



**City of Hermosa Beach,  
California**

**Comprehensive  
Annual  
Financial  
Report**

**For the Year Ended June 30, 2015**



# **City of Hermosa Beach**

Hermosa Beach, California

## **Comprehensive Annual Financial Report**

*For the Fiscal Year Ended June 30, 2015*

Prepared by the  
Finance Department of Hermosa Beach



**City of Hermosa Beach  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2015**

**Table of Contents**

	<u>Page</u>
<b><u>INTRODUCTORY SECTION (UNAUDITED)</u></b>	
Letter of Transmittal .....	v
Certificate of Achievement for Excellence in Financial Reporting – Government Finance Officers Association .....	xi
Organizational Chart.....	xii
Principal Officials of the City of Hermosa Beach .....	xiii
 <b><u>FINANCIAL SECTION</u></b>	
<b>Independent Auditors’ Report on Financial Statements .....</b>	<b>1</b>
<b>Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....</b>	<b>5</b>
<b>Management’s Discussion and Analysis (Required Supplementary Information) (Unaudited).....</b>	<b>7</b>
 <b>Basic Financial Statements:</b>	
 <b>Government – Wide Financial Statements:</b>	
Statement of Net Position.....	21
Statement of Activities .....	23
 <b>Fund Financial Statements:</b>	
 <i>Governmental Fund Financial Statements:</i>	
Balance Sheet.....	30
Reconciliation of the Governmental Funds Balance Sheet to the Government–Wide Statement of Net Position .....	31
Statement of Revenues, Expenditures and Changes in Fund Balances.....	32
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government–Wide Statement of Activities .....	33
 <i>Proprietary Fund Financial Statements:</i>	
Statement of Net Position .....	38
Statement of Revenues, Expenses and Changes in Net Position .....	39
Statement of Cash Flows .....	40
 <i>Fiduciary Fund Financial Statements:</i>	
Statement of Fiduciary Net Position .....	44
 <b>Index to Notes to the Basic Financial Statements .....</b>	<b>45</b>
 <b>Notes to the Basic Financial Statements .....</b>	<b>47</b>

**City of Hermosa Beach  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2015**

**Table of Contents (Continued)**

	<u>Page</u>
<b><u>FINANCIAL SECTION (Continued)</u></b>	
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule – General Fund .....	92
Budgetary Comparison Schedule – Sewer Special Revenue Fund .....	93
Notes to the Budgetary Comparison Schedule .....	94
Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios.....	95
Schedule of the City's Contributions .....	98
Schedule of Funding Progress – Other Postemployment Benefits.....	102
<b>Supplementary Information:</b>	
<i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet .....	108
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	114
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
<i>Nonmajor Special Revenue Funds:</i>	
Lighting and Landscaping District .....	120
State Gas Tax .....	121
AB 939 .....	122
Prop A Open Space .....	123
Tyco.....	124
Tyco Tidelands .....	125
Parks/Recreation Facilities Tax.....	126
Bayview Drive Administrative Expense .....	127
Lower Pier Administrative Expense.....	128
Myrtle District Administrative Expense.....	129
Loma District Administrative Expense .....	130
Beach Drive Assessment District Administrative Expense.....	131
Proposition “A” Transit.....	132
Proposition “C” .....	133
Measure “R” .....	134
Air Quality Management District.....	135
Supplemental Law Enforcement Services.....	136
Asset Seizure and Forfeiture Fund .....	137
Fire Protection .....	138
Artesia Boulevard Relinquishment .....	139
Grants .....	140

**City of Hermosa Beach  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2015**

**Table of Contents (Continued)**

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	<u>Page</u>
<b>Supplementary Information (Continued):</b>	
<i>Internal Service Funds:</i>	
Combining Statement of Net Position .....	142
Combining Statement of Revenues, Expenses and Changes in Net Position.....	143
Combining Statement of Cash Flows .....	144
<i>Fiduciary Fund Financial Statements:</i>	
Combining Statement of Fiduciary Net Position.....	146
Combining Statement of Changes in Assets and Liabilities .....	148
 <b><u>STATISTICAL SECTION (Unaudited)</u></b>	
Net Position by Component .....	150
Changes in Net Position .....	152
Governmental Activities Tax Revenues By Source .....	156
Fund Balances of Governmental Funds .....	158
Changes in Fund Balances of Governmental Funds.....	160
General Government Tax Revenues By Source .....	162
Assessed Value and Estimated Actual Value of Taxable Property .....	163
Direct and Overlapping Property Tax Rates .....	164
Principal Property Taxpayers .....	165
Property Tax Levies and Collections .....	166
Construction Value and Property Value .....	167
Direct and Overlapping Debt .....	169
Legal Debt Margin Information .....	170
Demographic and Economic Statistics .....	172
Principal Employers .....	173
Full-Time and Part-Time City Employees by Function .....	174
Operating Indicators by Function.....	175
Capital Asset Statistics by Function .....	176

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# City of Hermosa Beach

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

December 28, 2015

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

## Introduction

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Hermosa Beach for the fiscal year ended June 30, 2015. 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.

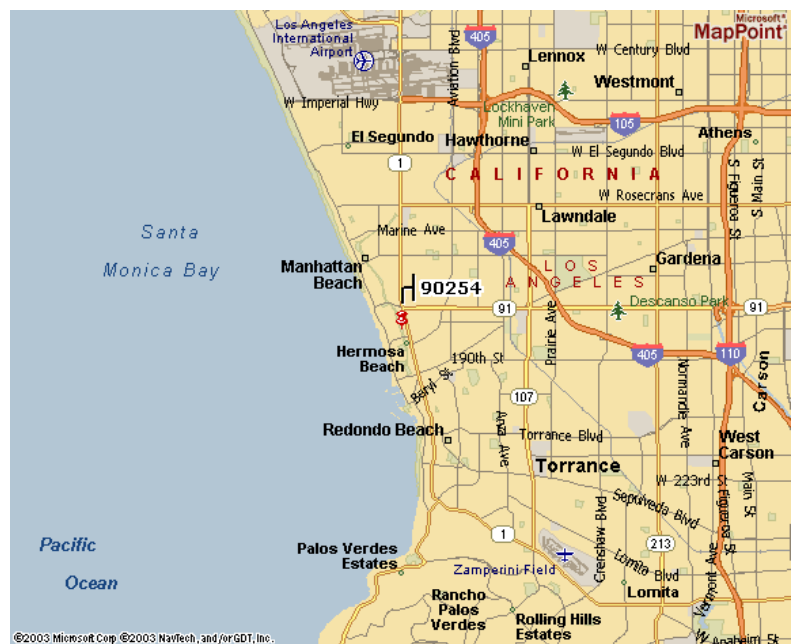
Management's representations concerning the finances of the City of Hermosa Beach are contained herein. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, 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 Pun & McGeedy, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hermosa Beach for the fiscal year ended June 30, 2015, 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, 2015, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

## Profile of the Government

The City of Hermosa Beach is a beachfront, bedroom community with a stable population, located four miles south of Los Angeles International Airport. The City occupies 1.4 square miles and serves a population of 19,772, 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 2014-15 fiscal year, beach attendance ranged from a low of 77,600 in December 2014 to a high of 1,596,605 in July 2014, according to the Los Angeles County Fire Department, Lifeguard Division.



The City of Hermosa Beach, incorporated on January 14, 1907 as a general law city, operates under the Council-Manager form of government. Policy-making and legislative authority are vested in a governing council consisting of five members of the City Council elected on a non-partisan basis at large for a four-year term. Council members serve four-year, staggered terms, with an election every two years. One member is chosen by fellow members to serve as Mayor for a period of nine months; one is chosen to serve as Mayor Pro Tem. The Council is responsible for, among other things, establishing policy, passing ordinances, adopting an annual budget; appointing members to various City Commissions and Boards and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments.

The City offers a full range of municipal services, including police and fire protection, community development (planning and zoning), cultural, recreation and parks, maintenance and construction of public improvements, parking and animal control, and general administration. Financial information for the Lighting and Landscaping District, the Lower Pier Avenue Assessment District and the Myrtle Avenue, Loma Drive, Bayview Drive, and Beach Drive Utility Underground Districts are included in the City's financial statements as required by governmental accounting standards.

Summary information from the *May 2015 Profile of the City of Hermosa Beach*, produced in 2015 by the Southern California Association of Governments (SCAG), is shown below along with selected information from the U.S. Census. The SCAG report is produced every two years, with the next release in May 2017.

<b>SCAG PROFILE OF THE CITY OF HERMOSA BEACH</b>		
<b>Category</b>	<b>2014 STATISTICAL SUMMARY Hermosa Beach</b>	<b>2012 STATISTICAL SUMMARY Hermosa Beach</b>
Median Age	38.6	38
Non-Hispanic White	79.5%	80.3%
Hispanic	8.8%	8.5%
Non-Hispanic Asian	6.0%	5.9%
Non-Hispanic Black	1.2%	1.2%
Non-Hispanic American Indian	0.2%	0.1%
Non-Hispanic All Other	4.3%	4.1%
Homeownership Rate	44.7%	44.7%
Average Household Size	2.1	2
Median Household Income	\$95,050	\$93,017
Mean Travel Time to Work	33.3 minutes	32 minutes

U.S. CENSUS BUREAU QUICK FACTS					
Category	Hermosa Beach	California	Category	Hermosa Beach	California
Persons under 5 years, 2010	5.1%	6.8%	Per capita money income in the past 12 months (2011 dollars), 2009-2013	\$69,606	\$29,527
Persons under 18 years, 2010	15.9%	25.0%	Persons below poverty level, 2009-2013	3.4%	15.9%
Persons 65 years and over, 2010	9.0%	11.4%	Median value of owner-occupied housing units, 2009-2013	\$1,000,001	\$366,400
Female persons, 2010	47.3%	50.3%	Housing units in multi-unit structures, 2009-2013	48.4%	31.0%
Bachelor's Degree or higher, persons age 25+, 2009-2013	70.9%	30.7%	High School graduate or higher, persons age 25+, 2009-2013	99.0%	81.2%

The U.S. Census Bureau Quick Facts are as of October 2015. Further data regarding the City may be found in the Statistical Section.

The annual budget serves as the foundation for the City of Hermosa Beach's financial planning and control and is based on the Strategic Plan adopted by the City Council. All departments of the City of Hermosa Beach are required to submit requests for appropriation to the City Manager according to a budget calendar. The City Manager uses these requests as the starting point for developing a proposed budget, which is presented to the City Council for review by May 15. At least one public budget workshop is held prior to the required public hearing, with adoption required no later than June 30<sup>th</sup>. If the City Council fails to adopt a budget by that date, the budget submitted by the City Manager, as amended by the City Council, if applicable, is the appropriated budget except for capital improvement outlays. The appropriated budget is prepared by fund and department (e.g., Police Department). The City Manager may make transfers of appropriations between departments within each fund; transfers of appropriations between funds, however, require the approval of the City Council. The City Council receives monthly revenue and expenditure reports during the year and a midyear budget review is conducted after the first six months of the fiscal year to ensure estimates are on target. Budget-to-actual comparisons are provided in this CAFR for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and major governmental funds with appropriated annual budgets, this comparison is presented as Required Supplementary Information on pages 92-93. For non-major governmental funds with appropriated annual budgets, this comparison is presented as Supplementary Information, after the Notes to the Financial Statements.

### Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Hermosa Beach operates.

