
2025	564,174
2026	502,331
2027	840,872
2028	95,475
Thereafter	<u>38,190</u>
Total	<u>\$ 2,582,976</u>

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 11 – Classification of Fund Balances

At June 30, 2023, fund balances are classified in the governmental funds as follows:

	General Fund	Grants Special Revenue Fund	Tyco Special Revenue Fund	RTI Undersea Cable Special Revenue Fund	Capital Improve- ments Capital Projects	Nonmajor Govern- mental Funds	Total
Nonspendable							
Prepaid items	\$ 622,095	\$ -	\$ -	\$ -	\$ -	\$ 18,325	\$ 640,420
Total nonspendable	<u>622,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,325</u>	<u>640,420</u>
Restricted							
Verizon PEG Grant	236,647	-	-	-	-	-	236,647
General Plan							
Maintenance Fees	168,279	-	-	-	-	-	168,279
Chamber Marquee							
Donation	50,000	-	-	-	-	-	50,000
CASP Fees	58,322	-	-	-	-	-	58,322
Lighting District	-	-	-	-	-	32,717	32,717
Gas Tax	-	-	-	-	-	785,560	785,560
Source Reduction/ Recycling	-	-	-	-	-	291,271	291,271
Greenwich Underground	-	-	-	-	-	120,898	120,898
Parks/Rec Facility Projects	-	-	-	-	-	343,880	343,880
Assessment Districts	-	-	-	-	-	9,219	9,219
Prop A, C and Measure R Transit Projects	-	-	-	-	-	2,646,058	2,646,058
Air Quality Improvement Projects	-	-	-	-	-	126,529	126,529
Supplemental Law Enforcement Services Funds	-	-	-	-	-	439,523	439,523
Asset Forfeiture – Drug Enforcement and Education	-	-	-	-	-	559,860	559,860
Fire Protection	-	-	-	-	-	874	874
Community Development Block Grant	-	-	-	-	-	3,192	3,192
American Rescue Plan Act And CARES Act	-	-	-	-	-	1,293,132	1,293,132
Measure M and W	-	-	-	-	-	1,591,822	1,591,822
RTI Undersea Cable Tidelands	-	-	-	-	-	555,643	555,643
Sewers	-	-	-	-	-	3,624,622	3,624,622
Lease Revenue Bond	-	-	-	-	-	95,223	95,223
Storm Drain	-	-	-	-	-	2,694,495	2,694,495
Total restricted	<u>513,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,214,518</u>	<u>15,727,766</u>
Committed							
In Lieu Fee- Parking Facilities	404,600	-	-	-	-	-	404,600
Tyco & RIT Tidelands	-	-	1,967,398	885,423	-	-	2,852,821
Retirement Trust	829,060	-	-	-	-	-	829,060
Retirement Rate Stabilization	1,021,575	-	-	-	-	-	1,021,575
Total committed	<u>2,255,235</u>	<u>-</u>	<u>1,967,398</u>	<u>885,423</u>	<u>-</u>	<u>-</u>	<u>5,108,056</u>
Assigned							
Capital Projects	300,000	-	-	-	11,063,508	-	11,363,508
Capital Facility Reserve 20-21 Year End Balance	18,460	-	-	-	1,267,968	-	1,267,968
20-21 Year End Balance	3,835,617	-	-	-	-	-	3,835,617
Reappropriations	704,334	-	-	-	-	-	704,334
Contingencies	6,966,689	-	-	-	-	-	6,966,689
Compensated absences	294,170	-	-	-	-	-	294,170
Prop A Exchange	940,098	-	-	-	-	-	940,098
Total assigned	<u>13,059,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,331,476</u>	<u>-</u>	<u>25,390,844</u>
Unassigned	<u>2,700,989</u>	<u>(1,185,409)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(953,120)</u>	<u>562,460</u>
	<u>\$19,150,935</u>	<u>\$(1,185,409)</u>	<u>\$1,967,398</u>	<u>\$ 885,423</u>	<u>\$12,331,476</u>	<u>\$14,279,723</u>	<u>\$47,429,546</u>

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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
2024	\$ 29,116	\$ 2,163	\$ 31,279
2025	30,514	732	31,246
	<u>\$ 59,630</u>	<u>\$ 2,895</u>	<u>\$ 62,525</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
2024	\$ 53,181	\$ 5,998	\$ 59,179
2025	55,867	3,680	59,547
2026	58,666	1,247	59,913
Total	<u>\$ 167,714</u>	<u>\$ 10,925</u>	<u>\$ 178,639</u>

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 13 – Commitments and Contingencies

A. Commitments

The City had several outstanding or planned construction and other projects as of June 30, 2023. These projects are evidenced by contractual commitments with contractors and include:

Project	Spent to Date	Commitment Remaining
Permit Software Upgrade and Integration Project	\$ 626,854	\$ 52,184
Fire Department Facility and Equipment Conversion	1,847,824	181,836
Total	\$ 2,474,678	\$ 234,020

Of the commitments listed above, \$181,836 represents commitments in the Capital Projects Fund and \$52,184 represents commitments in internal service 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 June 30, 2023 was \$291,618.

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.

Note 14 – Subsequent Events

Management has evaluated subsequent events through January 30, 2024 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
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Fund balance, July 1, 2022	\$ 20,651,406	\$ 20,651,406	\$ 20,651,406	\$ -
Revenues (inflows):				
Property taxes	22,055,924	22,359,658	22,712,284	352,626
Other taxes	11,607,920	13,265,999	13,514,058	248,059
Licenses and permits	1,408,690	1,504,280	1,049,519	(454,761)
Fines and forfeitures	1,753,010	1,740,260	1,431,512	(308,748)
Use of money and property	869,364	1,322,408	1,336,263	13,855
Intergovernmental	146,636	155,781	120,277	(35,504)
Charges for services	7,686,027	7,455,785	7,567,352	111,567
Miscellaneous	107,980	258,113	249,399	(8,714)
Interest earned on investments	118,864	349,208	(113,810)	(463,018)
Transfers in	1,732,489	1,732,489	1,687,526	(44,963)
Proceeds from subscriptions	-	-	64,378	64,378
Amount available for appropriations	<u>47,486,904</u>	<u>50,143,981</u>	<u>49,618,758</u>	<u>(525,223)</u>
Charges to appropriations (outflows):				
Legislative and legal	1,580,494	1,672,531	1,538,192	134,339
General government	5,941,645	6,509,317	5,765,635	743,682
Public safety	26,464,111	26,987,788	24,921,286	2,066,502
Community development	2,345,647	2,488,101	2,012,178	475,923
Culture and recreation	1,912,641	1,934,311	1,941,106	(6,795)
Public works	7,456,433	7,883,034	7,234,390	648,644
Capital outlay	130,411	448,470	223,680	224,790
Principal	-	-	15,839	(15,839)
Interest and fiscal charges	-	-	2,580	(2,580)
Transfers out	<u>3,899,643</u>	<u>7,433,605</u>	<u>7,464,343</u>	<u>(30,738)</u>
Total charges to appropriations	<u>49,731,025</u>	<u>55,357,157</u>	<u>51,119,229</u>	<u>4,237,928</u>
Fund balance, June 30, 2023	<u>\$ 18,407,285</u>	<u>\$ 15,438,230</u>	<u>\$ 19,150,935</u>	<u>\$ 3,712,705</u>

CITY OF HERMOSA BEACH

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Budgetary Comparison Schedule - Grants Special Revenue Fund For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Fund balance, July 1, 2022	\$ 138,036	\$ 138,036	\$ 138,036	\$ -
Revenues (inflows):				
Intergovernmental	507,578	2,002,394	214,849	(1,787,545)
Miscellaneous	<u>214,355</u>	<u>440,950</u>	<u>86,538</u>	<u>(354,412)</u>
Amount available for appropriations	<u>721,933</u>	<u>2,443,344</u>	<u>301,387</u>	<u>(2,141,957)</u>
Charges to appropriations (outflows):				
General government	-	1,076,487	9,900	1,066,587
Public safety	8,458	8,458	-	8,458
Community development	25,455	25,455	25,455	-
Capital outlay	<u>1,042,974</u>	<u>3,792,340</u>	<u>1,589,477</u>	<u>2,202,863</u>
Total charges to appropriations	<u>1,076,887</u>	<u>4,902,740</u>	<u>1,624,832</u>	<u>3,277,908</u>
Fund balance (deficit), June 30, 2023	<u>\$ (216,918)</u>	<u>\$ (2,321,360)</u>	<u>\$ (1,185,409)</u>	<u>\$ 1,135,951</u>

CITY OF HERMOSA BEACH

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Budgetary Comparison Schedule - Tyco Special Revenue Fund For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2022	\$ 2,012,109	\$ 2,012,109	\$ 2,012,109	\$ -
Revenues (inflows):				
Use of money and property	337,932	337,932	161,268	(176,664)
Miscellaneous	-	-	134,369	134,369
Interest earned on investments	15,368	49,648	(9,299)	(58,947)
Amount available for appropriations	353,300	387,580	286,338	(101,242)
Charges to appropriations (outflows):				
Public works	120,789	120,789	-	120,789
Capital outlay	2,321,067	2,281,373	309,959	1,971,414
Transfers out	1,590	21,090	21,090	-
Total charges to appropriations	2,443,446	2,423,252	331,049	2,092,203
Fund balance, June 30, 2023	\$ (78,037)	\$ (23,563)	\$ 1,967,398	\$ 1,990,961

CITY OF HERMOSA BEACH

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Budgetary Comparison Schedule - RTI Undersea Cable Special Revenue Fund For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Fund balance, July 1, 2022	\$ 728,893	\$ 728,893	\$ 728,893	\$ -
Revenues (inflows):				
Use of money and property	179,250	417,547	251,663	(165,884)
Miscellaneous	-	-	147,884	147,884
Interest earned on investments	<u>7,004</u>	<u>19,574</u>	<u>(3,772)</u>	<u>(23,346)</u>
Amount available for appropriations	<u>186,254</u>	<u>437,121</u>	<u>395,775</u>	<u>(41,346)</u>
Charges to appropriations (outflows):				
Capital outlay	1,036,692	1,078,952	-	1,078,952
Transfers out	<u>239,245</u>	<u>239,245</u>	<u>239,245</u>	<u>-</u>
Total charges to appropriations	<u>1,275,937</u>	<u>1,318,197</u>	<u>239,245</u>	<u>1,078,952</u>
Fund balance, June 30, 2023	<u>\$ (360,790)</u>	<u>\$ (152,183)</u>	<u>\$ 885,423</u>	<u>\$ 1,037,606</u>

City of Hermosa Beach
Required Supplementary Information (Unaudited) (Continued) Notes to the Budgetary Comparison
Schedule For the Year Ended June 30, 2023

Budgetary Control and Accounting Policy

Budgets are annually adopted for all governmental fund types (with the exception of the Tyco Tideland, Myrtle District Administrative Expense, and Greenwich Underground Special Revenue Funds) and all proprietary fund types on a basis consistent with generally accepted accounting principles. The City is required by its municipal code to adopt an annual budget on or before June 30 for the ensuing fiscal year. From the effective date of the budget, the amounts become the “*annual appropriated budget.*”

The appropriated budget is prepared by fund, department and division. The City Council may amend the budget by motion during the fiscal year. Expenditures may not legally exceed appropriations at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within the same fund; however, any transfers between funds or revisions that alter total appropriations of any fund require City Council approval. The legal level of control is therefore at the fund level.

Supplemental appropriations, which increase appropriations, were made during the fiscal year, therefore, “final” budgeted revenue and appropriation amounts shown in the financial statements represent the original budget, modified for adjustments during the year. Appropriations lapse at the end of the fiscal year.

Encumbrances - Under encumbrance accounting, purchase orders, contracts and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary accounting. Unexpended appropriations lapse at year-end.

CITY OF HERMOSA BEACH
Required Supplementary Information
Schedule of City's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2023

Last Ten Fiscal Years

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

	June 30, 2022 ¹ Fiscal Year 2022-23	June 30, 2021 ¹ Fiscal Year 2021-22	June 30, 2020 ¹ Fiscal Year 2020-21	June 30, 2019 ¹ Fiscal Year 2019-20	June 30, 2018 ¹ Fiscal Year 2018-19
City's Proportion of the Net Pension Liability/(Asset)	0.38672%	0.47112%	0.37245%	0.37079%	0.37090%
City's Proportionate share of the Net Pension Liability/(Asset)	\$ 18,095,347	\$ 8,945,705	\$ 15,710,118	\$ 14,848,242	\$ 13,978,150
City's Covered payroll	\$ 8,730,571	\$ 7,613,425	\$ 7,191,189	\$ 7,192,641	\$ 7,402,032
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its covered payroll	207.26%	117.50%	218.46%	206.44%	188.84%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	78.19%	85.66%	74.14%	75.95%	74.50%
	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)	0.14664%	0.14882%	0.15099%	0.16331%	
City's Proportionate share of the Net Pension Liability/(Asset)	\$ 14,452,712	\$ 12,877,883	\$ 10,364,015	\$ 10,161,668	
City's Covered payroll	\$ 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	213.00%	196.88%	181.81%	189.74%	
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	72.80%	73.59%	78.00%	78.34%	

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 nine years are presented.

