

# 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
<b>ASSETS</b>				
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	-	-	-
<b>Total assets</b>	<u>\$ 25,271,739</u>	<u>\$ 2,200,140</u>	<u>\$ 5,481,795</u>	<u>\$ 4,802,541</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
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	-	-
<b>Total liabilities</b>	<u>2,926,115</u>	<u>1,647,906</u>	<u>229,578</u>	<u>22,500</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	934,415	1,737,643	-	-
Leases	2,260,274	-	3,284,819	3,894,618
<b>Total deferred inflows of resources</b>	<u>3,194,689</u>	<u>1,737,643</u>	<u>3,284,819</u>	<u>3,894,618</u>
<b>Fund Balances:</b>				
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)	-	-
<b>Total fund balances</b>	<u>19,150,935</u>	<u>(1,185,409)</u>	<u>1,967,398</u>	<u>885,423</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<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
<b>ASSETS</b>			
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
	<b>Total assets</b>	<b>\$ 16,250,747</b>	<b>\$ 66,588,524</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities:</b>			
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
	<b>Total liabilities</b>	<b>1,953,033</b>	<b>7,029,218</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenue	-	17,991	2,690,049
Leases	-	-	9,439,711
	Total deferred inflows of resources	17,991	12,129,760
<b>Fund Balances:</b>			
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
	<b>Total fund balances</b>	<b>14,279,723</b>	<b>47,429,546</b>
	<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 16,250,747</b>	<b>\$ 66,588,524</b>

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
<b>REVENUES:</b>				
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)
<b>Total revenues</b>	<b>47,866,854</b>	<b>301,387</b>	<b>286,338</b>	<b>395,775</b>
<b>EXPENDITURES:</b>				
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	-	-	-
<b>Total expenditures</b>	<b>43,654,886</b>	<b>1,624,832</b>	<b>309,959</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,211,968</b>	<b>(1,323,445)</b>	<b>(23,621)</b>	<b>395,775</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,687,526	-	-	-
Transfers out	(7,464,343)	-	(21,090)	(239,245)
Proceeds from subscriptions	64,378	-	-	-
<b>Total other financing sources (uses)</b>	<b>(5,712,439)</b>	<b>-</b>	<b>(21,090)</b>	<b>(239,245)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,500,471)</b>	<b>(1,323,445)</b>	<b>(44,711)</b>	<b>156,530</b>
Fund balances, beginning of year	20,651,406	138,036	2,012,109	728,893
Fund balances, end of year	<b>\$ 19,150,935</b>	<b>\$ (1,185,409)</b>	<b>\$ 1,967,398</b>	<b>\$ 885,423</b>

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
<b>REVENUES:</b>			
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)
<b>Total revenues</b>	(67,507)	8,891,234	57,674,081
<b>EXPENDITURES:</b>			
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
<b>Total expenditures</b>	1,628,236	4,963,546	52,181,459
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(1,695,743)	3,927,688	5,492,622
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	4,614,380	976,933	7,278,839
Transfers out	-	(1,687,526)	(9,412,204)
Proceeds from subscriptions	-	-	64,378
<b>Total other financing sources (uses)</b>	4,614,380	(710,593)	(2,068,987)
<b>NET CHANGE IN FUND BALANCE</b>	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**

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$ 3,423,635</b>
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>
<b>Change in net position of governmental activities</b>		<b><u>\$ 14,727,024</u></b>