**Local economy.** Hermosa Beach is a “bedroom community” as evidenced by a household count of +10,000 and an in-city business count of under 1,000 (excluding apartments and home occupations) Hermosa Beach had growth of 6.2% in secured and unsecured assessed valuation, as compared to 5.6% for Los Angeles County. The 6.2% growth was the 12<sup>th</sup> highest of 88 cities in Los Angeles County. Median home prices in Hermosa Beach as of June 2015 were \$1,361,000, compared to \$525,000 for Los Angeles County. The Hermosa Beach median home price for June 2014 was \$1,246,000, compared to \$450,250 for Los Angeles County. The average median home price for Hermosa Beach for fiscal year 2014-15 was \$1,455,550 and \$1,159,125 for fiscal year 2013-14. Home values adjacent to the beach increased for the fifth year in a row after declining 2009-2011.

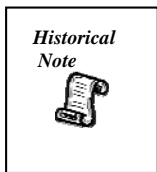
As a beach city, the three highest occupations are management, sales, and administrative support, however residents enjoy access to a much more diverse employment base with the close proximity of all of the other cities in Los Angeles County. The unemployment rate in Hermosa Beach is 3.1%, compared with 7.4% for Los Angeles County, and 6.2% for California as of June 2015.

General Fund Secured property taxes increased 7% in 2014-15, consistent with growth in assessed values. Property adjacent to the beach has held its value better and grown faster as compared to property in the inland areas.

Sales tax receipts for 2014-15 are up 4%.

Transient occupancy tax (the tax on hotel stays) grew 7% over 2013-14. Receipts of more than \$2.3 million are the highest level ever. Average occupancy for 2014-15 was 81% for Hermosa Beach compared to last year’s rate of 81.1%. Hermosa Beach has eight hotels and one youth hostel, with rooms capacity ranging from 17 rooms to 106 rooms.

Utility user tax (UUT) revenue remained the same as last year at \$2.4 million and is approximately 10% less than the highest year of 2006-07. Part of this decline is related to a change by AT&T in taxation of their cellular bundled services and loss of prepaid cellular tax revenue as well as a 3% decline in electricity tax revenue. The utility user tax is the third highest tax source of income for the City.



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

**Accounting Changes.** The City implemented Government Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions, effective July 1, 2014. Net pension liabilities of \$36,303,639 were recorded and the unrestricted net position was reduced accordingly. The change in accounting standards impacted the government-wide financial statement, notes, and required supplemental information only.

**National/State Economy.** The Legislative Analyst’s Office reports that the State budget is better prepared for an economic downturn than it has been at any point in decades, given that the main economic scenario shows 2016-17 ending with reserves of \$11.5 billion. That is compared to \$4.5 billion reported in last year’s CAFR as the ending estimate for 2015-16.

Beacon Economics reports several positive State trends including non-farm job growth outpacing the nation for 40 consecutive months and stronger home sales of 9.8% over the past year. Like Hermosa Beach however, the State is behind on investment in infrastructure, which is a challenge that must be addressed.

**California Public Employees Retirement System (CalPERS).** The preliminary CalPERS investment return as of June 2015 was 2.4%, however over the past three and five years, the Fund has earned returns of 10.9 and 10.7 percent respectively, performing better than the benchmarks for the first time since 2007. The 20 year investment return stands at 7.8%.

The CalPERS Board adopted a funding risk mitigation policy that will incrementally lower the discount rate (assumed rate of return) in years of good investment returns. This will be done gradually (by a minimum of .05 percentage points to a maximum of .25 percentage points when investment returns outperform the existing discount rate of 7.5% by at least four percentage points). This will work to offset increased employer contribution rates that would otherwise increase when the discount rate is lowered and help pay down CalPERS unfunded liability. This adjustment is in large part due to the aging workforce. A decade ago the ratio of active to retired workers was 2 to 1, it is now 1.6 to 1 and the trend downward will likely continue.

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

**Long-term financial planning.** The City has adopted comprehensive financial policies addressing a range of items including accounting and reporting, internal controls, budget, revenue, debt service and investments. The policies are published in the budget and reviewed annually.

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

Insurance Fund—Goal of \$3,000,000 in net assets for aberrations in claims reserves and catastrophic losses.

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

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

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

The City also has a financial policy of transferring funds unspent in the General Fund at year-end to the Insurance Fund, Equipment Replacement Fund, Capital Improvement Fund and to add to Contingency Funds. The transfer for 2014-15 was \$2,610,442, per Council direction at Midyear Budget Review, to the Capital Improvement Fund. The City Council makes changes as necessary to the year- end transfer, depending on the equity in the funds or based on other needs.

In 2012-13 the City Council set aside \$2.5 million of unrestricted net position in the Insurance Internal Service Fund, in addition to \$ 3.5 million recorded as a liability, for the costs of the MacPherson Oil lawsuit settlement and proposed new oil project which are discussed in detail in the Notes to the Basic Financial Statements (Note 14). After the March 3, 2015 election when residents voted not to lift the ban on oil drilling, the City used the previously set aside \$6 million to pay E & B Natural Resources a portion of the \$17.5 settlement agreement. The remaining \$11.5 million was recorded as a liability at year end in the Insurance Fund and immediately paid off in August 2015 after lease revenue bonds were issued.

The City’s long term financial planning focuses on the Five Year Financial Forecast and Capital Improvement Plan, which is produced as part of the annual budget. In May 2015, staff presented the Fiscal Health Model from the International City/County Management Association’s (ICMA) Center for Performance Based Budgeting. The model is a tool that may be used to evaluate various scenarios to assist in gauging the fiscal health of the City. Since the City is built out, the Capital Improvement Plan primarily addresses maintenance, repair and upgrading of facilities and infrastructure, particularly streets, storm drains and sewers.

Primary projects coming up, (other than street and sewer improvements, which occur every year) are design of improvements for the Pacific Coast Highway/Aviation corridor, South Park Playground improvements, municipal pier structural repairs, and citywide energy conservation upgrades.

**Cash management policies and practices.** Temporarily idle cash was invested during the year in obligations of the U.S. Treasury, corporate notes, certificates of deposit, the State Treasurer's investment pool and the Los Angeles County pool. The average maturity was 51 months, with an average weighted yield on investments of .85% Investment income includes changes in the fair value of investments. Changes in fair value during the current year, however, do not necessarily represent trends that will continue nor do such amounts necessarily become realized, since the City intends to hold the investments to maturity.

**Risk management.** The City is self-insured up to \$250,000 for liability claims. Excess coverage up to \$20 million is obtained through the Independent Cities Risk Management Authority (ICRMA), a joint powers authority consisting of medium-sized California municipalities. The cost of the insurance depends on both the loss experience of member cities and the loss experience of the City.

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

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

Additional information on the City's risk management activity can be found in Note 8 of the Notes to the Basic 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. As of June 30, 2015, the City has twenty (20) Tier 2 employees. With the State's pension reform implemented 1/1/13, the City now has three tiers. As of 6/30/15 there are thirty-three (33) employees in Tier 3. The City has paid employee contributions as a negotiated benefit for many years however in 2012-13 the City negotiated for employees to begin paying the entire share of the employee contribution over three years with an offsetting increase in salaries, which will be achieved by 2014-15. All of these changes will 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 59 retirees receiving these benefits.

The City established a trust with an outside party to administer these funds in July 2007. The City is contributing the annual required contribution for all employees as determined by an actuarial study in the manner as is done for retirement contributions to CalPERS.

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

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a 2014 Certificate of Achievement for Excellence in Financial Reporting to the City of Hermosa Beach for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014. This was the twenty-fifth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a report must be published that satisfies both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would also like to express our appreciation to the City Manager and all of the departments, including the City Clerk and City Treasurer, and to our auditors, Pun & McGeady, LLP, for their assistance and support in preparation of the report. Credit also must be given to the Mayor and the City Council for their continuing support for maintaining the highest standards of professionalism in the management of the City of Hermosa Beach's finances.

Respectfully submitted,



Viki Copeland  
Finance Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Hermosa Beach  
California**

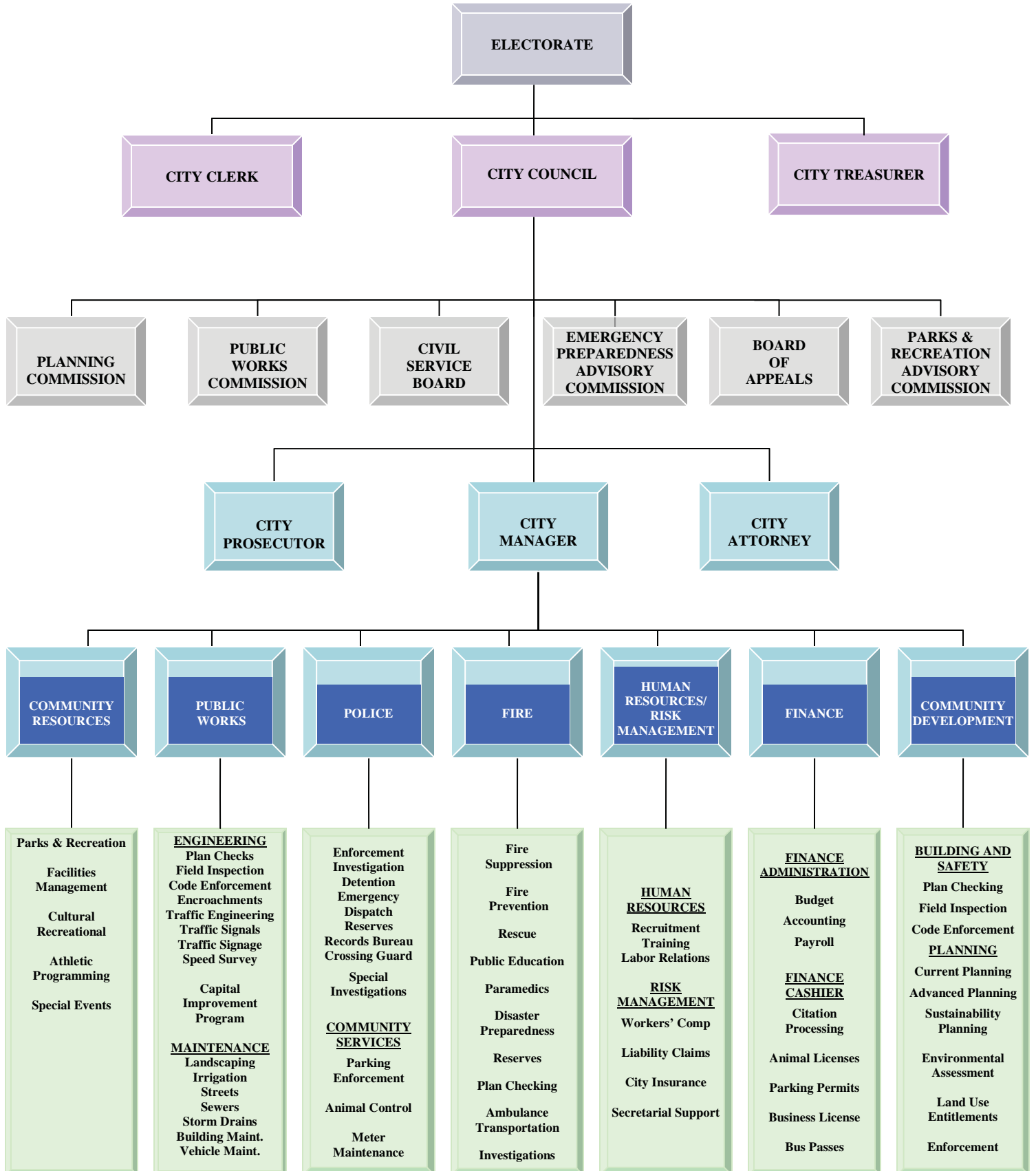
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO



# CITY OF HERMOSA BEACH ORGANIZATIONAL CHART





PRINCIPAL OFFICIALS OF THE CITY OF HERMOSA BEACH, CALIFORNIA

June 30, 2015

Elected and Administrative Officials

City Council

Nanette Barragan  
Carolyn Petty  
Michael Di Virgilio  
Hany Fangary  
Peter Tucker

Mayor  
Mayor Pro Tempore  
Councilmember  
Councilmember  
Councilmember

Other Elected Officials

Karen Nowicki  
Elaine Doerfling

City Treasurer  
City Clerk

Administrative Officials

Tom Bakaly  
Robert Blackwood

Viki Copeland  
Ken Robertson

Sharon Papa  
Andrew Brozyna  
David Lantzer

City Manager  
Interim Assistant to the  
City Manager  
Finance Director  
Community Development  
Director  
Police Chief  
Public Works Director  
Fire Chief

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200 East Sandpointe Avenue  
Suite 600  
Santa Ana, California 92707

**Phone:** (949) 777-8800  
**Fax:** (949) 777-8850  
[www.pm-llp.com](http://www.pm-llp.com)

## INDEPENDENT AUDITORS' REPORT

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Hermosa Beach, California (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, 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.