CITY OF HERMOSA BEACH
Required Supplementary Information
Schedule of City's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2023

Last Ten Fiscal Years

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

	June 30, 2022 ¹ Fiscal Year 2022-23	June 30, 2021 ¹ Fiscal Year 2021-22	June 30, 2020 ¹ Fiscal Year 2020-21	June 30, 2019 ¹ Fiscal Year 2019-20	June 30, 2018 ¹ Fiscal Year 2018-19
City's Proportion of the Net Pension Liability/(Asset)	0.60049%	0.65417%	0.53686%	0.54687%	0.57283%
City's Proportionate share of the Net Pension Liability/(Asset)	\$ 41,263,238	\$ 22,957,889	\$ 35,767,664	\$ 34,138,671	\$ 33,611,333
City's Covered payroll	\$ 4,520,539	\$ 4,516,727	\$ 4,130,518	\$ 4,108,280	\$ 5,320,583
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its covered payroll	912.79%	508.29%	865.94%	830.97%	631.72%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	75.53%	82.03%	71.20%	71.77%	71.23%
	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)	0.35213%	0.37217%	0.40019%	0.42012%	
City's Proportionate share of the Net Pension Liability/(Asset)	\$ 34,921,802	\$ 32,204,127	\$ 27,469,000	\$ 26,141,972	
City's Covered payroll	\$ 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	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	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 nine years are presented.

CITY OF HERMOSA BEACH
Required Supplementary Information
Schedule of City's Contributions - Pensions
For the Year Ended June 30, 2023

Last Ten Fiscal Years

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

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>
Actuarially determined contribution	\$ 742,817	\$ 690,001	\$ 693,322	\$ 618,021	\$ 575,931
Contributions in relation to the actuarially determined contributions	<u>\$ (2,025,370)</u>	<u>\$ (1,769,850)</u>	<u>\$ (1,632,690)</u>	<u>\$ (1,907,072)</u>	<u>\$ (1,682,561)</u>
Contribution deficiency (excess)	<u>\$ (1,282,553)</u>	<u>\$ (1,079,849)</u>	<u>\$ (939,368)</u>	<u>\$ (1,289,051)</u>	<u>\$ (1,106,630)</u>
Covered payroll ¹	\$ 8,730,570	\$ 7,661,955	\$ 7,613,425	\$ 7,191,189	\$ 7,192,641
Contributions as a percentage of covered employee payroll	23.20%	23.10%	21.44%	26.52%	23.39%
	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
Actuarially determined contribution	\$ 527,115	\$ 518,722	\$ 469,656	\$ 883,493	\$ 799,637
Contributions in relation to the actuarially determined contributions	<u>\$ (1,516,745)</u>	<u>\$ (1,379,151)</u>	<u>\$ (1,245,120)</u>	<u>\$ (883,493)</u>	<u>\$ (799,637)</u>
Contribution deficiency (excess)	<u>\$ (989,630)</u>	<u>\$ (860,429)</u>	<u>\$ (775,464)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll ¹	\$ 7,402,032	\$ 6,785,443	\$ 6,540,869	\$ 5,700,485	\$ 5,355,599
Contributions as a percentage of covered employee payroll	20.49%	20.33%	19.04%	15.50%	14.93%

¹ Covered Payroll represented above is based on pensionable earnings provided by the employer.

Notes to Schedule

None.

CITY OF HERMOSA BEACH
Required Supplementary Information
Schedule of City's Contributions - Pensions
For the Year Ended June 30, 2023

Last Ten Fiscal Years

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

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>
Actuarially determined contribution	\$ 896,751	\$ 1,119,497	\$ 996,107	\$ 753,728	\$ 804,633
Contributions in relation to the actuarially determined contributions	<u>\$ (3,982,811)</u>	<u>\$ (3,813,932)</u>	<u>\$ (3,342,664)</u>	<u>\$ (2,799,261)</u>	<u>\$ (3,878,196)</u>
Contribution deficiency (excess)	<u>\$ (3,086,060)</u>	<u>\$ (2,694,435)</u>	<u>\$ (2,346,557)</u>	<u>\$ (2,045,533)</u>	<u>\$ (3,073,563)</u>
Covered payroll ¹	\$ 4,520,539	\$ 5,171,993	\$ 4,516,727	\$ 4,130,518	\$ 4,108,280
Contributions as a percentage of covered employee payroll	88.10%	73.74%	74.01%	67.77%	94.40%
	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
Actuarially determined contribution	\$ 1,016,858	\$ 1,029,129	\$ 1,033,371	\$ 2,842,420	\$ 1,923,392
Contributions in relation to the actuarially determined contributions	<u>\$ (4,226,782)</u>	<u>\$ (3,921,179)</u>	<u>\$ (3,698,115)</u>	<u>\$ (2,842,420)</u>	<u>\$ (1,923,392)</u>
Contribution deficiency (excess)	<u>\$ (3,209,924)</u>	<u>\$ (2,892,050)</u>	<u>\$ (2,664,744)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll ¹	\$ 5,320,583	\$ 5,597,651	\$ 5,342,937	\$ 5,492,822	\$ 5,065,109
Contributions as a percentage of covered employee payroll	79.44%	70.05%	69.22%	51.75%	37.97%

¹ Covered Payroll represented above is based on pensionable earnings provided by the employer.

Notes to Schedule

None.

CITY OF HERMOSA BEACH
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2023

For the Measurement Period:	Last Ten Fiscal Years				
	2022-23	2021-22	2020-21	2019-20	2018-19
Total OPEB Liability					
Service cost	\$ 328,880	\$ 396,550	\$ 385,000	\$ 385,000	\$ 327,066
Interest on the total OPEB Liability	819,527	818,124	779,630	779,630	661,475
Actual and expected experience difference	-	(1,303,579)	-	-	632,713
Changes in assumptions	-	2,010,094	-	-	771,624
Changes in benefit terms	-	-	-	-	-
Benefit payments	<u>(613,220)</u>	<u>(563,618)</u>	<u>(505,591)</u>	<u>(505,591)</u>	<u>(457,550)</u>
Net change in total OPEB liability	535,187	1,357,571	659,039	659,039	1,935,328
Total OPEB liability - beginning	<u>14,878,244</u>	<u>13,520,673</u>	<u>12,861,634</u>	<u>12,861,634</u>	<u>10,926,306</u>
Total OPEB liability - ending (a)	<u>\$ 15,413,431</u>	<u>\$ 14,878,244</u>	<u>\$ 13,520,673</u>	<u>\$ 13,520,673</u>	<u>\$ 12,861,634</u>
Plan Fiduciary Net Position					
Contribution - employer	\$ 1,047,488	\$ 982,442	\$ 870,427	\$ 870,427	\$ 1,486,916
Net investment income	(2,363,706)	3,126,022	504,213	504,213	838,766
Benefit payments	(613,220)	(563,618)	(505,591)	(505,591)	(457,550)
Administrative expense	<u>(38,864)</u>	<u>(36,347)</u>	<u>(32,328)</u>	<u>(32,328)</u>	<u>(29,410)</u>
Net change in plan fiduciary net position	(1,968,302)	3,508,499	836,721	836,721	1,838,722
Plan fiduciary net position - beginning	<u>17,758,290</u>	<u>14,249,791</u>	<u>13,413,070</u>	<u>13,413,070</u>	<u>11,574,348</u>
Plan fiduciary net position - ending (b)	<u>15,789,988</u>	<u>17,758,290</u>	<u>14,249,791</u>	<u>14,249,791</u>	<u>13,413,070</u>
Net OPEB liability (asset) - ending (a)-(b)	<u>\$ (376,557)</u>	<u>\$ (2,880,046)</u>	<u>\$ (729,118)</u>	<u>\$ (729,118)</u>	<u>\$ (551,436)</u>
Fiduciary net position as a % of total OPEB liability	102.44%	119.36%	105.39%	105.39%	104.29%
Covered payroll	14,578,182	13,037,862	12,297,066	12,297,066	10,461,266
Net OPEB liability as a percentage of payroll	-2.58%	-22.09%	-5.93%	-5.93%	-5.27%

* 2017 is the first year of implementation, therefore only seven years are available for the required 10-year schedule.

CITY OF HERMOSA BEACH
Required Supplementary Information (Continued)
Schedule of Changes in the Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2023

For the Measurement Period:	Last Ten Fiscal Years	
	2017-18	2016-2017
Total OPEB Liability		
Service cost	\$ 317,540	\$ 326,000
Interest on the total OPEB Liability	631,597	624,000
Actual and expected experience difference	-	-
Changes in assumptions	-	-
Changes in benefit terms	-	(381,000)
Benefit payments	<u>(463,831)</u>	<u>(399,000)</u>
Net change in total OPEB liability	485,306	170,000
Total OPEB liability - beginning	<u>10,441,000</u>	<u>10,271,000</u>
Total OPEB liability - ending (a)	<u>\$ 10,926,306</u>	<u>\$ 10,441,000</u>
Plan Fiduciary Net Position		
Contribution - employer	\$ 1,569,307	\$ 1,050,000
Net investment income	645,729	906,000
Benefit payments	(463,831)	(399,000)
Administrative expense	<u>(26,857)</u>	<u>(23,000)</u>
Net change in plan fiduciary net position	1,724,348	1,534,000
Plan fiduciary net position - beginning	<u>9,850,000</u>	<u>8,316,000</u>
Plan fiduciary net position - ending (b)	<u>11,574,348</u>	<u>\$ 9,850,000</u>
Net OPEB liability (asset) - ending (a)-(b)	<u>\$ (648,042)</u>	<u>\$ 591,000</u>
Fiduciary net position as a % of total OPEB liability	105.93%	94.34%
Covered payroll	11,551,135	11,551,135
Net OPEB liability as a percentage of payroll	-5.61%	5.12%

CITY OF HERMOSA BEACH
Required Supplementary Information
Schedule of City's Contributions - OPEB
For the Year Ended June 30, 2023

Last Ten Fiscal Years

For the Measurement

Period:	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>
Actuarially determined contributions	\$ 224,000	\$ 367,000	\$ 373,000	\$ 314,000	\$ 324,000
Contributions in relation to the actuarially determined contribution	<u>(1,081,220)</u>	<u>(1,047,488)</u>	<u>(982,447)</u>	<u>(870,427)</u>	<u>(1,486,916)</u>
Contribution deficiency (excess)	<u>\$ (857,220)</u>	<u>\$ (680,488)</u>	<u>\$ (609,447)</u>	<u>\$ (556,427)</u>	<u>\$ (1,162,916)</u>
Covered payroll	<u>\$ 15,230,981</u>	<u>\$ 14,578,182</u>	<u>\$ 13,037,862</u>	<u>\$ 12,297,066</u>	<u>\$ 10,461,266</u>
Contributions as a percentage of covered payroll	7.10%	7.19%	7.54%	7.08%	14.21%

For the Measurement

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

* 2017 is the first year of implementation, therefore only seven 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 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.

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.

NON MAJOR GOVERNMENTAL FUNDS (Continued)

Special Revenue Funds (Continued):

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

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

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.

FEMA Fund – This fund is used to account for emergency response related expenditures reimbursed by the Federal Emergency Management Agency.

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 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.

American Rescue Plan Act Fund – This fund is used to account for ARPA eligible expenditures.

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

Measure "W" Fund - This fund is used to account for projects dedicated to increase local water supply, improve water quality, and protect public health.

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

Storm Drain 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 Bonds - This fund is used to account for 2015 Lease Revenue Bond.

Capital Project Funds:

Capital Improvements - This fund is set aside for capital improvement projects.

Greenwich Underground - This fund is set aside for capital improvement projects.