### **Emphasis of Matter**

#### *Implementation of GASB Statement No. 68 and 71*

As discussed in Note 1 to the basic financial statements, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The adoption of these standards required retrospective application of previously reported net position and reclassification of certain accounts as of July 1, 2014 as described in Note 16 to the basic financial statements. In addition, net pension liability is reported in the Statement of Net Position in the amount of \$36,303,639 as of the measurement date. Net pension liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2013 which was then rolled-forward by the actuaries to June 30, 2014, the measurement date for California Public Employee Retirement System (“CalPERS”) plans. Our opinion is not modified with respect to this matter.

#### *Settlements*

As discussed in Note 14 to the basic financial statements, the City entered into a settlement agreement with Macpherson to end the litigation. As a result of not passing the ballot Measure O, the City is obligated to pay E&B Natural Resources in the amount of \$17.5 million. \$6 million was paid during the year ended June 30, 2015 and the remaining amount of \$11.5 million is outstanding and reported in the Insurance Internal Insurance Fund at June 30, 2015. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, Budgetary Comparison Schedule-General Fund, Budgetary Comparison Schedule-Sewer Special Revenue Fund, Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of Contributions, and the Schedules of Funding Progress-Other Postemployment Benefits on pages 7 to 16 and 92 to 102, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining and Individual Nonmajor Fund Financial Statements and Budgetary Comparison Schedules, and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements and Budgetary Comparison Schedules 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 Budgetary Comparison Schedules 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 December 28, 2015, 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 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 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.

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Santa Ana, California  
December 28, 2015

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200 East Sandpointe Avenue  
Suite 600  
Santa Ana, California 92707

**Phone:** (949) 777-8800  
**Fax:** (949) 777-8850  
www.pm-llp.com

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

**Independent Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Hermosa Beach, California (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 28, 2015.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

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

**Purpose of this Report**

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

Handwritten signature in black ink that reads "Paul J. McGeady LLP". The signature is written in a cursive, flowing style.

Santa Ana, California  
December 28, 2015



## 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, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages v - x of this report.

### Financial Highlights

- Beginning with the fiscal year ended June 30, 2015, the City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions which requires the City to include its net pension liability in the government-wide financial statements. Similar to the City's long-term debt, the net pension liability is payable over an extended time horizon and does not represent a claim on current financial resources. For more information on the implementation of GASB Statement No. 68, please refer to the Government-wide Fund Analysis below and the note titled "Accounting Changes" (Note 1.O) in the Notes to the Basic Financial Statements.
- The assets and deferred outflows of resources of the City of Hermosa Beach exceeded its liabilities and deferred inflows of resources at the close of the last fiscal year by \$46,052,668 (net position). Excluding the \$36,303,639 net pension liability, \$11,434,602 represents unrestricted net position and may be used to meet the government's ongoing obligations.
- The City's net position, with the beginning balance restated to reflect the net pension liability as of July 1, 2014, increased by \$8,453,152, prior to the recording of the oil liability settlement, after which, it decreased to (\$5,546,848). See Note 14 on page 87.
- As of June 30, 2015, the City of Hermosa Beach's governmental funds reported combined ending fund balances of \$22,320,452, an increase of \$6,866,615 in comparison with the prior year. This increase due to a 4.9% increase in revenue and \$3 million transfer to the Sewer Fund from the Insurance Fund for the upcoming Sewer Rehabilitation Project.
- At the end of the current fiscal year, the City of Hermosa Beach's governmental fund balances of \$22,320,452 are comprised of nonspendable funds; \$19,444, restricted; \$4,188,404, committed; \$460,616; and assigned; \$17,651,988; 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 79%, or \$17,651,988 of the \$22,320,452 in funds could be redirected at the discretion of the City Council. See Note 11 on page 83.
- After the council approved transfer of \$2,610,442 into the Capital Improvement Fund, the committed and assigned fund balance in the General Fund was \$10,033,940 or 33% of total General Fund expenditures.
- The City of Hermosa Beach had no debt as of the end of fiscal year 2014-15, however the City subsequently issued lease revenue bonds of \$11.6 million in order to fund the balance of the oil settlement agreement with E&B Natural Resources. See Notes 14 and 15 on pages 87-89.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Hermosa Beach's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements** are designed to provide readers with a broad overview of the City of Hermosa Beach's finances, in a manner similar to a private-sector business.

The **Statement of Net Position** presents information on all of the City of Hermosa Beach's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Hermosa Beach is improving or deteriorating.

The **Statement of Activities** presents information showing how the government's net positions changed during the most recent fiscal year. All changes in net positions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused, vacation leave).

The governmental activities of the City of Hermosa Beach include legislative and legal, general government, public safety, public works, community development, and culture and recreation.

The government-wide financial statements include not only the City of Hermosa Beach itself, but also the Lighting and Landscaping District, the Lower Pier Avenue Assessment District and the Myrtle Avenue, Loma Drive, Bayview Drive and Beach Drive Utility Underground Districts. Although these entities are legally separate, they function for all practical purposes as part of the City, and therefore have been included as an integral part of the primary government.

The Government-Wide Financial Statements can be found on pages 21- 24 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hermosa Beach, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Hermosa Beach maintains twenty-four 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 funds below, which are considered to be a major fund:

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

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

Data from the other twenty-one governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Supplementary Information section in this report.

The City of Hermosa Beach adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund and Sewer Fund in the Required Supplementary Information section to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 30–33 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 38-40 of this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Hermosa Beach's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Funds of the Lower Pier Avenue, Myrtle Avenue, Loma Drive, Bayview Drive, and Beach Drive Undergrounding Districts are held as fiduciary funds.

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

**Notes to the basic 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 basic financial statements can be found on pages 45-89 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Hermosa Beach's major funds. Required supplementary information can be found on pages 92-102 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 105-148 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, 2015, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$46,052,668. Without the net pension liability, the net position would be \$82,356,307.

The City implemented GASB 68, Accounting and Financial Reporting for Pensions for the June 30, 2015 financial statements. The beginning balance of the 2014-15 net position was restated to reflect the impact of the implementation.

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 the new standards 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) will continue to be reported as 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 always does).

The major components of GASB No. 68 that affect the Statement of Net Position for Government-wide are:

- Deferred Outflows of Resources - Represents the deferred pension contribution, which is equal to the total amount of the 2014-15 contributions. The contributions are deferred to 2015-16 because the net pension liability balance is one year in arrears.
- Net Pension Liabilities (recorded in Long-Term Liabilities) - Represents the actuarially valued liabilities for the Police, Fire, and Miscellaneous Plans as of June 30, 2014.
- Deferred Inflows of Resources - Represents the difference between the expected and actual earnings on investments. The new accounting standard requires that differences between projected and actual investment returns be amortized on a straight-line basis over five years.

<b>Net Position</b>		
<b>June 30, 2015</b>		
<b>(dollars in thousands)</b>		
	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
Current and Other Assets	\$ 43,074	\$ 44,710
Noncurrent Assets	66,824	64,951
<b>Total Assets</b>	<b>109,898</b>	<b>109,661</b>
Deferred Outflows of Resources	4,480	-
Current Liabilities	18,084	7,163
Noncurrent Liabilities:		
Net Pension Liability	36,304	-
Long-term Liabilities- Other	5,915	10,205
<b>Total Liabilities</b>	<b>60,303</b>	<b>17,368</b>
Deferred Inflows of Resources	8,022	-
<b>Net Position:</b>	<b>46,053</b>	<b>92,293</b>
Investment in Capital Assets	66,733	64,828
Restricted	4,189	4,477
Unrestricted	(24,869)	22,988
<b>Total Net Position</b>	<b>46,053</b>	<b>92,293</b>
Impact of Restatement for GASB 68*	-	(40,693)
<b>Restated Net Position</b>	<b>\$ 46,053</b>	<b>\$ 51,600</b>

\*See Note 16 for Prior Period Adjustment. This amount represents the Net Pension Liability of (\$44,066,303) and Deferred Outflow of Resources of \$3,373,029.

The largest portion of the City of Hermosa Beach's net position, \$66,733,301, 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 \$4,188,404 represents resources that are subject to external restrictions on how they may be used.

Compliance with GASB 68 and 71 requires that the City's net pension liability be recorded on the Statement of Net Position, which reduces unrestricted net position and created a negative unrestricted net position or deficit of (\$24,869,037). Excluding the \$36,303,639 net pension liability, \$11,434,602 is available to meet the City's ongoing obligations to residents.

At June 30, 2015, 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, 2015 and June 30, 2014.

**Governmental Activities.** Governmental activities increased the City of Hermosa Beach's net position by \$8,453,152, prior to the oil liability settlement. After the recording of the liability settlement, the change in net position is (\$5,546,848). Significant elements of this change are as follows:

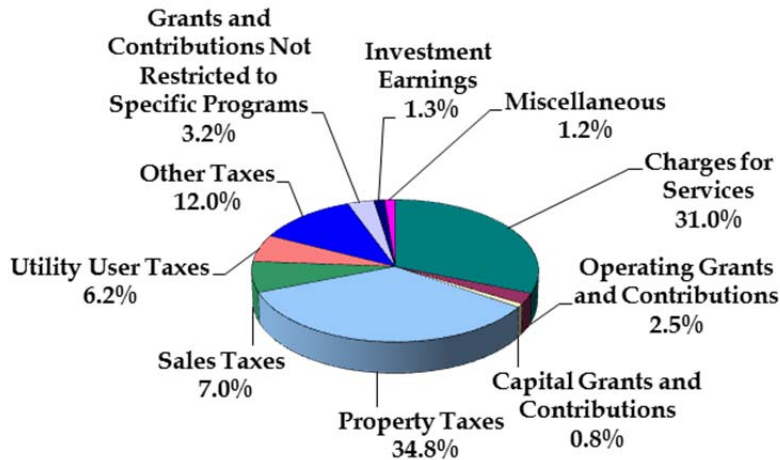
<b>Changes in Net Positions</b>		
<b>June 30, 2015</b>		
<b>(dollars in thousands)</b>		
	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
Revenues:		
Program Revenues:		
Charges For Services	\$ 12,268	\$ 11,740
Operating Grants and Contributions	984	1,106
Capital Grants and Contributions	329	261
General Revenues:		
Property Taxes	13,740	12,910
Other Taxes	9,948	9,578
Grants and Contributions Not		
Restricted to Specific Programs	1,246	1,223
Other	1,000	763
<b>Total Revenues</b>	<b>39,515</b>	<b>37,581</b>
Expenses:		
Legislative and Legal	1,293	1,076
General Government	3,078	2,828
Public Safety	16,737	16,856
Community Development	1,711	1,520
Culture and Recreation	1,257	1,068
Public Works	6,986	7,421
<b>Total Expenses</b>	<b>31,062</b>	<b>30,769</b>
Change in Net Position before Special Item	8,453	-
Settlement (Note 14)	(14,000)	-
Increase (Decrease) in Net Position	(5,547)	6,812
<b>Net Position - Beginning, as restated for 7/1/2014</b>	<b>51,600</b>	<b>85,481</b>
<b>Net Position- Ending</b>	<b>46,053</b>	<b>92,293</b>
Impact of Restatement for GASB 68*	-	(40,693)
<b>Adjusted Net Position, Ending</b>	<b>\$ 46,053</b>	<b>\$ 51,600</b>

\*See Note 16 for Prior Period Adjustment. This amount represents the Net Pension Liability of (\$44,066,303) and Deferred Outflow of Resources of \$3,373,029.

## Revenue for Governmental Activities

- Charges for services increased \$528,669 or 4.5%. An increase in building activities generated more building permits and plan check fees. Demand parking rates were implemented for part of the year as a test program.
- Property taxes revenue increased \$829,222 or 6.4%. Property values at the beach continue to increase at a faster pace than other areas.
- Sales Tax revenue increased \$114,594 or 4.3%.
- Transient Occupancy Tax (TOT) revenue increased \$145,330 or 6.6%. Since reported occupancy rates for 2014-15 were 81% compared to 81.1% for 2013-14, the continued increase in TOT revenue is most likely due to increased room rates, which are not reported to the City.
- Utility User Tax revenue was flat.
- Revenue from other taxes not listed above increased by \$111,123 or approximately 4.9%, primarily due to increases in real property transfer taxes and business licenses.

## Revenue by Source - Government Activities



Revenues:	2015	2014
Property Taxes	\$ 13,739,648	\$ 12,910,426
Charges for Services	12,268,168	11,739,499
Other Taxes	4,737,370	4,480,917
Sales Taxes	2,768,225	2,653,631
Utility Users Taxes	2,442,575	2,443,285
Grants & Contributions not Restricted to Specific Programs	1,246,419	1,222,808
Operating Grants & Contributions	983,628	1,106,254
Miscellaneous	489,740	621,480
Capital Grants & Contributions	328,649	260,844
Investment Earnings	510,668	141,794
<b>Total Revenues</b>	<b>\$ 39,515,090</b>	<b>\$ 37,580,938</b>

## Expenses for Governmental Activities

Expenses for Governmental Activities increased by \$159,055.

Legislative and Legal expenses increased \$217,003 or 20.2%. The increase is primarily due to interest paid on the oil settlement and the increased need for legal opinions from the City Attorney on matters including E&B Natural Resources and sewer fee.

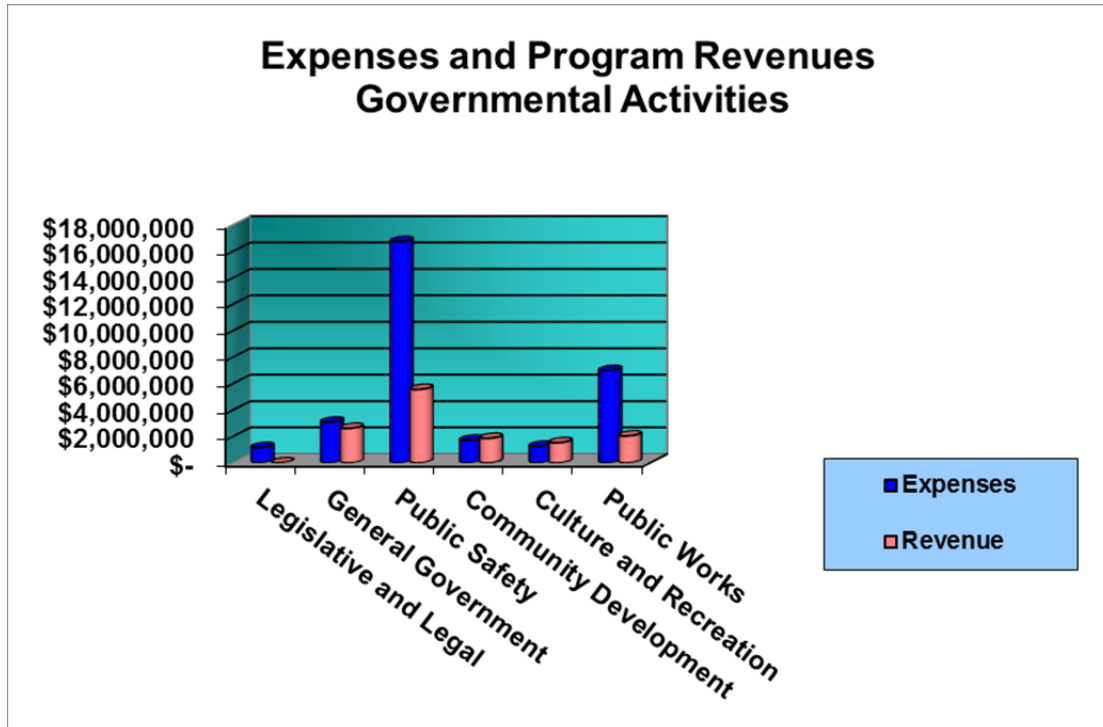
General Government expenses increased by \$250,149 or 8.8%. The increase is primarily due to personnel costs related to the conversion of two Management Analyst positions to full-time permanent (one of which was added at mid-year), the hiring of a full-time/temporary Environmental Coordinator, and additional part-time/temporary staff in the Finance Department. Additionally, there was an increase in contract services related to priority based budgeting and the fiscal health diagnostic tool.

Public Safety expenses decreased by (\$119,122) or 0.7%.

Community Development expenses increased by \$190,931 12.6%. The increase is primarily due to expenses related to the General and Coastal Plan update and an increase in contract services for plan checks.

Culture and Recreation expenses increased by \$188,923 or 17.7%. The increase is primarily due to increased personnel costs over 2013-14 due to position vacancies in the prior year.

Public Works expenses decreased by (\$434,962) or -5.9%. The decrease is primarily from a reduction in depreciation expenses due to several capital assets being fully depreciated in prior year. See Note 6 for allocation of depreciation expense. Without depreciation, expenditures would be up 6.7% primarily due to the addition of a part-time office assistant and increased use of engineering consulting services for technical and staff support.



## 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 \$22,320,452, an increase of \$6,866,615, in comparison with the prior fiscal year. See Note 11 for more information. The total fund balances of the governmental funds consist of the following:

- Non-spendable fund balance of \$19,444 represents prepaid items.
- Restricted fund balance of \$4,188,404, which have restrictions imposed by external parties or enabling legislation. Funds in this category include Lighting District Funds, Proposition A and C Transportation Funds, Asset Forfeiture Funds and Supplemental Law Enforcement Funds (COPS).
- Committed fund balance of \$ 460,616 which have reserves for capital outlay and future renovations.
- Assigned fund balance of \$17,651,988 which includes the amounts to be used for specific purposes of the City, but do not meet the criteria to be classified as restricted or committed. Funds in this category include Contingency funds ("rainy day" funds), Retirement Stabilization funds, Compensated Absences funds, Capital Projects, Capital Improvements, and Sewer and Storm drain funds.

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

The General Fund balance increased in fiscal year 2014-15 by \$2,408,686. This increase is a result of the addition of funds to the Contingency balance to meet our goal of 16% of operating appropriations, \$1,000,000 set aside for oil debt service payments, \$500,000 set aside for unspecified contingencies, and due to funds set aside for capital improvement projects not completed in 14-15.

Overall revenue increased by 4.6%. The increase is a result of the following: additional property tax revenue of 6.4%; additional sales tax revenue of 4.3%; increased transient occupancy tax revenue of 6.6%; a decrease in licenses and permits of 5.7%; service charge increases of 9.9%; fines and forfeitures decrease of 5.4%.

General Fund expenditures show an increase of 6.1%. The increase is primarily due to Public Safety and capital projects including: City Facilities Assessment, Community Center General Improvement Plan, Street Improvements, Fire Traffic Signal, and South Park. As previously noted, \$2,610,442 was transferred at year end to the Capital Improvement Fund.



## **General Fund Budgetary Highlights**

The final amended budget for revenue other than transfers is 2% more than the original budget. Actual revenue was higher than the final budget by \$1,079,481 or 3% for the following reasons:

- Tax revenue collections were 1.9% higher than budget primarily due to conservative estimates for property tax, transient occupancy tax, and sales tax.
- Licenses and Permits were 15% higher due to the unpredictability of estimates for building permits.
- Intergovernmental/State revenue was 106% higher due to the repayment by the State of unfunded mandates prior to 2004.
- Current Service Charges were up 7.5% primarily due to increased enrollment for recreation classes and programs and increased meter revenue.

The final amended budget for appropriations other than Transfers Out is more than the original budget by 4%. The increase was primarily due to funds reappropriated from 13-14 for ongoing capital improvement projects.

Actual expenditures other than Transfers Out were less than the final appropriations by 11% due primarily due to salary and benefits savings from personnel vacancies and capital improvement projects not completed in 2014-15.

## **Capital Asset and Debt Administration**

**Capital assets.** The City of Hermosa Beach's net investment in capital assets for its governmental as of June 30, 2015, amounts to \$66,733,301 (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, improvements, machinery and equipment, park facilities, roads, highways, and monuments. The total increase in the City of Hermosa Beach's investment in capital assets for the 2014-15 fiscal year was approximately 2.9%.

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

### **Governmental Activities**

- Construction in progress on South Park was \$400,531 at the end of the fiscal year.
- Completion of Citywide Street Improvements of \$932,560.
- Construction in progress for PCH Aviation Beautification was \$423,714 at the end of the fiscal year.
- Citywide Energy Conservation upgrades of \$131,494.
- Completion of Municipal Pier Structural Repairs of \$176,428.
- Purchase of 8 vehicles including an Ambulance.

Additional information on the City of Hermosa Beach's capital assets can be found in Note 6 on pages 62-63 of this report.

## **Insurance Fund**

As previously stated, the City had a \$17.5 million oil settlement agreement with E& B Natural Resources, of which \$6 million was paid from previously set aside funds. This resulted in the need to record a liability of \$11.5 million in the Insurance Fund at the end of 2014-15, creating a temporary deficit balance of \$6.9 million. The City issued bonds at the beginning of the 2015-16 fiscal year, which resolved the deficit fund balance. See Notes 14 and 15 for more information. The balance without the \$11.5 million liability is \$4,553,996 due to the decrease in claims liabilities for worker's compensation and liability claims.

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

- The 2015-16 Budget adds close to \$250,000 to the Contingency in the General Fund, which is 16% of operating expenditures and in line with the Council goal for a "Financially Sound City Government".
- \$2 million is committed in the General Fund as a contingency for potential debt service related to oil drilling issues.
- \$1,250,000 is committed in the General Fund for unspecified contingencies.
- As of October 27, 2015 City has one year agreements with all six employee bargaining units for 2015-16. See Note 15 C.
- Overall retirement costs increase 8% on average for the first three years of the 2016-21 Forecast due to change in actuarial assumptions and then decline by 4% in 2018-19 due to the Fire Side fund payoff, 22% in 2019-20 due to Police Side Fund payoff, and 13% in 2020-21 due to the Miscellaneous Group Side Fund. The side funds were created by CalPERS for any unfunded liability that existed when the city was pooled with other cities in 2003.

## **Revenue Trends and Assumptions**

The 2015-16 Budget demonstrates continuing improvement in the local economy and a balanced budget, with some added personnel, replacement of 12 vehicles, continued funding for upgrading the City's permitting software, high performance organization training that will move the city forward toward the goals set forth in the strategic plan, and funding for \$12.7 million in capital improvement projects. Added personnel include one police officer and one associate planner. Five (5) full time temporary positions, Management Analyst, Environmental Coordinator, Youth Program Coordinator, Code Enforcement Officer and Office Assistant, were converted to full time, permanent positions. Three positions were reclassified, from Senior Recreation Supervisor to Recreation Manager, Assistant City Manager to Human Resources Manager and Senior Planner to Planning Manager.