CITY OF HERMOSA BEACH

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2023

	Special Revenue Funds			
	Lighting and Landscaping District	State Gas Tax	AB 939	Prop A Open Space
ASSETS				
Cash and investments	\$ 145,457	\$ 1,048,271	\$ 287,666	\$ -
Accounts receivable	11,307	87,821	3,927	26,697
Property taxes receivable, net	17,991	-	-	-
Reimbursable grants receivable	-	-	-	-
Interest receivable	106	610	176	-
Other assets	-	-	-	-
Total assets	\$ 174,861	\$ 1,136,702	\$ 291,769	\$ 26,697
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 119,103	\$ 351,142	\$ -	\$ -
Accrued wages and benefits payable	5,050	-	498	-
Due to other funds	-	-	-	57,300
Compensated absences, due within one year	-	-	-	-
Total liabilities	124,153	351,142	498	57,300
Deferred inflows of resources:				
Unavailable revenue	17,991	-	-	-
Total deferred inflows of resources	17,991	-	-	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	32,717	785,560	291,271	-
Unassigned	-	-	-	(30,603)
Total fund balances (deficits)	32,717	785,560	291,271	(30,603)
Total liabilities, deferred inflows and fund balances	\$ 174,861	\$ 1,136,702	\$ 291,769	\$ 26,697

CITY OF HERMOSA BEACH
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2023

	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	\$ -	\$ 343,672	\$ 5,865	\$ -	\$ -
Accounts receivable	-	-	-	-	-
Property taxes receivable, net	-	-	-	-	-
Reimbursable grants receivable	-	-	-	-	-
Interest receivable	-	208	4	-	-
Other assets	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 343,880</u>	<u>\$ 5,869</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 352	\$ -	\$ -
Accrued wages and benefits payable	-	-	-	-	-
Due to other funds	-	-	-	-	93
Compensated absences, due within one year	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>352</u>	<u>-</u>	<u>93</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	-	-	-	-	-
Restricted	-	343,880	5,517	-	-
Unassigned	-	-	-	-	(93)
Total fund balances (deficits)	<u>-</u>	<u>343,880</u>	<u>5,517</u>	<u>-</u>	<u>(93)</u>
Total liabilities, deferred inflows and fund balances	<u>\$ -</u>	<u>\$ 343,880</u>	<u>\$ 5,869</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HERMOSA BEACH
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2023

	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	\$ 4,076	\$ 1,657,542	\$ 1,024,340	\$ 120,256	\$ 439,394
Accounts receivable	-	-	10,000	6,394	-
Property taxes receivable, net	-	-	-	-	-
Reimbursable grants receivable	-	-	-	-	-
Interest receivable	3	1,027	625	67	271
Other assets	-	-	-	-	-
Total assets	\$ 4,079	\$ 1,658,569	\$ 1,034,965	\$ 126,717	\$ 439,665
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 377	\$ 103,900	\$ 47,500	\$ -	\$ 142
Accrued wages and benefits payable	-	1	-	188	-
Due to other funds	-	-	-	-	-
Compensated absences, due within one year	-	-	188	-	-
Total liabilities	377	103,901	47,688	188	142
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	3,702	1,554,668	987,277	126,529	439,523
Unassigned	-	-	-	-	-
Total fund balances (deficits)	3,702	1,554,668	987,277	126,529	439,523
Total liabilities, deferred inflows and fund balances	\$ 4,079	\$ 1,658,569	\$ 1,034,965	\$ 126,717	\$ 439,665

CITY OF HERMOSA BEACH
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2023

Special Revenue Funds

	Asset Seizure and Forfeiture	Fire Protection	CDBG	Measure "M"	FEMA
ASSETS					
Cash and investments	\$ 559,762	\$ 4,461	\$ -	\$ 1,071,236	\$ -
Accounts receivable	-	-	119,729	-	-
Property taxes receivable, net	-	-	-	-	-
Reimbursable grants receivable	-	-	-	-	-
Interest receivable	348	2	-	662	-
Other assets	-	3,589	-	-	-
Total assets	<u>\$ 560,110</u>	<u>\$ 8,052</u>	<u>\$ 119,729</u>	<u>\$ 1,071,898</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 250	\$ 3,589	\$ -	\$ 20,738	\$ -
Accrued wages and benefits payable	-	-	-	-	-
Due to other funds	-	-	116,537	-	922,424
Compensated absences, due within one year	-	-	-	-	-
Total liabilities	<u>250</u>	<u>3,589</u>	<u>116,537</u>	<u>20,738</u>	<u>922,424</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	559,860	874	3,192	1,051,160	-
Unassigned	-	-	-	-	(922,424)
Total fund balances (deficits)	<u>559,860</u>	<u>4,463</u>	<u>3,192</u>	<u>1,051,160</u>	<u>(922,424)</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 560,110</u>	<u>\$ 8,052</u>	<u>\$ 119,729</u>	<u>\$ 1,071,898</u>	<u>\$ -</u>

CITY OF HERMOSA BEACH
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue Funds				
	RTI Undersea Cable Tidelands	Proposition "A" Transit	American Rescue Plan Act	CARES Act	Measure "W"
ASSETS					
Cash and investments	\$ 568,982	\$ 153,129	\$ 997,769	\$ 280,189	\$ 328,485
Accounts receivable	-	-	-	-	211,975
Property taxes receivable, net	-	-	-	-	-
Reimbursable grants receivable	-	-	-	15,174	-
Interest receivable	351	83	-	-	202
Other assets	-	14,008	-	-	-
Total assets	\$ 569,333	\$ 167,220	\$ 997,769	\$ 295,363	\$ 540,662
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 13,690	\$ 48,872	\$ -	\$ -	\$ -
Accrued wages and benefits payable	-	227	-	-	-
Due to other funds	-	-	-	-	-
Compensated absences, due within one ye:	-	-	-	-	-
Total liabilities	13,690	49,099	-	-	-
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances:					
Nonspendable	-	14,008	-	-	-
Restricted	555,643	104,113	997,769	295,363	540,662
Unassigned	-	-	-	-	-
Total fund balances (deficits)	555,643	118,121	997,769	295,363	540,662
Total liabilities, deferred inflows and fund balances	\$ 569,333	\$ 167,220	\$ 997,769	\$ 295,363	\$ 540,662

CITY OF HERMOSA BEACH
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue Funds	Capital Project Fund	Debt Service Fund	Total Nonmajor Governmental Funds
	Sewer	Storm Drain	Greenwich Underground	2015 Lease Revenue Bonds
ASSETS				
Cash and investments	\$ 3,646,397	\$ 2,732,255	\$ 120,898	\$ 95,223
Accounts receivable	61,171	-	-	-
Property taxes receivable, net	17,956	-	-	-
Reimbursable grants receivable	-	-	-	-
Interest receivable	2,210	-	-	-
Other assets	728	-	-	-
Total assets	\$ 3,728,462	\$ 2,732,255	\$ 120,898	\$ 95,223
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 75,406	\$ 14,609	\$ -	\$ -
Accrued wages and benefits payable	27,706	23,151	-	-
Due to other funds	-	-	-	-
Compensated absences, due within one ye	-	-	-	-
Total liabilities	103,112	37,760	-	-
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund Balances:				
Nonspendable	728	-	-	-
Restricted	3,624,622	2,694,495	120,898	95,223
Unassigned	-	-	-	-
Total fund balances (deficits)	3,625,350	2,694,495	120,898	95,223
Total liabilities, deferred inflows and fund balances	\$ 3,728,462	\$ 2,732,255	\$ 120,898	\$ 95,223

CITY OF HERMOSA BEACH
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue Funds			
	Lighting and Landscaping District	State Gas Tax	AB 939	Prop A Open Space
REVENUES:				
Property taxes	\$ 462,005	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	911,497	-	20,557
Charges for services	-	-	63,489	-
Miscellaneous	-	-	-	-
Interest earned on investments	(1,637)	(4,649)	(1,539)	-
Total revenues	<u>460,368</u>	<u>906,848</u>	<u>61,950</u>	<u>20,557</u>
EXPENDITURES:				
Current:				
General government	-	-	2,526	-
Public safety	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Public works	795,259	-	-	-
Capital outlay	-	567,491	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>795,259</u>	<u>567,491</u>	<u>2,526</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(334,891)</u>	<u>339,357</u>	<u>59,424</u>	<u>20,557</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	240,835	-	-	-
Transfers out	(11,054)	(357,865)	-	-
Total other financing sources (uses)	<u>229,781</u>	<u>(357,865)</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCES	(105,110)	(18,508)	59,424	20,557
Fund balances (deficits), beginning of year	<u>137,827</u>	<u>804,068</u>	<u>231,847</u>	<u>(51,160)</u>
Fund balances (deficits), end of year	<u>\$ 32,717</u>	<u>\$ 785,560</u>	<u>\$ 291,271</u>	<u>\$ (30,603)</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, 2023

	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	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	60,966	-	-	-
Miscellaneous	-	-	5,000	111	-
Interest earned on investments	-	(1,516)	(17)	-	-
Total revenues	<u>-</u>	<u>59,450</u>	<u>4,983</u>	<u>111</u>	<u>-</u>
EXPENDITURES:					
Current:					
General government	-	-	1,538	-	-
Public safety	-	-	-	-	-
Community development	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	18	28,316	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>18</u>	<u>28,316</u>	<u>1,538</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(18)</u>	<u>31,134</u>	<u>3,445</u>	<u>111</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	(3,000)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(3,000)</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCES	<u>(18)</u>	<u>31,134</u>	<u>445</u>	<u>111</u>	<u>-</u>
Fund balances (deficits), beginning of year	<u>18</u>	<u>312,746</u>	<u>5,072</u>	<u>(111)</u>	<u>(93)</u>
Fund balances (deficits), end of year	<u>\$ -</u>	<u>\$ 343,880</u>	<u>\$ 5,517</u>	<u>\$ -</u>	<u>\$ (93)</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, 2023

	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	-	424,079	761,528	-	128,805
Fines and forfeitures	-	-	-	-	-
Use of money and property	-	-	-	-	-
Intergovernmental	-	-	-	25,307	-
Charges for services	-	-	-	-	-
Miscellaneous	3,950	-	-	-	-
Interest earned on investments	(9)	(6,168)	(12,341)	(588)	(1,781)
Total revenues	3,941	417,911	749,187	24,719	127,024
EXPENDITURES:					
Current:					
General government	1,484	-	-	3,705	-
Public safety	-	-	-	-	74,223
Community development	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	-	348,880	44,278	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	1,484	348,880	44,278	3,705	74,223
REVENUES OVER (UNDER) EXPENDITURES	2,457	69,031	704,909	21,014	52,801
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(2,500)	-	-	-	-
Total other financing sources (uses)	(2,500)	-	-	-	-
CHANGE IN FUND BALANCES	(43)	69,031	704,909	21,014	52,801
Fund balances (deficits), beginning of year	3,745	1,485,637	282,368	105,515	386,722
Fund balances (deficits), end of year	\$ 3,702	\$ 1,554,668	\$ 987,277	\$ 126,529	\$ 439,523

CITY OF HERMOSA BEACH

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2023

	Special Revenue Funds				
	Asset Seizure and Forfeiture	Fire Protection	CDBG	Measure "M"	FEMA
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	359,689	-
Fines and forfeitures	4,650	-	-	-	-
Use of money and property	-	-	-	-	-
Intergovernmental	-	-	217,825	-	116,836
Charges for services	-	10,745	-	-	-
Miscellaneous	-	-	-	-	-
Interest earned on investments	(1,481)	(71)	-	(7,168)	-
Total revenues	<u>3,169</u>	<u>10,674</u>	<u>217,825</u>	<u>352,521</u>	<u>116,836</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	35,207
Public safety	60,792	21,531	-	-	-
Community development	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	-	-	217,825	20,738	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>60,792</u>	<u>21,531</u>	<u>217,825</u>	<u>20,738</u>	<u>35,207</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(57,623)</u>	<u>(10,857)</u>	<u>-</u>	<u>331,783</u>	<u>81,629</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	19,500	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>19,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCES	<u>(57,623)</u>	<u>8,643</u>	<u>-</u>	<u>331,783</u>	<u>81,629</u>
Fund balances (deficits), beginning of year	<u>617,483</u>	<u>(4,180)</u>	<u>3,192</u>	<u>719,377</u>	<u>(1,004,053)</u>
Fund balances (deficits), end of year	<u>\$ 559,860</u>	<u>\$ 4,463</u>	<u>\$ 3,192</u>	<u>\$ 1,051,160</u>	<u>\$ (922,424)</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, 2023