Hermosa Beach continues to have ongoing revenues exceed ongoing expenses. Revenue growth of 2.8% is anticipated in the 2015-16 Budget. Property tax is estimated to increase by 5% while sales tax and utility user tax is estimated to remain flat.

Significant expenditure reductions were initiated by the City Council and Staff over the last several years. It is difficult to determine the service level impacts of those cuts and that is something that is being studied. The Fiscal Health diagnostic model presented at the budget workshop will assist in achieving long-term fiscal sustainability. The strategy adopted is one where the Council slowly adds services and expenditures that are consistent with their new goals.

## **Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**City of Hermosa Beach**  
**Statement of Net Position**  
**June 30, 2015**

	Primary Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 40,229,962
Accounts receivable	1,548,436
Property taxes receivable, net	204,334
Reimbursable grants receivable	496,149
Interest receivable on investments	51,135
Other receivables	233,154
Other assets	310,386
Total current assets	43,073,556
Noncurrent assets:	
Net other postemployment benefit assets	91,126
Capital assets:	
Nondepreciable	25,291,631
Depreciable, net	41,441,670
Total capital assets, net	66,733,301
Total noncurrent assets	66,824,427
<b>Total assets</b>	<b>109,897,983</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension contribution made after measurement date	3,725,913
Employer's actual contributions in excess of employer's proportionate share of contributions	401,419
Adjustment due to difference in proportion	352,601
<b>Total deferred outflows of resources</b>	<b>4,479,933</b>

**City of Hermosa Beach**  
**Statement of Net Position (Continued)**  
**June 30, 2015**

	Primary Governmental Activities
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	3,057,685
Accrued wages and benefits payable	939,918
Refundable deposits	315,867
Unearned revenue	42,543
Interest payable	133,867
Settlement payable	11,500,000
Workers' compensation claims payable - due within one year	686,562
General liability claims payable - due within one year	323,644
Compensated absences - due within one year	1,083,642
Total current liabilities	18,083,728
Noncurrent liabilities:	
Workers' compensation claims payable - due in more than one year	4,134,783
General liability claims payable - due in more than one year	564,656
Compensated absences - due in more than one year	1,216,539
Aggregate net pension liability	36,303,639
Total noncurrent liabilities	42,219,617
<b>Total liabilities</b>	60,303,345
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Actual earnings in excess of expected earnings on pension plan investments	7,715,601
Employer's proportionate share of contributions in excess of employer's actual contributions	219,901
Adjustment due to difference in proportion	86,401
<b>Total deferred inflows of resources</b>	8,021,903
<b>NET POSITION</b>	
Investment in capital assets	66,733,301
Restricted for:	
Capital projects	608,773
Street and sewer purposes	358,907
Transportation purposes	2,270,235
Public works	49,949
Public safety	278,701
Culture and recreation	584,881
Undergrounding Districts	36,958
Total restricted	4,188,404
Unrestricted (Deficit)	(24,869,037)
<b>Total net position</b>	\$ 46,052,668



**City of Hermosa Beach**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

<b>Functions/Programs</b>	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
<b>Governmental activities:</b>					
Legislative and legal	\$ 1,293,214	\$ -	\$ -	\$ -	\$ -
General government	3,078,044	2,582,857	25,504	-	2,608,361
Public safety	16,737,044	5,398,329	155,585	-	5,553,914
Community development	1,710,563	1,679,400	176,720	-	1,856,120
Culture and recreation	1,257,311	1,522,417	-	-	1,522,417
Public works	6,985,762	1,085,165	625,819	328,649	2,039,633
Total governmental activities	<u>\$ 31,061,938</u>	<u>\$ 12,268,168</u>	<u>\$ 983,628</u>	<u>\$ 328,649</u>	<u>\$ 13,580,445</u>

**City of Hermosa Beach**  
**Statement of Activities (Continued)**  
**For the Year Ended June 30, 2015**

<b>Functions/Programs</b>	Net (Expense) Revenue and Changes in Net Position
<b>Primary government:</b>	
<b>Governmental activities:</b>	
Legislative and legal	\$ (1,293,214)
General government	(469,683)
Public safety	(11,183,130)
Community development	145,557
Culture and recreation	265,106
Public works	(4,946,129)
Total governmental activities	(17,481,493)
<b>General Revenues:</b>	
Taxes:	
Property taxes	13,739,648
Sales taxes	2,768,225
Real property transfer tax	312,416
Franchise fees	785,935
Transient occupancy tax	2,349,750
Business license	1,059,445
Utility users tax	2,442,575
½ cent sales tax for public safety	229,824
Total taxes	23,687,818
Grants and contributions not restricted to specific programs	1,246,419
Investment earnings	510,668
Miscellaneous	489,740
<b>Total general revenues</b>	<b>25,934,645</b>
<b>Change in net position before special item</b>	<b>8,453,152</b>
<b>Special Item:</b>	
Settlement (Note 14)	(14,000,000)
<b>Change in net position</b>	<b>(5,546,848)</b>
<b>Net position - beginning of year, as restated (Note 16)</b>	<b>51,599,516</b>
<b>Net position - end of year</b>	<b>\$ 46,052,668</b>

**FUND FINANCIAL STATEMENTS**

*Governmental Fund Financial Statements*

*Proprietary Fund Financial Statements*

*Fiduciary Fund Financial Statements*

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**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

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## GOVERNMENTAL FUND FINANCIAL STATEMENTS

The Governmental Funds of the City are outlined below:

**General Fund** - The General Fund accounts for all revenues and expenditures used to finance the traditional services associated with a municipal government which are not accounted for in the other funds. In Hermosa Beach, these services include general government, safety, community development, culture and recreation and public works.

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

**Capital Improvement 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, 2015**

	Major Funds				Total
	General	Sewer Special Revenue Fund	Capital Improvements Capital Projects Fund	Nonmajor Governmental Funds	
<b>ASSETS</b>					
Cash and investments	\$ 11,968,594	\$ 4,129,314	\$ 4,098,700	\$ 4,206,424	\$ 24,403,032
Accounts receivable	1,273,394	30,054	-	244,988	1,548,436
Property taxes receivable, net	197,577	-	-	6,757	204,334
Reimbursable grants receivable	-	-	-	496,149	496,149
Interest receivable on investments	32,062	7,336	2,752	8,985	51,135
Other receivables	233,154	-	-	-	233,154
Other assets	203,665	-	-	-	203,665
Due from other funds	283,126	-	-	-	283,126
<b>Total assets</b>	<b>\$ 14,191,572</b>	<b>\$ 4,166,704</b>	<b>\$ 4,101,452</b>	<b>\$ 4,963,303</b>	<b>\$ 27,423,031</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 1,351,931	\$ 430,653	\$ 177,258	\$ 506,450	\$ 2,466,292
Accrued wages and benefits payable	1,967,543	13,297	-	13,911	1,994,751
Refundable deposits	315,867	-	-	-	315,867
Unearned revenues	42,543	-	-	-	42,543
Due to other funds	-	-	-	283,126	283,126
<b>Total liabilities</b>	<b>3,677,884</b>	<b>443,950</b>	<b>177,258</b>	<b>803,487</b>	<b>5,102,579</b>
<b>Fund Balances:</b>					
Nonspendable	19,444	-	-	-	19,444
Restricted	460,304	-	-	3,728,100	4,188,404
Committed	28,900	-	-	431,716	460,616
Assigned	10,005,040	3,722,754	3,924,194	-	17,651,988
<b>Total fund balances</b>	<b>10,513,688</b>	<b>3,722,754</b>	<b>3,924,194</b>	<b>4,159,816</b>	<b>22,320,452</b>
<b>Total liabilities and fund balances</b>	<b>\$ 14,191,572</b>	<b>\$ 4,166,704</b>	<b>\$ 4,101,452</b>	<b>\$ 4,963,303</b>	<b>\$ 27,423,031</b>



**City of Hermosa Beach**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2015**

<b>Total Fund Balances - Total Governmental Funds</b>		<u>\$ 22,320,452</u>
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.	Government- Wide Statement of Net Position	Internal Service Funds
Nondepreciable	\$ 25,291,631	\$ (163,841) 25,127,790
Depreciable, net	<u>41,441,670</u>	<u>(2,882,155) 38,559,515</u>
Total capital assets	<u>\$ 66,733,301</u>	<u>\$ (3,045,996) 63,687,305</u>
Net other postemployment benefit assets are not available to pay for current period expenditures and therefore, are not reported in the governmental funds.		<u>91,126</u>
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		(6,946,004)
Equipment Replacement Fund		<u>7,961,937</u>
Total Internal Service Funds		<u>1,015,933</u>
Compensated absences were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.		
Total compensated absences		(2,300,181)
Internal service funds		16,875
Amount included in the payroll liabilities		<u>1,066,767</u> (1,216,539)
Pension contributions made during the year after the measurement date are reported as pension expense in governmental funds and as deferred outflow of resources in the government-wide financial statements.		<u>3,725,913</u>
Deferred amounts relates to pension net available for current expenditures and are not reported in the governmental fund financial statements:		
Actual earnings in excess of expected earning on pension plan investments.		<u>(7,715,601)</u>
Deferred amounts relates to pension net available for current expenditures and are not reported in the governmental fund financial statements:		
Employer's actual contributions in excess of employer's proportionate contributions.		401,419
Positive adjustment due to difference in proportions.		352,601
Employer's proportionate contributions in excess of employer's actual contributions		(219,901)
Negative adjustment due to differences in proportions.		(86,401)
Net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds.		<u>(36,303,639)</u>
<b>Net Position of Governmental Activities</b>		<u>\$ 46,052,668</u>

**City of Hermosa Beach**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	Major Funds				Total
	General	Sewer Special Revenue Fund	Capital Improvements Capital Projects Fund	Nonmajor Governmental Funds	
<b>REVENUES:</b>					
Property taxes	\$ 13,739,649	\$ -	\$ -	\$ 458,405	\$ 14,198,054
Other taxes	9,948,170	-	-	1,044,207	10,992,377
Licenses and permits	916,073	-	-	-	916,073
Fines and forfeitures	2,600,786	-	-	51,407	2,652,193
Use of money and property	768,912	-	-	318,846	1,087,758
Intergovernmental	298,001	15,321	-	977,527	1,290,849
Charges for services	6,941,275	74,958	-	302,176	7,318,409
Miscellaneous	252,854	40,000	-	395,193	688,047
Interest earned on investments	152,544	20,056	18,751	52,675	244,026
<b>Total revenues</b>	<b>35,618,264</b>	<b>150,335</b>	<b>18,751</b>	<b>3,600,436</b>	<b>39,387,786</b>
<b>EXPENDITURES:</b>					
Current:					
Legislative and legal	1,170,229	-	-	-	1,170,229
General government	2,960,379	-	-	80,047	3,040,426
Public safety	18,009,359	-	-	133,599	18,142,958
Community development	1,529,958	-	-	192,555	1,722,513
Culture and recreation	1,217,620	-	-	28,912	1,246,532
Public works	4,166,087	572,751	-	578,703	5,317,541
Capital outlay	1,010,144	462,231	211,488	1,936,322	3,620,185
<b>Total expenditures</b>	<b>30,063,776</b>	<b>1,034,982</b>	<b>211,488</b>	<b>2,950,138</b>	<b>34,260,384</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>5,554,488</b>	<b>(884,647)</b>	<b>(192,737)</b>	<b>650,298</b>	<b>5,127,402</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	351,104	3,914,256	2,610,442	36,111	6,911,913
Transfers out	(3,496,906)	-	(1,324,690)	(351,104)	(5,172,700)
<b>Total other financing sources (uses)</b>	<b>(3,145,802)</b>	<b>3,914,256</b>	<b>1,285,752</b>	<b>(314,993)</b>	<b>1,739,213</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>2,408,686</b>	<b>3,029,609</b>	<b>1,093,015</b>	<b>335,305</b>	<b>6,866,615</b>
<b>FUND BALANCES:</b>					
Beginning of year	8,105,002	693,145	2,831,179	3,824,511	15,453,837
End of year	\$ 10,513,688	\$ 3,722,754	\$ 3,924,194	\$ 4,159,816	\$ 22,320,452

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 Balances to the Government-Wide Statement of Activities**  
**For the Year Ended June 30, 2015**

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**Net Change in Fund Balances - Total Governmental Funds** \$ 6,866,615

Governmental activities in the Statement of Activities were reported differently because:

Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount of capital assets recorded in the current period is listed below.

Total capital outlay expenditures reported in governmental funds	3,620,185
Less: repair and maintenance expenditures	<u>(172,071)</u>
Total capital outlay (net of \$812,185 reported in internal service fund)	<u>3,448,114</u>

The net effect on disposal of capital assets.	(81,774)
---	----------

Depreciation expense of capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds except for the Internal Service Fund amounts listed below.

Total depreciation reported in Government-Wide Statement of Activities	(2,272,785)
Less: depreciation reported in Internal Service Funds	<u>341,180</u>
Total	<u>(1,931,605)</u>

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.	847,665
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Changes in net other postemployment benefit assets reported in the Statement of Activities do not use current financial resources and, therefore, are not reported as an expenditures in governmental funds.	(31,588)
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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.	(153,780)
--	-----------

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>(14,510,495)</u>
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<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ (5,546,848)</u></u>
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**PROPRIETARY FUND FINANCIAL STATEMENTS**

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## PROPRIETARY FUND FINANCIAL STATEMENTS

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

**City of Hermosa Beach**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	Governmental Activities
	Internal Service Funds
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 15,826,930
Other assets	106,721
Total current assets	15,933,651
Noncurrent assets:	
Nondepreciable capital assets	163,841
Depreciable capital assets, net of accumulated depreciation	2,882,155
Total noncurrent assets	3,045,996
<b>Total assets</b>	<b>18,979,647</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	591,393
Accrued wages and benefits payable	11,934
Interest payable on settlement	133,867
Settlement payable (Note 14)	11,500,000
Workers' compensation claims payable - due within one year	686,562
General liability claims payable - due within one year	323,644
Compensated absences due within one year	16,875
Total current liabilities	13,264,275
Long-term liabilities:	
Workers' compensation claims payable - due in more than one year	4,134,783
General liability claims payable - due in more than one year	564,656
Total long-term liabilities	4,699,439
<b>Total liabilities</b>	<b>17,963,714</b>
<b>NET POSITION</b>	
Investment in capital assets	3,045,996
Unrestricted (deficit)	(2,030,063)
<b>Total net position</b>	<b>\$ 1,015,933</b>



**City of Hermosa Beach**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Governmental Activities
	Internal Service Funds
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 4,301,712
Miscellaneous revenue	200,351
<b>Total operating revenues</b>	<b>4,502,063</b>
<b>OPERATING EXPENSES:</b>	
Salaries and wages	276,195
Contractor services	1,752,064
Supplies	516,373
Claims expense	262,393
Depreciation	341,180
<b>Total operating expenses</b>	<b>3,148,205</b>
<b>OPERATING INCOME</b>	<b>1,353,858</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Operating grant	3,000
Interest expenses	(133,867)
Gain on disposal of capital assets	5,727
<b>Total nonoperating revenues (expenses)</b>	<b>(125,140)</b>
<b>LOSS BEFORE TRANSFERS AND SPECIAL ITEM</b>	<b>1,228,718</b>
<b>TRANSFERS:</b>	
Transfers in	1,324,690
Transfers out	(3,063,903)
<b>Total transfers</b>	<b>(1,739,213)</b>
<b>SPECIAL ITEM:</b>	
Settlements (Note 14)	(14,000,000)
<b>Total special item</b>	<b>(14,000,000)</b>
<b>Change in net position</b>	<b>(14,510,495)</b>
<b>NET POSITION:</b>	
Beginning of the year	15,526,428
End of the year	<b>\$ 1,015,933</b>

**City of Hermosa Beach**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Governmental Activities
	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received for services from other funds	\$ 4,301,712
Cash received from insurance recovery	200,351
Cash payments to suppliers for goods and services	(1,941,921)
Cash payments to employees for services	(285,530)
Cash payment for insurance premiums	(1,504,994)
<b>Net cash provided by operating activities</b>	<b>769,618</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Contributions	3,000
Payment on settlement	(6,000,000)
Transfers in	1,324,690
Transfers out	(3,063,903)
<b>Net cash (used in) noncapital financing activities</b>	<b>(7,736,213)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition of capital assets	(812,185)
Proceeds from sale of capital assets	25,121
<b>Net cash (used in) capital and related financing activities</b>	<b>(787,064)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(7,753,659)</b>
<b>CASH AND CASH EQUIVALENTS:</b>	
Beginning of year	23,580,589
End of year	\$ 15,826,930
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	\$ 1,353,858
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	341,180
(Increase) decrease in:	
Other assets	(27,721)
Increase (decrease) in:	
Accounts payable	354,237
Accrued wages and benefits payable	130
Workers' compensation claims payable	(744,567)
General liability claims payable	(498,034)
Compensated absences	(9,465)
Total adjustments	(584,240)
<b>Net cash provided by operating activities</b>	<b>\$ 769,618</b>

See accompanying Notes to the Basic Financial Statements.

**FIDUCIARY FUND FINANCIAL STATEMENTS**

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## **FIDUCIARY FUND FINANCIAL STATEMENTS**

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

**City of Hermosa Beach**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2015**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 555,723
Interest receivable	1,225
Other accounts receivable	7,318
Other assets	<u>90</u>
<b>Total assets</b>	<b><u>\$ 564,356</u></b>
<b>LIABILITIES</b>	
Assessment:	
Installment account	\$ 551,356
Reserve requirement	<u>13,000</u>
<b>Total liabilities</b>	<b><u>\$ 564,356</u></b>

**City of Hermosa Beach**  
**Index to Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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	<u>Page</u>
<b>Note 1 – Summary of Significant Accounting Policies.....</b>	<b>47</b>
A. Financial Reporting Entity .....	47
B. Basis of Accounting and Measurement Focus .....	48
C. Cash and Investments.....	50
D. Property Taxes Receivable.....	50
E. Interfund Transactions.....	50
F. Capital Assets.....	51
G. Unearned and Unavailable Revenue .....	51
H. Claims Payable.....	51
I. Compensated Absences Payable .....	52
J. Pension .....	52
K. Net Position.....	53
L. Fund Balances .....	53
M. Spending Policy .....	54
N. Use of Estimates.....	54
O. Accounting Changes .....	55
<b>Note 2 – Cash and Investments.....</b>	<b>55</b>
<b>Note 3 – Receivables.....</b>	<b>59</b>
<b>Note 4 – Lease Revenues.....</b>	<b>60</b>
<b>Note 5 – Interfund Transactions.....</b>	<b>61</b>
<b>Note 6 – Capital Assets .....</b>	<b>62</b>
<b>Note 7 – Compensated Absences.....</b>	<b>63</b>
<b>Note 8 – Risk Management.....</b>	<b>63</b>
<b>Note 9 – Defined Benefit Pension Plans.....</b>	<b>65</b>
<b>Note 10 – Other Postemployment Benefit Plan .....</b>	<b>80</b>
<b>Note 11 – Classification of Fund Balances .....</b>	<b>83</b>
<b>Note 12 – Non-City Obligations .....</b>	<b>84</b>
<b>Note 13 – Commitments and Contingencies .....</b>	<b>86</b>
<b>Note 14 – Macpherson Oil Project Litigation.....</b>	<b>87</b>
<b>Note 15 – Subsequent Events .....</b>	<b>89</b>
<b>Note 16 – Prior Period Adjustments.....</b>	<b>89</b>

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**City of Hermosa Beach**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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

The basic financial statements of the City of Hermosa Beach, California, (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the City’s significant policies:

**A. Financial Reporting Entity**

The City was incorporated on January 14, 1907, under the General Laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety (police, crossing guards and fire), maintenance and construction of public improvements, cultural, recreation, community development (planning and zoning), and general administrative services.

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

Management determined that the following entities should be reported as blended component units based on the criteria above. Each blended component unit has a June 30 year-end, has a governing board that is substantially the same as the City’s, 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.

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, 2015**

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

***B. Basis of Accounting and Measurement Focus***

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the statement of net position reports separate sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable.

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

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

*Government-Wide Financial Statements*

The government-wide financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Fiduciary activities of the City are not included in these statements.

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

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

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

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

*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, 2015**

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**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. The exception to that rule is sales tax. Beginning in 2004-05, the State took sales tax revenue (Sales Tax In Lieu) from cities and counties, in order to use the source of funds as a guarantee for state issued debt to finance budget deficits. Sales tax is received on a monthly basis. Funds will be repaid according to the property tax schedule, with the bulk of payments occurring only twice a year. As such, the City has adopted an accrual policy of 7 months for recording this revenue. The revenue was earned by June 30, however the payment will not be received until January of the following fiscal year. This amount is reported as assigned fund balance to reflect that these funds are not available for appropriation. Business license fees are recorded as received, except at year-end when they are accrued pursuant to the modified accrual basis of accounting. The City recognizes business license revenue collected within 60 days as revenue at June 30. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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

The City reports the following major governmental fund:

General Fund – The General Fund is the City’s principal operating fund. It accounts for all revenues and expenditures used to finance the traditional services associated with a municipal government except those required to be accounted for in another fund.

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

Capital Improvement Capital Projects Fund – The Capital Improvement Capital Projects Fund is funds 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, 2015**

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

***B. Basis of Accounting and Measurement Focus (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 agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds are accounted for using the accrual basis of accounting. The City maintains seven fiduciary funds which represent assets resulting from assessments to the property owners in four utility undergrounding districts, two reserve funds for utility undergrounding districts and a downtown improvement district (Lower Pier Avenue). The assets are used to repay bonds secured by the private property in the district.

***C. Cash and Investments***

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

Investments are stated at fair value (quoted market price or best available estimate thereof).

***D. 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 when received in cash except at year-end when they are accrued pursuant to the modified accrual basis of accounting. The City recognizes available taxes, or those collected within 60 days, as revenue at June 30.

The County is permitted by State law to levy taxes at 1% of full market value (at time of purchase) and can increase the assessed valuation no more than 2% per year. The City receives a share of this basic levy, or .203 cents of each \$1.00, proportionate to what it received during the years 1976 to 1978.

***E. 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).

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

***F. Capital Assets***

In the government-wide financial statements, capital assets, which include land, buildings, improvements, equipment, furniture, and infrastructure assets (e.g., roads, sidewalks, and similar items), are recorded at historical cost or estimated historical if purchased or constructed. Donated capital assets are valued at their estimated fair market value on the date donated. 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

***G. Unearned and unavailable revenue***

In the government-wide financial statements, unearned revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues in the government-wide financial statements are cell phone site license lease payments received in advance, prepaid charges for services and facility rentals paid in advance.

In the fund financial statements, unearned revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unearned revenue for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations in accordance with GASB Statement No. 65. Typical transactions for which unearned revenue is recorded are lease payments, quarterly encroachment fees and advance registration for recreation classes which were not yet earned.