Special Revenue Funds

	RTI Undersea Cable Tidelands	Proposition "A" Transit	American Rescue Plan Act	CARES Act	Measure "W"
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	511,264	-	-	370,002
Fines and forfeitures	-	-	-	-	-
Use of money and property	202,000	-	-	-	-
Intergovernmental	-	-	2,310,876	-	-
Charges for services	-	1,160	-	-	-
Miscellaneous	-	-	-	-	-
Interest earned on investments	(2,432)	6,159	-	-	(1,966)
Total revenues	<u>199,568</u>	<u>518,583</u>	<u>2,310,876</u>	<u>-</u>	<u>368,036</u>
EXPENDITURES:					
Current:					
General government	-	324	-	-	-
Public safety	-	24,881	-	-	-
Community development	-	43,894	-	-	-
Culture and recreation	-	51,042	-	-	-
Public works	-	-	-	-	-
Capital outlay	39,600	700,000	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>39,600</u>	<u>820,141</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>159,968</u>	<u>(301,558)</u>	<u>2,310,876</u>	<u>-</u>	<u>368,036</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	(1,313,107)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,313,107)</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCES	159,968	(301,558)	997,769	-	368,036
Fund balances (deficits), beginning of year	<u>395,675</u>	<u>419,679</u>	<u>-</u>	<u>295,363</u>	<u>172,626</u>
Fund balances (deficits), end of year	<u>\$ 555,643</u>	<u>\$ 118,121</u>	<u>\$ 997,769</u>	<u>\$ 295,363</u>	<u>\$ 540,662</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, 2023**

	<u>Special Revenue Funds</u>		<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	
	Sewer	Storm Drain	Greenwich Underground	2015 Lease Revenue Bonds	Total Nonmajor Governmental Funds
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 462,005
Other taxes	-	700,000	-	-	3,255,367
Fines and forfeitures	-	-	-	-	4,650
Use of money and property	-	-	-	-	202,000
Intergovernmental	8,790	-	-	-	3,611,688
Charges for services	1,217,242	-	-	-	1,353,602
Miscellaneous	-	-	-	-	9,061
Interest earned on investments	(20,095)	50,160	-	-	(7,139)
Total revenues	<u>1,205,937</u>	<u>750,160</u>	<u>-</u>	<u>-</u>	<u>8,891,234</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	44,784
Public safety	-	-	-	-	181,427
Community development	-	-	-	-	43,894
Culture and recreation	-	-	-	-	51,042
Public works	593,661	447,043	-	-	1,835,963
Capital outlay	118,732	3,960	-	-	2,089,838
Debt service:					
Principal	-	-	-	415,000	415,000
Interest and fiscal charges	-	-	-	301,598	301,598
Total expenditures	<u>712,393</u>	<u>451,003</u>	<u>-</u>	<u>716,598</u>	<u>4,963,546</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>493,544</u>	<u>299,157</u>	<u>-</u>	<u>(716,598)</u>	<u>3,927,688</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	716,598	976,933
Transfers out	-	-	-	-	(1,687,526)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>716,598</u>	<u>(710,593)</u>
CHANGE IN FUND BALANCES	493,544	299,157	-	-	3,217,095
Fund balances (deficits), beginning of year	<u>3,131,806</u>	<u>2,395,338</u>	<u>120,898</u>	<u>95,223</u>	<u>11,062,628</u>
Fund balances (deficits), end of year	<u>\$ 3,625,350</u>	<u>\$ 2,694,495</u>	<u>\$ 120,898</u>	<u>\$ 95,223</u>	<u>\$ 14,279,723</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, 2023

	<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, 2022	\$ 137,827	\$ 137,827	\$ -
Revenues (inflows):			
Property taxes	457,549	462,005	4,456
Interest earned on investments	2,840	(1,637)	(4,477)
Transfers in	<u>240,835</u>	<u>240,835</u>	<u>-</u>
Amount available for appropriations	<u>701,224</u>	<u>701,203</u>	<u>(21)</u>
Charges to appropriations (outflows):			
Public works	804,294	795,259	9,035
Transfers out	<u>11,054</u>	<u>11,054</u>	<u>-</u>
Total charges to appropriations	<u>815,348</u>	<u>806,313</u>	<u>9,035</u>
Fund balance, June 30, 2023	<u>\$ 23,703</u>	<u>\$ 32,717</u>	<u>\$ 9,014</u>

CITY OF HERMOSA BEACH

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual State Gas Tax Special Revenue Fund For the Year Ended June 30, 2023

	Budgeted Amounts	Actual	Variance with
	Final	Amounts	Final Budget
Fund balance, July 1, 2022	\$ 804,068	\$ 804,068	\$ -
Revenues (inflows):			
Intergovernmental	1,013,388	911,497	(101,891)
Interest earned on investments	16,509	(4,649)	(21,158)
Amount available for appropriations	1,029,897	906,848	(123,049)
Charges to appropriations (outflows):			
Public works	112,000	-	112,000
Capital outlay	1,323,000	567,491	755,509
Transfers out	357,865	357,865	-
Total charges to appropriations	1,792,865	925,356	867,509
Fund balance, June 30, 2023	\$ 41,100	\$ 785,560	\$ 744,460

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, 2023

	<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, 2022	\$ 231,847	\$ 231,847	\$ -
Revenues (inflows):			
Charges for services	62,000	63,489	1,489
Interest earned on investments	<u>5,547</u>	<u>(1,539)</u>	<u>(7,086)</u>
Amount available for appropriations	<u>67,547</u>	<u>61,950</u>	<u>(5,597)</u>
Charges to appropriations (outflows):			
General government	<u>3,475</u>	<u>2,526</u>	<u>949</u>
Total charges to appropriations	<u>3,475</u>	<u>2,526</u>	<u>949</u>
Fund balance, June 30, 2023	<u>\$ 295,919</u>	<u>\$ 291,271</u>	<u>\$ (4,648)</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, 2023

	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Fund balance (deficit), July 1, 2022	\$ (51,160)	\$ (51,160)	\$ -
Revenues (inflows):			
Intergovernmental	<u>96,123</u>	<u>20,557</u>	<u>(75,566)</u>
Amount available for appropriations	<u>96,123</u>	<u>20,557</u>	<u>(75,566)</u>
Charges to appropriations (outflows):			
Transfers out	<u>44,963</u>	<u>-</u>	<u>44,963</u>
Total charges to appropriations	<u>44,963</u>	<u>-</u>	<u>44,963</u>
Fund balance (deficit), June 30, 2023	<u>\$ -</u>	<u>\$ (30,603)</u>	<u>\$ (30,603)</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, 2023

	<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, 2022	\$ 18	\$ 18	\$ -
Revenues (inflows):			
Interest earned on investments	<u>-</u>	<u>-</u>	<u>-</u>
Amount available for appropriations	<u>-</u>	<u>-</u>	<u>-</u>
Charges to appropriations (outflows):			
Capital outlay	<u>-</u>	<u>18</u>	<u>(18)</u>
Total charges to appropriations	<u>-</u>	<u>18</u>	<u>(18)</u>
Fund balance, June 30, 2023	<u><u>\$ 18</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (18)</u></u>

CITY OF HERMOSA BEACH

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

Parks/Recreation Facilities Tax Special Revenue Fund

For the Year Ended June 30, 2023

	Budgeted Amounts	Actual	Variance with
	Final	Amounts	Final Budget
Fund balance, July 1, 2022	\$ 312,746	\$ 312,746	\$ -
Revenues (inflows):			
Other taxes	57,526	-	(57,526)
Charges for services	49,364	60,966	11,602
Interest earned on investments	7,802	(1,516)	(9,318)
Amount available for appropriations	114,692	59,450	(55,242)
Charges to appropriations (outflows):			
Capital outlay	419,690	28,316	391,374
Total charges to appropriations	419,690	28,316	391,374
Fund balance, June 30, 2023	\$ 7,748	\$ 343,880	\$ 336,132

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, 2023

	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Fund balance, July 1, 2022	\$ 5,072	\$ 5,072	\$ -
Revenues (inflows):			
Miscellaneous	5,000	5,000	-
Interest earned on investments	<u>135</u>	<u>(17)</u>	<u>(152)</u>
Amount available for appropriations	<u>5,135</u>	<u>4,983</u>	<u>(152)</u>
Charges to appropriations (outflows):			
General government	1,900	1,538	362
Transfers out	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Total charges to appropriations	<u>4,900</u>	<u>4,538</u>	<u>362</u>
Fund balance, June 30, 2023	<u><u>\$ 5,307</u></u>	<u><u>\$ 5,517</u></u>	<u><u>\$ 210</u></u>

CITY OF HERMOSA BEACH

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

Myrtle District Administrative Expense Special Revenue Fund

For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance (deficit), July 1, 2022	\$ (111)	\$ (111)	\$ -
Revenues (inflows):			
Miscellaneous	<u>-</u>	<u>111</u>	<u>111</u>
Amount available for appropriations	<u>-</u>	<u>111</u>	<u>111</u>
Charges to appropriations (outflows):			
General government	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), June 30, 2023	<u><u>\$ (111)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 111</u></u>

CITY OF HERMOSA BEACH

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Beach Drive Assessment District Administrative Expense Special Revenue Fund
For the Year Ended June 30, 2023**

	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Fund balance, July 1, 2022	\$ 3,745	\$ 3,745	\$ -
Revenues (inflows):			
Miscellaneous	3,950	3,950	-
Interest earned on investments	<u>101</u>	<u>(9)</u>	<u>(110)</u>
Amount available for appropriations	<u>4,051</u>	<u>3,941</u>	<u>(110)</u>
Charges to appropriations (outflows):			
General government	1,500	1,484	16
Transfers out	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Total charges to appropriations	<u>4,000</u>	<u>3,984</u>	<u>16</u>
Fund balance, June 30, 2023	<u><u>\$ 3,796</u></u>	<u><u>\$ 3,702</u></u>	<u><u>\$ (94)</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, 2023

	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Fund balance, July 1, 2022	\$ 1,485,637	\$ 1,485,637	\$ -
Revenues (inflows):			
Other taxes	393,260	424,079	30,819
Interest earned on investments	<u>39,458</u>	<u>(6,168)</u>	<u>(45,626)</u>
Amount available for appropriations	<u>432,718</u>	<u>417,911</u>	<u>(14,807)</u>
Charges to appropriations (outflows):			
Capital outlay	<u>1,860,290</u>	<u>348,880</u>	<u>1,511,410</u>
Total charges to appropriations	<u>1,860,290</u>	<u>348,880</u>	<u>1,511,410</u>
Fund balance, June 30, 2023	<u>\$ 58,065</u>	<u>\$ 1,554,668</u>	<u>\$ 1,496,603</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, 2023

	<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, 2022	\$ 282,368	\$ 282,368	\$ -
Revenues (inflows):			
Other taxes	295,215	761,528	466,313
Interest earned on investments	<u>8,065</u>	<u>(12,341)</u>	<u>(20,406)</u>
Amount available for appropriations	<u>303,280</u>	<u>749,187</u>	<u>445,907</u>
Charges to appropriations (outflows):			
Capital outlay	<u>632,226</u>	<u>44,278</u>	<u>587,948</u>
Total charges to appropriations	<u>632,226</u>	<u>44,278</u>	<u>587,948</u>
Fund balance, June 30, 2023	<u><u>\$ (46,578)</u></u>	<u><u>\$ 987,277</u></u>	<u><u>\$ 1,033,855</u></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, 2023

	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Fund balance, July 1, 2022	\$ 105,515	\$ 105,515	\$ -
Revenues (inflows):			
Intergovernmental	25,000	25,307	307
Interest earned on investments	<u>2,097</u>	<u>(588)</u>	<u>(2,685)</u>
Amount available for appropriations	<u>27,097</u>	<u>24,719</u>	<u>(2,378)</u>
Charges to appropriations (outflows):			
General government	5,000	3,705	1,295
Capital outlay	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total charges to appropriations	<u>55,000</u>	<u>3,705</u>	<u>51,295</u>
Fund balance, June 30, 2023	<u>\$ 77,612</u>	<u>\$ 126,529</u>	<u>\$ 48,917</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, 2023

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
	Final		
Fund balance, July 1, 2022	\$ 386,722	\$ 386,722	\$ -
Revenues (inflows):			
Other taxes	127,424	128,805	1,381
Interest earned on investments	9,632	(1,781)	(11,413)
Amount available for appropriations	137,056	127,024	(10,032)
Charges to appropriations (outflows):			
Public safety	106,598	74,223	32,375
Capital outlay	77,404	-	77,404
Total charges to appropriations	184,002	74,223	109,779
Fund balance, June 30, 2023	\$ 339,776	\$ 439,523	\$ 99,747

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, 2023

	Budgeted Amounts	Actual	Variance with
	Final	Amounts	Final Budget
Fund balance, July 1, 2022	\$ 617,483	\$ 617,483	\$ -
Revenues (inflows):			
Fines and forfeitures	-	4,650	4,650
Interest earned on investments	14,985	(1,481)	(16,466)
Amount available for appropriations	14,985	3,169	(11,816)
Charges to appropriations (outflows):			
Public safety	61,695	60,792	903
Capital outlay	438	-	438
Total charges to appropriations	62,133	60,792	1,341
Fund balance, June 30, 2023	\$ 570,335	\$ 559,860	\$ (10,475)