***H. Claims Payable***

The City records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers’ compensation claims. The estimated liability for workers’ compensation claims and general liability claims includes “*incurred but not reported*” (“IBNR”) claims. There is no fixed payment schedule to pay these liabilities.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

**I. *Compensated Absences Payable***

City employees have vested interest in varying levels of vacation, sick leave and compensatory time based on their length of employment. It is the policy of the City to pay all accumulated vacation pay and all or a portion of sick pay when an employee retires or terminates. The long-term amount is included as a liability in the governmental activities of the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. All of the liability for compensated absences applicable to proprietary funds is reported in those funds. 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.

**J. *Pension***

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These pronouncements affected pension related items. See Note 1 O.

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

The following timeframes are used for pension reporting:

CalPERS

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Measurement Period	July 1, 2013 to June 30, 2014

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

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

**K. 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.

**L. 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.

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.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

***M. 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. For 2014-15, the City Council determined that all unspent funds in the General Fund \$2,610,442 would be transferred to the Capital Improvement Capital Projects Fund. The City Council makes changes as necessary to the year end transfer, depending on the equity in the funds or based on other needs.

***N. 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, 2015**

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

***O. Accounting Changes***

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures for pension plans. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement became effective for periods beginning after June 15, 2014. See Note 16 for prior period adjustment as a result of implementation.

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement became effective for periods beginning after December 15, 2013 and did not have a significant impact on the City’s financial statements for the year ended June 30, 2015.

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This Statement establishes standards related to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement became effective for periods beginning after June 15, 2014. See Note 16 for prior period adjustment as a result of implementation.

**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, 2015:

	Government-Wide Statement of Net Position Governmental Activities	Statement of Fiduciary Net Position	Total
Cash and investments	\$ 40,229,962	\$ 555,724	\$ 40,785,686

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

The City’s cash and investments at June 30, 2015 in more detail:

Cash and cash equivalents:	
Demand deposits	\$ 5,644,245
Petty cash	2,000
Total cash and cash equivalents	5,646,245
Investments:	
Local Agency Investment Fund	2,232,088
Los Angeles County Pooled Investments Funds	28,719,506
Negotiable certificates of deposit	3,191,747
Corporate medium-term notes	501,410
U.S. Government Sponsored Enterprise Securities	494,690
Total investments	35,139,441
<b>Total cash and investments</b>	<b>\$ 40,785,686</b>

**A. Deposits**

The carrying amounts of the City’s demand deposits were \$5,644,245 at June 30, 2015. Bank balances at that date were \$6,013,158, the total amount of which was collateralized or insured with accounts held by the pledging financial institutions in the City’s name as discussed below.

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

The market value of pledged securities must equal at least 110% of the City’s cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City’s total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (“FDIC”). The City, however, has not waived the collateralization requirements.

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

**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.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

**B. Investments (Continued)**

- 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, 2015 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, 2015, the City had \$2,232,088 invested in LAIF, which had invested 2.08% of the pool investment funds in Structured Notes and Asset-Backed Securities.

***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, 2015, the City had \$28,719,506 invested in the Los Angeles County Investment Pool.

**C. Risk Disclosures**

***Interest Rate Risk*** - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy limits investments to a maximum maturity of five years.

At June 30, 2015, the City had the following investment maturities:

Investment Type	Fair value	Investment Maturities (in Years)			
		Less than 1	1 to 2	2 to 3	4 to 5
Local Agency Investment Fund	\$ 2,232,088	\$ 2,232,088	\$ -	\$ -	\$ -
Los Angeles County Pooled Investments Fund	28,719,506	28,719,506	-	-	-
Certificates of deposit	3,191,747	690,760	748,924	248,308	1,503,755
Corporate medium-term notes	501,410	501,410	-	-	-
U.S. Government Sponsored Enterprise Securities	494,690	-	-	-	494,690
<b>Total</b>	<b>\$ 35,139,441</b>	<b>\$ 32,143,764</b>	<b>\$ 748,924</b>	<b>\$ 248,308</b>	<b>\$ 1,998,445</b>

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

**C. Risk Disclosures (Continued)**

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, 2015, 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	6.35%
Los Angeles County Pooled Investments Fund	Not Rated	Not Rated	81.73%
Certificates of Deposits	Not Rated	Not Rated	9.08%
Corporate medium-term notes:			
General Electric Capital Corp.	A1	AA+	1.43%
U.S. Government Sponsored Enterprise Securities:			
Federal Home Loan Bank	Aaa	AA+	1.41%
Total			100.00%

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, 2015.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 3 - Receivables**

**A. Government-Wide Financial Statements**

At June 30, 2015, the government-wide financial statements show the following receivables, net of allowances for uncollectible amounts, if any:

	Government-Wide Statement of Net Position <u>Governmental Activities</u>	Statement of Fiduciary Net Position <u>Net Position</u>	<u>Total</u>
Accounts receivable	\$ 1,548,436	\$ -	\$ 1,548,436
Property taxes receivable, net	204,334	-	204,334
Reimbursable grants receivable	496,149	-	496,149
Interest receivable on investments	51,135	1,225	52,360
Other receivables	233,154	7,318	240,472
<b>Total</b>	<b>\$ 2,533,208</b>	<b>\$ 8,543</b>	<b>\$ 2,541,751</b>

**B. Fund Financial Statements**

**Accounts Receivable**

Accounts receivable consisted of amounts accrued in the ordinary course of operations. The total amount of accounts receivable for each major and nonmajor funds in the aggregate as of June 30, 2015, were as follows:

General Fund	\$ 1,736,187
Sewer Special Revenue Fund	37,390
Capital Improvements Capital Projects Fund	2,752
Nonmajor Funds	<u>756,879</u>
<b>Total governmental funds</b>	<u>2,533,208</u>
<b>Total accounts receivable</b>	<u>\$ 2,533,208</u>

**Taxes Receivable**

At June 30, 2015, 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:

	<u>Property taxes</u>	<u>Allowance for delinquent tax receivables</u>	<u>Property taxes, net of allowance</u>
<b>Governmental Funds:</b>			
General Fund	\$ 793,416	\$ (595,839)	\$ 197,577
Nonmajor funds	15,248	(8,491)	6,757
<b>Total</b>	<b>\$ 808,664</b>	<b>\$ (604,330)</b>	<b>\$ 204,334</b>

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 3 – Receivables (Continued)**

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

**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, 2015 was as follows:

<b>Governmental Funds:</b>	
Safe Drinking Water Grant	\$ 18,233
California Coastal Commission	20,275
West Basin	1,375
General Coastal Plan Update	88,410
Surf Memorial Trust	176,243
Coastal Conservancy - Sea Level Rise	31,095
Other	160,518
<b>Total reimbursable grants receivable</b>	<b>\$ 496,149</b>

**Note 4 – Lease Revenues**

In February 2001, a 50 year lease for the retail space located in front of the North Pier Parking Structure was initiated. The City receives a monthly lease payment in the amount of \$2,985. The lease includes a negotiated increase to the monthly lease payment to be calculated every 60 months based on the consumer price index. The next increase is due in January 2016.

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. The City received a monthly lease payment in the amount of \$2,813.

In June 2005, the City purchased property adjacent to City Hall that is used as a self-storage facility. The existing lease for the storage facility was transferred to the City as a condition of the sale. The original lease term was through January 31, 2009, and was extended beginning February 1, 2009 to April 30, 2015 through various amendments. In April, 2015, the lease was amended to extended extend the term to April 30, 2020 and that lease can be terminated without cause at any time after April 2017 with one year of written notice to the City. The City receives a monthly lease payment in the amount of \$15,000.

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

The City leases a portion of the Hermosa Beach Community Center to nonprofit and cultural organizations. The leases are renegotiated annually.

All of the above leases are accounted for as operating leases by the City.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

The future minimum rental revenues under these leases are as follows:

Year ending June 30,		
2016	\$	266,059
2017		246,675
2018		247,601
2019		237,426
2020		185,816
2021-2025		179,080
2026-2030		179,080
2031-2035		179,080
2036-2040		179,080
2041-2045		179,080
2046-2050		161,172
<b>Total</b>	<b>\$</b>	<b>2,240,149</b>

Lease revenue for the year ended June 30, 2015 was \$322,966.

**Note 5 – Interfund Transactions**

**Due From/To Other Funds** – At June 30, 2015, the City had the following due from/to other funds:

Due To Other Funds	Due From Other Funds
	General Fund
Nonmajor Governmental funds	\$ 283,126
<b>Total</b>	<b>\$ 283,126</b>

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

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

**Transfers**

During the year ended June 30, 2015, the City had the following transfers:

Transfers out	Transfers in					Total
	General Fund	Sewer Special Revenue Fund	Capital Improvements Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	
General Fund	\$ -	\$ 850,353	\$ 2,610,442	\$ 36,111	\$ -	\$ 3,496,906
Capital Improvements						
Capital Projects Fund	-	-	-	-	1,324,690	1,324,690
Nonmajor Governmental Funds	351,104	-	-	-	-	351,104
Internal Service funds	-	3,063,903	-	-	-	3,063,903
<b>Total</b>	<u>\$ 351,104</u>	<u>\$ 3,914,256</u>	<u>\$ 2,610,442</u>	<u>\$ 36,111</u>	<u>\$ 1,324,690</u>	<u>\$ 8,236,603</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 reimburse the General Fund for administration services provided to other funds. In addition, \$3,063,903 was transferred from Insurance Internal Service Fund to Sewer Special Revenue Fund to help fund the upcoming sewer rehabilitation project, \$2,610,442 was transferred from General Fund to Capital Improvements Capital Projects fund to fund capital projects, and \$1,324,690 was transferred from Capital Improvements Capital Projects Fund to Equipment Replacement Internal Service Fund to meet equipment funding goals during the year ended June 30, 2015.

**Note 6 – Capital Assets**

The following is a summary of changes in capital assets for the governmental activities for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Reclassifications	Balance June 30, 2015
<i>Capital assets not being depreciated:</i>					
Land	\$ 22,740,168	\$ -	\$ -	\$ -	\$ 22,740,168
Construction in progress	1,175,057	1,786,816	(81,025)	(329,385)	2,551,463
Total capital assets not being depreciated	<u>23,915,225</u>	<u>1,786,816</u>	<u>(81,025)</u>	<u>(329,385)</u>	<u>25,291,631</u>
<i>Capital assets being depreciated:</i>					
Buildings and structures	12,945,808	-	-	-	12,945,808
Improvements other than buildings	14,459,688	-	-	-	14,459,688
Machinery and equipment	4,133,782	1,163,128	(66,975)	-	5,229,935
Vehicles	4,107,697	169,019	(113,908)	-	4,162,808
Infrastructure	49,522,531	1,141,336	-	329,385	50,993,252
Total capital assets being depreciated	<u>85,169,506</u>	<u>2,473,483</u>	<u>(180,883)</u>	<u>329,385</u>	<u>87,791,491</u>
Less accumulated depreciation for:					
Buildings and structures	(4,152,929)	(102,635)	-	-	(4,255,564)
Improvements other than buildings	(11,480,885)	(265,107)	-	-	(11,745,992)
Machinery and equipment	(2,989,759)	(273,313)	65,782	-	(3,197,290)
Vehicles	(2,468,861)	(217,319)	113,908	-	(2,572,272)
Infrastructure	(23,164,292)	(1,414,411)	-	-	(24,578,703)
Total accumulated depreciation	<u>(44,256,726)</u>	<u>(2,272,785)</u>	<u>179,690</u>	<u>-</u>	<u>(46,349,821)</u>
Total capital assets being depreciated, net	<u>40,912,780</u>	<u>200,698</u>	<u>(1,193)</u>	<u>329,385</u>	<u>41,441,670</u>
<b>Total governmental activities</b>	<u>\$ 64,828,005</u>	<u>\$ 1,987,514</u>	<u>\$ (82,218)</u>	<u>\$ -</u>	<u>\$ 66,733,301</u>



**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 6 – Capital Assets (Continued)**

Depreciation expense was charged to functions/programs of governmental activities for the year ended June 30, 2015 as follows:

General government	\$	57,315
Public safety		124,812
Community development		18,916
Culture and recreation		47,617
Public works		268,535
Infrastructure		1,414,410
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		341,180
<b>Total depreciation expense</b>	<b>\$</b>	<b><u>2,272,785</u></b>

**Note 7 – Compensated Absences**

Summary of changes in compensated absences for governmental activities for the year ended June 30, 2015 is as follows:

				Classification		
	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due within One Year	Due in more than One Year
Compensated absences	\$ 2,270,972	\$ 999,404	\$ (970,195)	\$ 2,300,181	\$ 1,083,642	\$ 1,216,539

The compensated absences payable has been accrued for the governmental activities on the government-wide financial statements. Typically, the General Fund (major fund), the Lighting and Landscaping District Fund, AB 939 Fund and the Sewer Fund (nonmajor funds) have been used to liquidate the liability for compensated absences. There is no fixed payment schedule to pay these liabilities.