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, 2023

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance (deficit), July 1, 2022	\$ (4,180)	\$ (4,180)	\$ -
Revenues (inflows):			
Charges for services	9,800	10,745	945
Interest earned on investments	-	(71)	(71)
Transfers in	<u>19,500</u>	<u>19,500</u>	<u>-</u>
 Amount available for appropriations	<u>29,300</u>	<u>30,174</u>	<u>874</u>
Charges to appropriations (outflows):			
Public safety	<u>21,531</u>	<u>21,531</u>	<u>-</u>
Total charges to appropriations	<u>21,531</u>	<u>21,531</u>	<u>-</u>
Fund balance (deficit), June 30, 2023	<u>\$ 3,589</u>	<u>\$ 4,463</u>	<u>\$ 874</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, 2023**

	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Fund balance, July 1, 2022	\$ 3,192	\$ 3,192	\$ -
Revenues (inflows):			
Intergovernmental	<u>233,089</u>	<u>217,825</u>	<u>(15,264)</u>
Amount available for appropriations	<u>233,089</u>	<u>217,825</u>	<u>(15,264)</u>
Charges to appropriations (outflows):			
Capital outlay	<u>233,089</u>	<u>217,825</u>	<u>15,264</u>
Total charges to appropriations	<u>233,089</u>	<u>217,825</u>	<u>15,264</u>
Fund balance, June 30, 2023	<u>\$ 3,192</u>	<u>\$ 3,192</u>	<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, 2023

	<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, 2022	\$ 719,377	\$ 719,377	\$ -
Revenues (inflows):			
Other taxes	334,577	359,689	25,112
Interest earned on investments	<u>16,849</u>	<u>(7,168)</u>	<u>(24,017)</u>
Amount available for appropriations	<u>351,426</u>	<u>352,521</u>	<u>1,095</u>
Charges to appropriations (outflows):			
Capital outlay	<u>829,150</u>	<u>20,738</u>	<u>808,412</u>
Total charges to appropriations	<u>829,150</u>	<u>20,738</u>	<u>808,412</u>
Fund balance, June 30, 2023	<u>\$ 241,653</u>	<u>\$ 1,051,160</u>	<u>\$ 809,507</u>

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, 2023

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance (deficit), July 1, 2022	<u>\$ (1,004,053)</u>	<u>\$ (1,004,053)</u>	<u>\$ -</u>
Revenues (inflows):			
Intergovernmental	<u>-</u>	<u>116,836</u>	<u>116,836</u>
Amount available for appropriations	<u>-</u>	<u>116,836</u>	<u>116,836</u>
Charges to appropriations (outflows):			
General government	<u>-</u>	<u>35,207</u>	<u>(35,207)</u>
Total charges to appropriations	<u>-</u>	<u>35,207</u>	<u>(35,207)</u>
Fund balance (deficit), June 30, 2023	<u><u>\$ (1,004,053)</u></u>	<u><u>\$ (922,424)</u></u>	<u><u>\$ 81,629</u></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, 2023

	Budgeted Amounts	Actual	Variance with
	Final	Amounts	Final Budget
Fund balance, July 1, 2022	\$ 395,675	\$ 395,675	\$ -
Revenues (inflows):			
Use of money and property	184,000	202,000	18,000
Interest earned on investments	10,645	(2,432)	(13,077)
Amount available for appropriations	194,645	199,568	4,923
Charges to appropriations (outflows):			
Capital outlay	560,000	39,600	520,400
Total charges to appropriations	560,000	39,600	520,400
Fund balance, June 30, 2023	\$ 30,320	\$ 555,643	\$ 525,323

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, 2023

	Budgeted Amounts	Actual	Variance with
	Final	Amounts	Final Budget
Fund balance, July 1, 2022	\$ 419,679	\$ 419,679	\$ -
Revenues (inflows):			
Other taxes	474,542	511,264	36,722
Charges for services	708	1,160	452
Interest earned on investments	11,507	6,159	(5,348)
Amount available for appropriations	486,757	518,583	31,826
Charges to appropriations (outflows):			
General government	500	324	176
Public safety	20,500	24,881	(4,381)
Community development	56,757	43,894	12,863
Culture and recreation	61,000	51,042	9,958
Capital outlay	700,000	700,000	-
Total charges to appropriations	838,757	820,141	18,616
Fund balance, June 30, 2023	\$ 67,679	\$ 118,121	\$ 50,442

CITY OF HERMOSA BEACH

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

American Rescue Plan Act (ARPA) Special Revenue Fund

For the Year Ended June 30, 2023

	<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, 2022	\$ -	\$ -	\$ -
Revenues (inflows):			
Intergovernmental	<u>-</u>	<u>2,310,876</u>	<u>2,310,876</u>
Amount available for appropriations	<u>-</u>	<u>2,310,876</u>	<u>2,310,876</u>
Charges to appropriations (outflows):			
Transfers out	<u>1,313,107</u>	<u>1,313,107</u>	<u>-</u>
Total charges to appropriations	<u>1,313,107</u>	<u>1,313,107</u>	<u>-</u>
Fund balance, June 30, 2023	<u><u>\$ (1,313,107)</u></u>	<u><u>\$ 997,769</u></u>	<u><u>\$ 2,310,876</u></u>

CITY OF HERMOSA BEACH

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

Measure "W" Special Revenue Fund

For the Year Ended June 30, 2023

	<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, 2022	\$ 172,626	\$ 172,626	\$ -
Revenues (inflows):			
Other taxes	157,832	370,002	212,170
Interest earned on investments	<u>4,528</u>	<u>(1,966)</u>	<u>(6,494)</u>
Amount available for appropriations	<u>162,360</u>	<u>368,036</u>	<u>205,676</u>
Charges to appropriations (outflows):			
Capital outlay	<u>329,500</u>	<u>-</u>	<u>329,500</u>
Total charges to appropriations	<u>329,500</u>	<u>-</u>	<u>329,500</u>
Fund balance, June 30, 2023	<u>\$ 5,486</u>	<u>\$ 540,662</u>	<u>\$ 535,176</u>

CITY OF HERMOSA BEACH

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

Sewer Special Revenue Fund

For the Year Ended June 30, 2023

	Budgeted Amounts	Actual	Variance with
	Final	Amounts	Final Budget
Fund balance, July 1, 2022	<u>\$ 3,131,806</u>	<u>\$ 3,131,806</u>	<u>\$ -</u>
Revenues (inflows):			
Intergovernmental	8,000	8,790	790
Charges for services	1,110,405	1,217,242	106,837
Interest earned on investments	<u>75,022</u>	<u>(20,095)</u>	<u>(95,117)</u>
Amount available for appropriations	<u>1,193,427</u>	<u>1,205,937</u>	<u>12,510</u>
Charges to appropriations (outflows):			
Public works	752,848	593,661	159,187
Capital outlay	<u>2,731,608</u>	<u>118,732</u>	<u>2,612,876</u>
Total charges to appropriations	<u>3,484,456</u>	<u>712,393</u>	<u>2,772,063</u>
Fund balance, June 30, 2023	<u><u>\$ 840,777</u></u>	<u><u>\$ 3,625,350</u></u>	<u><u>\$ 2,784,573</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, 2023

	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Fund balance, July 1, 2022	\$ 2,395,338	\$ 2,395,338	\$ -
Revenues (inflows):			
Other taxes	700,000	700,000	-
Interest earned on investments	<u>56,348</u>	<u>50,160</u>	<u>(6,188)</u>
Amount available for appropriations	<u>756,348</u>	<u>750,160</u>	<u>(6,188)</u>
Charges to appropriations (outflows):			
Public works	620,582	447,043	173,539
Capital outlay	<u>2,318,216</u>	<u>3,960</u>	<u>2,314,256</u>
Total charges to appropriations	<u>2,938,798</u>	<u>451,003</u>	<u>2,487,795</u>
Fund balance, June 30, 2023	<u>\$ 212,888</u>	<u>\$ 2,694,495</u>	<u>\$ 2,481,607</u>

CITY OF HERMOSA BEACH

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

2015 Lease Revenue Bonds Debt Service Fund

For the Year Ended June 30, 2023

	Budgeted Amounts	Actual	Variance with
	Final	Amounts	Final Budget
Fund balance, July 1, 2022	\$ 95,223	\$ 95,223	\$ -
Revenues (inflows):			
Transfers in	-	716,598	716,598
Amount available for appropriations	-	716,598	716,598
Charges to appropriations (outflows):			
Principal	415,000	415,000	-
Interest and fiscal charges	301,900	301,598	302
Total charges to appropriations	716,900	716,598	302
Fund balance, June 30, 2023	\$ (621,677)	\$ 95,223	\$ 716,900

CITY OF HERMOSA BEACH

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

Capital Improvements Capital Project Fund

For the Year Ended June 30, 2023

	Budgeted Amounts	Actual	Variance with
	Final	Amounts	Final Budget
Fund balance, July 1, 2022	\$ 9,412,839	\$ 9,412,839	\$ -
Revenues (inflows):			
Miscellaneous	10,000	10,117	117
Interest earned on investments	233,295	(77,624)	(310,919)
Transfers in	4,614,380	4,614,380	-
Amount available for appropriations	4,857,675	4,546,873	(310,802)
Charges to appropriations (outflows):			
General government	120,000	36,324	83,676
Public safety	371,695	371,695	-
Capital outlay	8,555,870	1,220,217	7,335,653
Total charges to appropriations	9,047,565	1,628,236	7,419,329
Fund balance, June 30, 2023	\$ 5,222,949	\$ 12,331,476	\$ 7,108,527

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 Schedule of Net Position
All Internal Service Funds
June 30, 2023

	Insurance Fund	Equipment Replacement Fund	Total
ASSETS			
Current assets:			
Cash and investments	\$ 9,420,586	\$ 6,968,726	\$ 16,389,312
Account receivables	26	-	26
Total current assets	9,420,612	6,968,726	16,389,338
Noncurrent assets:			
Nondepreciable capital assets	-	365,074	365,074
Depreciable capital assets, net of accumulated depreciation	-	2,514,240	2,514,240
Total noncurrent assets	-	2,879,314	2,879,314
Total assets	9,420,612	9,848,040	19,268,652
LIABILITIES			
Current liabilities:			
Accounts payable	70,127	148,214	218,341
Accrued wages and benefits payable	4,937	13,997	18,934
Workers' compensation claims payable - due within one year	1,097,804	-	1,097,804
General liability claims payable - due within one year	527,457	-	527,457
Subscription lease payable - due within one year	-	40,376	40,376
Total current liabilities	1,700,325	202,587	1,902,912
Long-term liabilities:			
Workers' compensation claims payable - due in more than one year	4,791,245	-	4,791,245
General liability claims payable - due in more than one year	1,050,041	-	1,050,041
Subscription lease payable - due in more than one year	-	3,054	3,054
Total long-term liabilities	5,841,286	3,054	5,844,340
Total liabilities	7,541,611	205,641	7,747,252
NET POSITION			
Net investment in capital assets	-	2,879,314	2,879,314
Unrestricted	1,879,001	6,763,085	8,642,086
Total net position	\$ 1,879,001	\$ 9,642,399	\$ 11,521,400

CITY OF HERMOSA BEACH

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

All Internal Service Funds

For the year ended June 30, 2023

	<u>Insurance Fund</u>	<u>Equipment Replacement Fund</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for services	\$ 3,114,147	\$ 2,102,296	\$ 5,216,443
Miscellaneous revenue	<u>37,450</u>	<u>-</u>	<u>37,450</u>
Total operating revenues	<u>3,151,597</u>	<u>2,102,296</u>	<u>5,253,893</u>
OPERATING EXPENSES:			
Salaries and wages	126,613	303,362	429,975
Contract services	2,002,116	897,473	2,899,589
Supplies	-	511,403	511,403
Claims expense	2,657,944	-	2,657,944
Depreciation	<u>-</u>	<u>676,164</u>	<u>676,164</u>
Total operating expenses	<u>4,786,673</u>	<u>2,388,402</u>	<u>7,175,075</u>
OPERATING INCOME	<u>(1,635,076)</u>	<u>(286,106)</u>	<u>(1,921,182)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest expense	-	(3,335)	(3,335)
Loss on disposal of capital assets	<u>-</u>	<u>(9,534)</u>	<u>(9,534)</u>
Total non-operating revenues (expenses)	<u>-</u>	<u>(12,869)</u>	<u>(12,869)</u>
INCOME BEFORE TRANSFERS	(1,635,076)	(298,975)	(1,934,051)
Transfers in	<u>1,154,685</u>	<u>978,680</u>	<u>2,133,365</u>
Total transfers	<u>1,154,685</u>	<u>978,680</u>	<u>2,133,365</u>
Change in net position	(480,391)	679,705	199,314
Net position, beginning of year	<u>2,359,392</u>	<u>8,962,694</u>	<u>11,322,086</u>
Net position, end of year	<u>\$ 1,879,001</u>	<u>\$ 9,642,399</u>	<u>\$ 11,521,400</u>

CITY OF HERMOSA BEACH

Combining Schedule of Cash Flows

All Internal Service Funds

For the year ended June 30, 2023

	Insurance Fund	Equipment Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received for services from other funds	\$ 3,114,147	\$ 2,102,297	\$ 5,216,444
Cash received from insurance recovery	37,450	-	37,450
Cash payments to suppliers for goods and services	(2,044,273)	(1,197,718)	(3,241,991)
Cash payments to employees for services	(132,703)	(303,261)	(435,964)
Cash payments for insurance premiums and claims	(2,125,463)	-	(2,125,463)
Net cash provided (used by) operating activities	(1,150,842)	601,318	(549,524)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers in	1,154,685	978,680	2,133,365
Net cash provided (used by) non-capital financing activities	1,154,685	978,680	2,133,365
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	(484,874)	(484,874)
Payment on subscription lease	-	40,095	40,095
Net cash provided (used by) capital and related financing activities	-	(444,779)	(444,779)
Net increase (decrease) in cash and cash equivalents	3,843	1,135,219	1,139,062
Cash and equivalents, beginning of year	9,416,743	5,833,507	15,250,250
Cash and equivalents, end of year	\$ 9,420,586	\$ 6,968,726	\$ 16,389,312
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED BY) OPERATING ACTIVITIES:			
Operating income (loss)	\$ (1,635,076)	\$ (286,106)	\$ (1,921,182)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	676,164	676,164
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	-	1	1
(Increase) decrease in other assets	39	145,910	145,949
Increase (decrease) in accounts payable	(41,196)	65,248	24,052
Increase (decrease) in accrued wages and benefits payable	(2,560)	101	(2,459)
Increase (decrease) in workers' compensation claims payable	844,670	-	844,670
Increase (decrease) in general liability claims payable	(312,189)	-	(312,189)
Increase (decrease) in compensated absences	(4,530)	-	(4,530)
Total adjustments	484,234	887,424	1,371,658
Net cash provided (used) by operating activities	\$ (1,150,842)	\$ 601,318	\$ (549,524)

FIDUCIARY FUND FINANCIAL STATEMENTS

The Custodial 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.

CITY OF HERMOSA BEACH
Combining Schedule of Fiduciary Net Position
All Custodial Funds
June 30, 2023

	Bayview Drive Redemption	Bayview Drive Reserve	Lower Pier Avenue Assessment District Redemption	Beach Drive Assessment District Redemption
ASSETS				
Cash and investments	\$ 97,662	14,814	3,142	40,444
Interest receivable	61	9	2	25
Other accounts receivable	<u>2,767</u>	<u>-</u>	<u>-</u>	<u>2,617</u>
Total assets	<u>\$ 100,490</u>	<u>14,823</u>	<u>3,144</u>	<u>43,086</u>
LIABILITIES				
Installment account	\$ 100,490	4,823	3,144	43,086
Reserve requirement	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>100,490</u>	<u>14,823</u>	<u>3,144</u>	<u>43,086</u>
NET POSITION	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HERMOSA BEACH
Combining Schedule of Fiduciary Net Position
All Custodial Funds
June 30, 2023

	Beach Drive Assessment District Reserve	Myrtle Avenue Utility Undergrounding Assessment District	Loma Drive Utility Undergrounding Assessment District	Total
ASSETS				
Cash and investments	\$ 4,574	51,709	90,230	302,575
Interest receivable	3	-	-	100
Other accounts receivable	-	-	-	5,384
Total assets	<u>\$ 4,577</u>	<u>51,709</u>	<u>90,230</u>	<u>308,059</u>
LIABILITIES				
Installment account	\$ 1,577	51,709	90,230	295,059
Reserve requirement	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>13,000</u>
Total liabilities	<u>4,577</u>	<u>51,709</u>	<u>90,230</u>	<u>308,059</u>
NET POSITION	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HERMOSA BEACH

Combining Schedule of Changes in Fiduciary Net Position

All Custodial Funds

For the Year Ended June 30, 2023

	<u>Bayview Drive Redemption</u>	<u>Bayview Drive Reserve</u>
Additions:		
Interest income	\$ 61	9
Other revenues	<u>100,429</u>	<u>14,814</u>
Total additions	<u>100,490</u>	<u>14,823</u>
Deductions:		
Miscellaneous	<u>100,490</u>	<u>14,823</u>
Total deductions	<u>100,490</u>	<u>14,823</u>
Changes in net position	-	-
Net position, beginning of year	<u>-</u>	<u>-</u>
Net position, end of year	<u>\$ -</u>	<u>-</u>

CITY OF HERMOSA BEACH

Combining Schedule of Changes in Fiduciary Net Position

All Custodial Funds

For the Year Ended June 30, 2023

	Lower Peir Ave Assessment District <u>Redemption</u>	Beach Drive District <u>Redemption</u>
Additions:		
Interest income	\$ 2	25
Other revenues	<u>3,142</u>	<u>43,061</u>
Total additions	<u>3,144</u>	<u>43,086</u>
Deductions:		
Miscellaneous	<u>3,144</u>	<u>43,086</u>
Total deductions	<u>3,144</u>	<u>43,086</u>
Changes in net position	-	-
Net position, beginning of year	<u>-</u>	<u>-</u>
Net position, end of year	<u>\$ -</u>	<u>-</u>

CITY OF HERMOSA BEACH

Combining Schedule of Changes in Fiduciary Net Position

All Custodial Funds

For the Year Ended June 30, 2023

	<u>Beach Drive Assessment District</u>	<u>Myrtle Ave Utility Undergrounding Assesment District</u>
Additions:		
Interest income	\$ 3	-
Other revenues	<u>4,574</u>	<u>51,709</u>
Total additions	<u>4,577</u>	<u>51,709</u>
Deductions:		
Miscellaneous	<u>4,577</u>	<u>51,709</u>
Total deductions	<u>4,577</u>	<u>51,709</u>
Changes in net position	-	-
Net position, beginning of year	<u>-</u>	<u>-</u>
Net position, end of year	<u>\$ -</u>	<u>-</u>

CITY OF HERMOSA BEACH

Combining Schedule of Changes in Fiduciary Net Position

All Custodial Funds

For the Year Ended June 30, 2023

	Loma Drive Undergrounding Assessment District	Totals
Additions:		
Interest income	\$ -	100
Other revenues	<u>90,230</u>	<u>307,959</u>
Total additions	<u>90,230</u>	<u>308,059</u>
Deductions:		
Miscellaneous	<u>90,230</u>	<u>308,059</u>
Total deductions	<u>90,230</u>	<u>308,059</u>
Changes in net position	-	-
Net position, beginning of year	<u>-</u>	<u>-</u>
Net position, end of year	<u>\$ -</u>	<u>-</u>

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	147-152
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	153-159
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	160-171
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	172-174
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	175-176
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 Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2014	2015	2016	2017	2018
Governmental activities:					
Net investment in capital assets	\$ 64,828,005	\$ 66,733,301	\$ 66,933,796	\$ 66,417,072	\$ 66,333,070
Restricted	4,476,554	4,188,404	3,774,552	5,260,908	5,584,794
Unrestricted	22,988,231	(24,869,037)	(18,769,530)	(13,287,058)	(10,942,703)
Total governmental activities net assets	\$ 92,292,790	\$ 46,052,668	\$ 51,938,818	\$ 58,390,922	\$ 60,975,161
Business-type activities:					
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total business-type activities net assets	\$ -	\$ -	\$ -	\$ -	\$ -
Primary government:					
Net investment in capital assets	\$ 64,828,005	\$ 66,733,301	\$ 66,933,796	\$ 66,417,072	\$ 66,333,070
Restricted	4,476,554	4,188,404	3,774,552	5,260,908	5,584,794
Unrestricted	22,988,231	(24,869,037)	(18,769,530)	(13,287,058)	(10,942,703)
Total primary government net assets	\$ 92,292,790	\$ 46,052,668	\$ 51,938,818	\$ 58,390,922	\$ 60,975,161

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

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

	Fiscal Year				
	2019	2020	2021	2022	2023
Governmental activities:					
Net investment in capital assets	\$ 64,375,911	\$ 66,556,499	\$ 65,145,247	\$ 66,545,127	\$ 67,871,420
Restricted	5,056,977	6,399,646	8,376,641	10,995,392	13,800,053
Unrestricted	(8,841,583)	(12,400,420)	(13,440,076)	(11,325,466)	(729,396)
Total governmental activities net assets	<u>\$ 60,591,305</u>	<u>\$ 60,555,725</u>	<u>\$ 60,081,812</u>	<u>\$ 66,215,053</u>	<u>\$ 80,942,077</u>
Business-type activities:					
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total business-type activities net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Primary government:					
Net investment in capital assets	\$ 64,375,911	\$ 66,556,499	\$ 65,145,247	\$ 66,545,127	\$ 67,871,420
Restricted	5,056,977	6,399,646	8,376,641	10,995,392	13,800,053
Unrestricted	(8,841,583)	(12,400,420)	(13,440,076)	(11,325,466)	(729,396)
Total primary government net assets	<u>\$ 60,591,305</u>	<u>\$ 60,555,725</u>	<u>\$ 60,081,812</u>	<u>\$ 66,215,053</u>	<u>\$ 80,942,077</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 Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2014	2015	2016	2017	2018
Expenses:					
Governmental activities:					
Legislative and legal	\$ 1,076,211	\$ 1,293,214	\$ 2,083,297	\$ 2,043,740	\$ 1,869,599
General government	2,827,895	3,078,044	2,262,107	3,598,512	4,129,246
Public safety	16,856,166	16,737,044	20,034,932	18,911,734	25,496,398
Community development	1,519,632	1,710,563	1,347,087	1,787,364	2,264,015
Culture and recreation	1,068,388	1,257,311	1,108,749	1,310,740	1,769,893
Public works	7,420,724	6,985,762	9,131,490	7,957,044	9,176,521
Interest and fiscal charges	-	-	-	-	-
Total governmental activities expenses	<u>30,769,016</u>	<u>31,061,938</u>	<u>35,967,662</u>	<u>35,609,134</u>	<u>44,705,672</u>
Business-type activities:					
Downtown Enhancement	-	-	-	-	-
Parking					
Proposition "A" Transit					
Proposition "C" Transit					
Total business-type activities expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government expenses	<u>30,769,016</u>	<u>31,061,938</u>	<u>35,967,662</u>	<u>35,609,134</u>	<u>44,705,672</u>
Program revenues:					
Governmental activities:					
Charges for services:					
General government	2,323,797	2,582,857	2,414,955	2,433,987	2,538,028
Public safety	5,455,694	5,398,329	5,254,859	4,993,104	4,957,188
Community development	1,641,773	1,679,400	1,996,538	1,664,132	1,691,752
Culture and recreation	1,425,451	1,522,417	1,178,323	1,341,455	1,223,789
Public works	892,784	1,085,165	2,217,610	2,374,774	2,292,254
Operating grants and contributions	1,106,254	983,628	755,650	601,816	517,244
Capital grants and contributions	260,844	328,649	203,033	327,534	27,821
Total governmental activities program revenues:	<u>13,106,597</u>	<u>13,580,445</u>	<u>14,020,968</u>	<u>13,736,802</u>	<u>13,248,076</u>
Business-type activities:					
Charges for services:					
Downtown Enhancement	-	-	-	-	-
Parking	-	-	-	-	-
Proposition A Transit	-	-	-	-	-
Proposition C Transit	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government program revenues:	<u>13,106,597</u>	<u>13,580,445</u>	<u>14,020,968</u>	<u>13,736,802</u>	<u>13,248,076</u>

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Net revenues (expenses):					
Governmental activities	(17,662,419)	(17,481,493)	(21,946,694)	(21,872,332)	(31,457,596)
Business-type activities	-	-	-	-	-
Total net revenues (expenses)	<u>(17,662,419)</u>	<u>(17,481,493)</u>	<u>(21,946,694)</u>	<u>(21,872,332)</u>	<u>(31,457,596)</u>
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Property taxes	12,910,426	13,739,648	15,317,458	15,714,094	17,097,712
Sales tax	2,653,631	2,768,225	2,895,794	2,816,289	3,151,207
Other taxes	6,924,202	7,179,945	7,527,467	7,930,375	7,878,400
Grants and contributions not restricted to specific programs	1,222,808	1,246,419	1,369,042	1,304,880	1,315,223
Investment income	141,794	510,668	455,234	-	-
Other general revenues	621,480	489,740	267,849	564,798	982,343
Transfers	-	-	-	-	-
Settlement (Note 14)	-	(14,000,000)	-	-	-
Total governmental activities	<u>24,474,341</u>	<u>11,934,645</u>	<u>27,832,844</u>	<u>28,330,436</u>	<u>30,424,885</u>
Business-type activities:					
Investment income	-	-	-	-	-
Other general revenues	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Transfers	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>24,474,341</u>	<u>11,934,645</u>	<u>27,832,844</u>	<u>28,330,436</u>	<u>30,424,885</u>
Changes in net assets					
Governmental activities:	6,811,922	(5,546,848)	5,886,150	6,458,104	(1,032,711)
Business-type activities:	-	-	-	-	-
Total primary government	<u>\$ 6,811,922</u>	<u>\$ (5,546,848)</u>	<u>\$ 5,886,150</u>	<u>\$ 6,458,104</u>	<u>\$ (1,032,711)</u>

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

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

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

	Fiscal Year				
	2019	2020	2021	2022	2023
Expenses:					
Governmental activities:					
Legislative and legal	\$ 1,563,872	\$ 1,644,044	\$ 1,868,411	\$ 1,541,621	\$ 1,450,333
General government	4,257,735	6,023,648	6,183,616	5,787,890	5,522,123
Public safety	21,257,544	25,546,098	26,942,447	26,720,959	24,019,361
Community development	2,054,759	3,215,102	2,725,596	2,364,948	1,962,635
Culture and recreation	1,565,784	1,867,143	1,571,300	2,476,406	1,878,360
Public works	12,847,372	7,515,310	7,272,166	8,721,736	9,693,424
Interest and fiscal charges	375,815	295,723	400,465	149,145	257,618
Total governmental activities expenses	<u>43,922,881</u>	<u>46,107,068</u>	<u>46,964,001</u>	<u>47,762,705</u>	<u>44,783,854</u>
Business-type activities:					
Downtown Enhancement	-	-	-	-	-
Parking	-	-	-	-	-
Proposition "A" Transit	-	-	-	-	-
Proposition "C" Transit	-	-	-	-	-
Total business-type activities expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government expenses	<u>43,922,881</u>	<u>46,107,068</u>	<u>46,964,001</u>	<u>47,762,705</u>	<u>44,783,854</u>
Program revenues:					
Governmental activities:					
Charges for services:					
General government	476,403	685,320	650,066	1,039,464	475,489
Public safety	3,137,319	4,857,617	4,602,983	4,464,241	4,664,069
Community development	1,735,699	1,532,538	1,494,412	1,634,826	2,210,691
Culture and recreation	974,306	546,379	849,247	1,045,006	1,022,525
Public works	3,426,223	1,426,203	1,578,604	1,417,059	1,597,076
Operating grants and contributions	3,505,669	3,419,173	2,640,033	4,964,468	8,022,157
Capital grants and contributions	526,421	833,644	45,817	60,645	129,994
Total governmental activities program revenues:	<u>13,782,040</u>	<u>13,300,874</u>	<u>11,861,162</u>	<u>14,625,709</u>	<u>18,122,001</u>
Business-type activities:					
Charges for services:					
Downtown Enhancement	-	-	-	-	-
Parking	-	-	-	-	-
Proposition A Transit	-	-	-	-	-
Proposition C Transit	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government program revenues:	<u>13,782,040</u>	<u>13,300,874</u>	<u>11,861,162</u>	<u>14,625,709</u>	<u>18,122,001</u>

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

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

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

	Fiscal Year				
	2019	2020	2021	2022	2023
Net revenues (expenses):					
Governmental activities	(30,140,841)	(32,806,194)	(35,102,839)	(33,136,996)	(26,661,853)
Business-type activities	-	-	-	-	-
Total net revenues (expenses)	<u>(30,140,841)</u>	<u>(32,806,194)</u>	<u>(35,102,839)</u>	<u>(33,136,996)</u>	<u>(26,661,853)</u>
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Property taxes	18,640,303	19,584,959	20,966,460	21,886,313	23,145,983
Sales tax	3,133,311	2,722,468	3,192,853	3,848,960	3,621,875
Other taxes	7,107,116	7,134,010	7,233,903	9,991,454	10,592,183
Grants and contributions not restricted to specific programs	2,346,524	1,829,299	2,490,562	2,212,461	2,200,305
Investment income	-	-	-	-	-
Other general revenues	2,701,560	1,499,878	745,148	1,331,049	1,828,531
Transfers	-	-	-	-	-
Settlement (Note 14)	-	-	-	-	-
Total governmental activities	<u>33,928,814</u>	<u>32,770,614</u>	<u>34,628,926</u>	<u>39,270,237</u>	<u>41,388,877</u>
Business-type activities:					
Investment income	-	-	-	-	-
Other general revenues	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Transfers	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>33,928,814</u>	<u>32,770,614</u>	<u>34,628,926</u>	<u>39,270,237</u>	<u>41,388,877</u>
Changes in net assets					
Governmental activities:	3,787,973	(35,580)	(473,913)	6,133,241	14,727,024
Business-type activities:	-	-	-	-	-
Total primary government	<u>\$ 3,787,973</u>	<u>\$ (35,580)</u>	<u>\$ (473,913)</u>	<u>\$ 6,133,241</u>	<u>\$ 14,727,024</u>

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

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

CITY OF HERMOSA BEACH
Governmental Activities Tax Revenues By Source
Last 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
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
2021	20,966,460	3,192,853	453,596	721,090	261,051	2,552,964	2,171,538	1,065,762	31,385,314
2022	21,886,313	3,848,960	685,820	757,448	299,037	4,730,760	2,369,269	1,149,120	35,726,727
2023	23,145,983	3,621,875	338,528	823,981	294,525	5,151,136	2,761,918	1,222,095	37,360,041

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

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

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

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

	Fiscal Year				
	2019	2020	2021	2022	2023
General Fund:					
Reserved					
Unreserved					
Non-spendable	\$ -	\$ -	\$ 560,718	\$ 15,408	\$ 622,095
Restricted	-	-	437,326	454,115	513,248
Committed	-	-	1,995,135	2,255,235	2,255,235
Assigned	-	-	10,669,958	13,879,982	13,681,463
Unassigned	10,514,092	13,122,873	5,834,252	4,046,666	2,078,894
Total general fund	<u>\$ 10,514,092</u>	<u>\$ 13,122,873</u>	<u>\$ 19,497,389</u>	<u>\$ 20,651,406</u>	<u>\$ 19,150,935</u>
All other governmental funds:					
Reserved					
Unreserved, reported in:					
Special revenue funds					
Non-spendable	\$ 2,310	\$ -	\$ 15,179	\$ -	\$ 18,325
Restricted	5,561,493	6,399,757	9,989,766	12,714,376	15,214,518
Committed	1,024,954	1,405,179	2,592,712	2,741,002	2,852,821
Assigned	16,241,139	5,327,702	10,646,352	9,412,839	12,331,476
Unassigned	(111)	9,446,109	(827,043)	(1,059,597)	(2,138,529)
Total all other governmental funds	<u>\$ 22,829,785</u>	<u>\$ 22,578,747</u>	<u>\$ 22,416,966</u>	<u>\$ 23,808,620</u>	<u>\$ 28,278,611</u>
Total governmental funds	<u>\$ 33,343,877</u>	<u>\$ 35,701,620</u>	<u>\$ 41,914,355</u>	<u>\$ 44,460,026</u>	<u>\$ 47,429,546</u>

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

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Revenues:					
Property taxes	\$ 13,368,615	\$ 14,198,054	\$ 15,113,479	\$ 16,209,008	\$ 17,530,492
Other taxes	10,492,906	10,992,377	11,302,910	11,821,528	12,248,900
Licenses and permits	971,336	916,073	1,111,366	967,956	1,055,631
Fines and forfeitures	2,781,240	2,652,193	2,412,554	2,122,335	2,809,367
Use of money and property	1,077,154	1,087,758	965,738	1,047,084	1,340,018
Intergovernmental	1,350,674	1,290,849	949,255	1,031,191	358,523
Charges for services	6,722,773	7,318,409	8,130,681	8,412,322	9,259,210
Miscellaneous	630,271	688,047	679,937	540,021	249,152
Interest earned on investments	137,909	244,026	445,260	6,175	152,359
Total revenues	<u>37,532,878</u>	<u>39,387,786</u>	<u>41,111,180</u>	<u>42,157,620</u>	<u>45,003,652</u>
Expenditures					
Current:					
Legislative and legal	1,093,518	1,170,229	1,958,940	1,448,509	1,313,261
General government	2,806,176	3,040,426	3,458,191	3,722,659	3,751,020
Public safety	17,768,720	18,142,958	21,272,474	21,392,637	21,468,409
Community development	1,548,185	1,722,513	1,806,130	1,869,018	2,034,235
Culture and recreation	1,132,849	1,246,532	1,291,808	1,395,915	1,446,996
Public works	5,216,430	5,317,541	6,622,698	6,106,648	6,343,525
Capital outlay	2,774,016	3,620,185	2,953,123	1,644,253	2,164,817
Debt service:					
Principal	n/a	n/a	-	335,000	434,992
Interest	n/a	n/a	233,425	375,332	355,738
Total expenditures	<u>32,339,894</u>	<u>34,260,384</u>	<u>39,596,789</u>	<u>38,289,971</u>	<u>39,312,993</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,192,984</u>	<u>5,127,402</u>	<u>1,514,391</u>	<u>3,867,649</u>	<u>5,690,659</u>
Other financing sources (uses)					
Proceeds from sale of assets	-	-	11,799,905	-	-
Transfers in	3,905,349	6,911,913	5,733,408	1,942,014	1,271,842
Transfers out	(5,267,254)	(5,172,700)	(16,392,700)	(2,356,750)	(3,915,326)
Proceeds from Subscriptions	-	-	-	-	-
Total other financing sources (uses)	<u>(1,361,905)</u>	<u>1,739,213</u>	<u>1,140,613</u>	<u>(414,736)</u>	<u>(2,643,484)</u>
Net change in fund balances	<u>\$ 3,831,079</u>	<u>\$ 6,866,615</u>	<u>\$ 2,655,004</u>	<u>\$ 3,452,913</u>	<u>\$ 3,047,175</u>
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.6%	2.0%	2.2%

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

	Fiscal Year				
	2019	2020	2021	2022	2023
Revenues:					
Property taxes	\$ 18,565,796	\$ 19,573,354	\$ 20,968,403	\$ 21,922,948	\$ 23,174,289
Other taxes	12,306,567	11,188,808	11,972,339	15,687,716	16,769,425
Licenses and permits	850,059	729,622	904,362	867,849	1,049,519
Fines and forfeitures	2,373,432	2,237,802	2,133,603	1,643,056	1,436,162
Use of money and property	1,952,941	1,069,049	1,542,571	1,461,133	1,951,194
Intergovernmental	1,062,434	1,333,882	1,324,163	3,427,949	3,946,814
Charges for services	8,303,529	7,346,217	7,543,716	8,585,682	8,920,954
Miscellaneous	634,114	673,546	196,138	850,282	637,368
Interest earned on investments	1,380,012	1,173,125	10,289	(1,015,424)	(211,644)
Total revenues	<u>47,428,884</u>	<u>45,325,405</u>	<u>46,595,584</u>	<u>53,431,191</u>	<u>57,674,081</u>
Expenditures					
Current:					
Legislative and legal	1,499,065	1,300,018	1,474,436	1,329,719	1,538,192
General government	4,274,743	4,850,826	4,882,989	5,251,041	5,856,643
Public safety	22,087,381	21,604,659	22,155,535	24,971,084	25,474,408
Community development	2,063,502	2,601,067	2,177,790	2,146,386	2,081,527
Culture and recreation	1,600,519	1,587,893	1,338,693	1,913,671	1,992,148
Public works	6,756,773	6,685,858	6,581,335	7,945,832	9,070,353
Capital outlay	6,058,710	4,863,984	853,530	4,671,131	5,433,171
Debt service:					
Principal	460,000	480,000	491,542	395,000	430,839
Interest	332,497	310,107	229,987	309,638	304,178
Total expenditures	<u>45,133,190</u>	<u>44,284,412</u>	<u>40,185,837</u>	<u>48,933,502</u>	<u>52,181,459</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,295,694</u>	<u>1,040,993</u>	<u>6,409,747</u>	<u>4,497,689</u>	<u>5,492,622</u>
Other financing sources (uses)					
Proceeds from sale of assets	-	-	-	-	-
Transfers in	4,155,801	3,930,602	4,504,242	6,933,843	7,278,839
Transfers out	(4,583,137)	(2,613,852)	(4,504,242)	(9,339,976)	(9,412,204)
Proceeds from Subscriptions	-	-	-	-	64,378
Total other financing sources (uses)	<u>(427,336)</u>	<u>1,316,750</u>	<u>-</u>	<u>(2,406,133)</u>	<u>(2,068,987)</u>
Net change in fund balances	<u>\$ 1,868,358</u>	<u>\$ 2,357,743</u>	<u>\$ 6,409,747</u>	<u>\$ 2,091,556</u>	<u>\$ 3,423,635</u>
Debt service as a percentage of noncapital expenditures	2.1%	2.1%	1.9%	1.4%	1.6%

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
2014	13,368,615	2,653,631	290,379	788,694	2,204,420	2,443,285	2,112,497	23,861,521
2015	14,198,054	2,768,225	312,416	785,935	2,349,750	2,442,575	2,333,476	25,190,431
2016	15,113,479	2,895,794	320,731	776,316	2,762,444	2,388,824	2,290,061	26,547,649
2017	16,209,008	2,886,298	345,603	720,338	3,237,026	2,302,024	2,330,238	28,030,538
2018	17,530,492	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
2021	20,968,403	3,192,853	453,596	721,090	2,552,964	2,171,538	3,580,298	33,640,742
2022	21,922,948	3,848,960	685,820	757,448	4,730,760	2,369,269	3,332,094	37,647,299
2023	23,174,289	3,621,875	338,528	823,981	5,151,136	2,761,918	4,100,293	39,972,020

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
2014	4,883,870	437,214	10,379	95,294	(47,030)	5,379,750	1.00	5,332,719	5.63%
2015	5,181,815	455,035	12,635	104,834	(43,278)	5,711,045	1.00	5,667,767	6.16%
2016	5,522,546	484,979	13,186	111,635	(43,260)	6,089,089	1.00	6,045,828	6.62%
2017	5,994,296	508,160	13,921	120,700	(43,295)	6,593,784	1.00	6,550,489	8.29%
2018	6,432,195	532,168	14,242	145,238	(41,125)	7,082,716	1.00	7,041,591	7.42%
2019	6,837,257	566,389	15,437	162,374	(41,043)	7,540,415	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%
2021	7,682,189	624,581	17,697	149,144	(34,812)	8,459,799	1.00	8,424,987	5.89%
2022	7,995,527	658,655	16,545	197,187	(31,914)	8,836,000	1.00	8,804,087	4.45%
2023	8,501,986	686,782	16,876	207,849	(33,766)	9,379,727	1.00	9,345,962	6.15%

NOTE:

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

Source: Los Angeles County Auditor-Controller

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

CITY OF HERMOSA BEACH
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$100 of assessed value)

Fiscal Year	City direct rate	Overlapping rates					Total
	Basic rate *	Hermosa Beach School District	El Camino Community College District	Los Angeles County	Flood Control District	Metropolitan Water District	
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
2021	1.000000	0.039111	0.023624	-	-	0.003500	1.066235
2022	1.000000	0.035275	0.022639	-	-	0.003500	1.061414
2023	1.000000	0.034923	0.022989	-	-	0.003500	1.061412

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	2023	
	Taxable assessed value	Percent of total city taxable assessed value
415 Herondo Street Ground Owner LP (1)	\$ 60,363,792	0.64%
414 2nd Street Ground Owner LP (1)	41,693,980	0.44%
Strand and Pier Hermosa Parent LLC (7)	30,568,492	0.33%
South Bay LLC (7)	28,329,719	0.30%
1601 PCH LP (1)	27,767,509	0.30%
Sailfish Holdings LLC (3)	21,999,076	0.23%
Hermosa Hotel Investments LLC (1)	20,161,193	0.21%
Blake Holdings II LLC (1)	18,869,496	0.20%
IWF Hotel Hermosa (1)	18,780,496	0.20%
Kathy Ishii Trust (2)	18,679,494	0.20%
	\$ 287,213,247	3.05%

Taxpayer	2014	
	Taxable assessed value	Percent of total city taxable assessed value
Crico of Fountain Place Limited Partnership (1)	\$ 76,273,666	1.42%
EQR Gallery Apartments Limited Partnership (1)	68,213,267	1.27%
Strand and Pier Holding Company LLC (4)	25,706,607	0.48%
1601 PCH LP (1)	23,929,200	0.44%
Hermosa Hotel Investments LLC (1)	16,984,959	0.32%
William Stirton Trust (4)	15,707,449	0.29%
Sepulveda Blvd Properties LLC (6)	15,429,247	0.29%
Reg8 Plaza Hermosa LLC (7)	14,958,847	0.28%
Boris LLC (1)	13,109,040	0.24%
Beta Group (2)	12,915,692	0.24%
	\$ 283,227,974	5.27%

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
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%
2021	17,849,937	17,293,022	96.88%		17,293,022	96.88%
2022	18,585,314	18,052,702	97.13%		18,052,702	97.13%
2023	19,634,765	19,105,717	97.31%		19,105,717	97.31%

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	
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
2021	806	24,132,281	63	27,325,785	8,459,798,643
2022	384	37,378,630	30	6,463,748	8,836,000,467
2023	538	40,525,944	58	35,274,799	9,379,727,251

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

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Assessed valuation	\$ 5,379,750,286	\$ 5,711,045,616	\$ 6,089,089,031	\$ 6,593,783,921	\$ 7,082,716,558
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	\$ 1,344,937,572	\$ 1,427,761,404	\$ 1,522,272,258	\$ 1,648,445,980	\$ 1,770,679,140
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	\$ 201,740,636	\$ 214,164,211	\$ 228,340,839	\$ 247,266,897	\$ 265,601,871
Total net debt applicable to limit	\$ -	\$ -	\$ 11,500,000	\$ 11,265,000	\$ 10,830,000
Legal debt margin	\$ 201,740,636	\$ 214,164,211	\$ 239,840,839	\$ 236,001,897	\$ 254,771,871
Total debt applicable to the limit as a percentage of debt limit	0%	0%	5.3%	4.7%	4.3%

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

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

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

	Fiscal Year				
	2019	2020	2021	2022	2023
Assessed valuation	\$ 7,540,414,646	\$ 7,989,293,188	\$ 8,459,798,643	\$ 8,836,000,467	\$ 9,379,727,251
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	\$ 1,885,103,662	\$ 1,997,323,297	\$ 2,114,949,661	\$ 2,209,000,117	\$ 2,344,931,813
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	\$ 282,765,549	\$ 299,598,495	\$ 317,242,449	\$ 331,350,018	\$ 351,739,772
Total net debt applicable to limit	\$ 10,370,000	\$ 9,890,000	\$ 8,150,000	\$ 7,755,000	\$ 7,340,000
Legal debt margin	\$ 272,395,549	\$ 289,708,495	\$ 309,092,449	\$ 323,595,018	\$ 344,399,772
Total debt applicable to the limit as a percentage of debt limit	3.8%	3.4%	2.6%	2.4%	2.1%

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			
2014	-	-	-	N/A	-
2015	-	-	-	N/A	-
2016	\$ 11,464,040	\$ 11,464,040	\$ 11,464,040	0.97%	579
2017	\$ 11,008,280	\$ 11,008,280	\$ 11,008,280	1.01%	561
2018	\$ 10,537,892	\$ 10,537,892	\$ 10,537,892	1.15%	536
2019	\$ 10,047,508	\$ 10,047,508	\$ 10,047,508	1.24%	506
2020	\$ 9,537,124	\$ 9,537,124	\$ 9,537,124	1.43%	486
2021	\$ 9,721,058	\$ 9,721,058	\$ 9,721,058	1.47%	500
2022	\$ 9,168,953	\$ 9,168,953	\$ 9,168,953	1.57%	478
2023	\$ 8,596,848	\$ 8,596,848	\$ 8,596,848	1.74%	452

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
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	\$ 11,464,040	\$ 11,464,040	\$ 11,464,040	53.11%	579	
2017	\$ 11,008,280	\$ 11,008,280	\$ 11,008,280	59.90%	561	
2018	\$ 10,537,892	\$ 10,537,892	\$ 10,537,892	67.21%	536	
2019	\$ 10,047,508	\$ 10,047,508	\$ 10,047,508	75.05%	506	
2020	\$ 9,537,124	\$ 9,537,124	\$ 9,537,124	83.77%	486	
2021	\$ 9,721,058	\$ 9,721,058	\$ 9,721,058	87.03%	500	
2022	\$ 9,168,953	\$ 9,168,953	\$ 9,168,953	96.37%	478	
2023	\$ 8,596,848	\$ 8,596,848	\$ 8,596,848	109.11%	452	

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.

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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)
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
2021	19,451	678,829,092	68,272	-	7.0%	1,414
2022	19,171	728,772,915	74,141	-	3.2%	1,432
2023	19,018	720,740,528	74,142	-	3.2%	1,513

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	2023	
	Number of employees	Percent of total employment
City of Hermosa Beach	168	4.59%
Von's	121	3.30%
Lazy Acres	107	2.92%
Trader Joe's	94	2.57%
Hermosa Beach School District	90	2.46%
Sunrise Assisted Living	86	2.35%
Quartz Management, LLC	77	2.10%
First Step for Kids, Inc.	70	1.91%
Hennessey's Tavern	61	1.67%
The Beach House	54	1.47%

Employer	2014	
	Number of employees	Percent of total employment
24 Hour Fitness	188	4.63%
City of Hermosa Beach	162	3.99%
Von's	117	2.88%
Shorewood Realtors, Inc.	100	2.46%
First Step for Kids, Inc.	83	2.04%
Hennessey's Tavern	78	1.92%
Hermosa Beach School District	70	1.72%
Ralph's Grocery	67	1.65%
Hot's Kitchen	55	1.35%
Patrick Molloy's	55	1.35%

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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government	18	20	20	21	21	20	20	20	21	24
Public safety ¹	75	81	82	76	63	64	65	71 ¹	57 ¹	61 ¹
Community development	8	8	10	11	12	11	12	12	10	12
Culture and recreation	2	3	4	4	4	4	4	4	3	6
Public works	20	17	23	23	21	20	22	22	26	27
Total	<u>123</u>	<u>129</u>	<u>139</u>	<u>135</u>	<u>121</u>	<u>119</u>	<u>123</u>	<u>129</u>	<u>117</u>	<u>130</u>

<u>Function</u>	Part-time employees as of June 30									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government	3	4	6	4	5	10	5	9	11	3
Public safety ¹	13	6	14	5	3	3	2	1 ¹	2 ¹	6 ¹
Community development	2	3	2	3	2	4	3	2	1	-
Culture and recreation	21	25	27	29	25	40	9	23	22	24
Public works	-	3	1	3	2	3	3	5	3	5
Total	<u>39</u>	<u>41</u>	<u>50</u>	<u>44</u>	<u>37</u>	<u>60</u>	<u>22</u>	<u>40</u>	<u>39</u>	<u>38</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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public safety										
Police:										
Physical arrests	945	732	739	615	589	536	389	492	1,029	1,223
Traffic citations issued	3,421	2,406	1,966	1,826	1,408	1,154	498	629	1,838	1,843
Parking citations issued	74,228	65,783	62,957	56,398	57,206	66,029	66,029	59,861	44,907	46,526
Fire:										
Number of emergency calls ¹	2,386	2,467	2,678	2,427	1,965	1,549	2,344	2,506	2,578	1,991
Inspections ²	657	1,061	540	611	227	-	-	-	-	-
Community development:										
Building permits issued	537	509	622	488	519	460	431	977 ³	414 ³	596
Culture and recreation:										
Number of recreation classes	134	514	526	498	617	422	431	598 ⁴	662 ⁴	702
Total enrollment	5,464	4,247	4,947	4,817	5,271	5,109	3,050	3,530	5,564	5,521
Public works:										
Graffiti removal	212	209	200	112	201	148	49	36 ⁵	19 ⁵	17
Permits issued	819	904	1,406	1,496	1,617	1,615	2,717	3,482	4,971	2,342

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 to issue permits for the 2020-21 fiscal year. The software does not break down by type of permit issued at this time.

⁴ 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.

⁵ 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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public safety										
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Parking meters ¹	1,565	1,553	1,553	1,557	1,558	1,558	1,558	1,558	1,570	1,599
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)	40	40	40	40	40	40	40	37	37	37
Streets (miles)	40	40	40	40	40	40	40	40	40	40
Streetlights	400	400	400	400	400	400	400	400	400	400
Storm drains (miles)	2	2	2	2	2	2	2	2	2	2
Traffic Signals	19	19	19	19	19	19	19	19	19	19
Infiltration (miles) ²	0.6	0.2	0.2	0.2	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.

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

OTHER REPORTS

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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, 2023, 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 January 30, 2024.

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
Page Two

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.

Gruber and Lopez, Inc.

Gruber and Lopez, Inc.

Newport Beach, California
January 30, 2024