**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 and the California State Association of Counties ("CSAC"). Together, these two joint powers authorities provide a shared limit of coverage up to a maximum of \$200 million.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

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

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

The City's premiums to ICRMA in the amount of \$744,287 for the fiscal year 2014-2015 are in accordance with formulas established by ICRMA. The City is liable for possible additional assessments and withdrawal costs under terms of the membership agreement; however, there has never been an additional assessment since the pool was formed.

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

The workers' compensation and general liability claims payable of \$5,709,645 reported at June 30, 2015 includes the liability for claims in which it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the City's claims liability amounts were as follows:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Year Liability	Amounts Due within One Year	Amounts Due in more than One Year
<u>Workers' Compensation</u>						
2012-2013	\$ 6,956,550	\$ 821,226	\$ (842,530)	\$ 6,935,246	\$ 1,064,488	\$ 5,870,758
2013-2014	6,935,246	(452,257)	(917,077)	5,565,912	791,596	4,774,316
2014-2015	5,565,912	(1,168,562)	423,995	4,821,345	686,562	4,134,783
<u>General Liability</u>						
2012-2013	\$ 1,058,513	\$ 381,993	\$ (260,835)	\$ 1,179,671	\$ 417,109	\$ 762,562
2013-2014	1,179,671	827,029	(620,366)	1,386,334	518,155	868,179
2014-2015	1,386,334	(325,127)	(172,907)	888,300	323,644	564,656

Detailed financial information may be obtained from the ICRMA Program Administrator located at 1100 W. Town and Country Road, Suite 1550, Orange, CA 92868.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 9 – Defined Benefit Pension Plans**

The following is a summary of changes in deferred outflows and inflows of resources, and net pension liability for the governmental activities for the year ended June 30, 2015:

	<b>Balance July 1, 2014 (As Restated)</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2015</b>
<b>Deferred outflows of resources:</b>				
Pension contribution made after measurement date:				
Fire Tier 1	\$ 726,540	\$ 759,620	\$ (726,540)	\$ 759,620
Fire Tier 2	981	-	(981)	-
Fire Tier PEPRA	-	11,264	-	11,264
Police Tier 1	1,776,475	1,977,042	(1,776,475)	1,977,042
Police Tier 2	44,685	42,151	(44,685)	42,151
Police PEPRA	24,711	52,343	(24,711)	52,343
Miscellaneous Tier 1	691,091	738,563	(691,091)	738,563
Miscellaneous Tier 2	76,510	90,048	(76,510)	90,048
Miscellaneous PEPRA	32,036	54,882	(32,036)	54,882
Total pension contribution after measurement date	<u>3,373,029</u>	<u>3,725,913</u>	<u>(3,373,029)</u>	<u>3,725,913</u>
Employer's actual contributions in excess of employer's proportionate share of contributions:				
Fire Tier 1	-	25,647	(6,749)	18,898
Fire Tier 2	-	658	(174)	484
Police Tier 1	-	346,609	(91,213)	255,396
Police Tier 2	-	42,665	(11,228)	31,437
Police PEPRA	-	24,709	(6,502)	18,207
Miscellaneous Tier 2	-	72,499	(19,079)	53,420
Miscellaneous PEPRA	-	31,997	(8,420)	23,577
Total employer's actual contributions in excess of employer's proportionate share of contributions	<u>-</u>	<u>544,784</u>	<u>(143,365)</u>	<u>401,419</u>
Adjustment due to difference in proportion pension investments:				
Fire Tier 1	-	99,662	(26,227)	73,435
Police Tier 1	-	148,909	(39,187)	109,722
Police PEPRA	-	8,780	(2,311)	6,469
Miscellaneous Tier 1	-	221,181	(58,206)	162,975
Total adjustment due to difference in proportion pension investments	<u>-</u>	<u>478,532</u>	<u>(125,931)</u>	<u>352,601</u>
<b>Total deferred outflows of resources</b>	<u><u>\$ 3,373,029</u></u>	<u><u>\$ 4,749,229</u></u>	<u><u>\$ (3,642,325)</u></u>	<u><u>\$ 4,479,933</u></u>

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

	<b>Balance</b> <b>July 1, 2014</b> <b>(As Restated)</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance</b> <b>June 30, 2015</b>
<b>Net pension liabilities:</b>				
Fire Tier 1	\$ 9,492,358	\$ 2,798,326	\$ (4,532,301)	\$ 7,758,383
Fire Tier 2	3,462	20,803	(21,650)	2,615
Police Tier 1	21,784,708	5,725,081	(9,145,112)	18,364,677
Police Tier 2	21,559	60,782	(66,060)	16,281
Police PEPRA	20	16,268	(16,273)	15
Miscellaneous Tier 1	12,722,372	3,925,441	(6,516,755)	10,131,058
Miscellaneous Tier 2	41,426	141,520	(152,627)	30,319
Miscellaneous PEPRA	398	32,819	(32,926)	291
<b>Total net pension liabilities</b>	<b>\$ 44,066,303</b>	<b>\$ 12,721,040</b>	<b>\$ (20,483,704)</b>	<b>\$ 36,303,639</b>
<b>Deferred inflows of Resources:</b>				
Difference in projected and actual earnings on pension investments:				
Fire Tier 1	\$ -	\$ 2,132,396	\$ (426,479)	\$ 1,705,917
Fire Tier 2	-	988	(198)	790
Police Tier 1	-	4,350,226	(870,045)	3,480,181
Police Tier 2	-	6,145	(1,229)	4,916
Police PEPRA	-	6	(1)	5
Miscellaneous Tier 1	-	3,141,881	(628,376)	2,513,505
Miscellaneous Tier 2	-	12,736	(2,547)	10,189
Miscellaneous PEPRA	-	122	(24)	98
Total difference in projected and actual earnings on pension investments	-	9,644,500	(1,928,899)	7,715,601
Employer's proportionate share of contribution in excess of employer's actual contribution:				
Miscellaneous Tier 1	-	298,437	(78,536)	219,901
Total employer's proportionate share of contribution in excess of employer's actual contribution	-	298,437	(78,536)	219,901
Total adjustment due to difference in proportions:				
Fire Tier 2	-	19,198	(5,052)	14,146
Police Tier 2	-	34,900	(9,184)	25,716
Miscellaneous Tier 2	-	62,779	(16,521)	46,258
Miscellaneous PEPRA	-	381	(100)	281
Total adjustment due to difference in proportions	-	117,258	(30,857)	86,401
<b>Total deferred inflows of resources</b>	<b>\$ -</b>	<b>\$ 10,060,195</b>	<b>\$ (2,038,292)</b>	<b>\$ 8,021,903</b>

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

***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.

*Employees Covered by Benefit Terms*

At June 30, 2013, the following employees were covered by the benefit terms:

	<b>Plans</b>				
	<b>Fire Tier 1</b>	<b>Fire Tier 2</b>	<b>Police Tier 1</b>	<b>Police Tier 2</b>	<b>Police PEPRA</b>
Active employees	15	1	28	2	1
Transferred and terminated employees	10	-	14	1	-
Separated	5	-	5	2	-
Retired Employees and Beneficiaries	48	-	87	-	-
<b>Total</b>	<b>78</b>	<b>1</b>	<b>134</b>	<b>5</b>	<b>1</b>

	<b>Plans</b>		
	<b>Misc. Tier 1</b>	<b>Misc. Tier 2</b>	<b>Misc. PEPRA</b>
Active employees	67	14	7
Transferred and terminated employees	58	1	-
Separated	55	2	-
Retired Employees and Beneficiaries	116	-	-
<b>Total</b>	<b>296</b>	<b>17</b>	<b>7</b>

There were no employees covered by Fire PEPRA plan at June 30, 2013.

*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.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

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

*Benefit Provided*

Following are the benefit provisions for each plan:

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

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.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

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

*Contributions*

Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The Public agency cost-sharing plans covered by either the Safety risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (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	8.980%	44.047%
Fire Tier 2	8.922%	22.145%
Police Tier 1	8.986%	61.738%
Police Tier 2	8.922%	22.145%
Police PEPRAs	11.715%	12.250%
Misc. Tier 1	6.891%	18.203%
Misc. Tier 2	6.880%	8.486%
Misc. PEPRAs	6.308%	6.250%

There were no employees covered by Fire PEPRAs plan for the measurement period ended June 30, 2014.

***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*

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS’ Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

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

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)*

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.50 percent, which is net of administrative expenses. An investment return excluding administrative expenses would have been 7.65 percent. Management has determined that using the lower discount rate has resulted in a slightly higher total pension liability and net pension liability and the difference was deemed immaterial to the financial statement. The long-term expected rate of return on pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. 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.

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*.

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. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestland	3.00	4.50	5.09
Liquidity	2.00	-0.55	-1.05

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

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



**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

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

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

The following presents the City's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
<b>Fire Tier 1</b>	\$ 12,113,704	\$ 7,758,383	\$ 4,169,787
<b>Fire Tier 2</b>	\$ 4,500	\$ 2,615	\$ 1,062
<b>Police Tier 1</b>	\$ 27,589,649	\$ 18,364,677	\$ 10,763,698
<b>Police Tier 2</b>	\$ 28,018	\$ 16,281	\$ 6,611
<b>Police PEPRAs</b>	\$ 26	\$ 15	\$ 6
<b>Misc. Tier 1</b>	\$ 16,329,566	\$ 10,131,058	\$ 4,986,886
<b>Misc. Tier 2</b>	\$ 54,019	\$ 30,319	\$ 10,651
<b>Misc. PEPRAs</b>	\$ 519	\$ 291	\$ 102

*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.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 9 – Defined Benefit Pension Plan (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

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

	<b>Increase (Decrease)</b>		
	<b>Plan Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Plan Net Pension Liability/(Asset)</b>
<b>Fire Tier 1</b>			
Balance at: 6/30/13 (Valuation date)	\$ 31,010,666	\$ 21,518,308	\$ 9,492,358
Balance at: 6/30/14 (Measurement date)	\$ 32,515,129	\$ 24,756,746	\$ 7,758,383
Net Changes during 2013-2014	\$ 1,504,463	\$ 3,238,438	\$ (1,733,975)
<b>Fire Tier 2</b>			
Balance at: 6/30/13 (Valuation date)	\$ 13,420	\$ 9,958	\$ 3,462
Balance at: 6/30/14 (Measurement date)	\$ 14,071	\$ 11,456	\$ 2,615
Net Changes during 2013-2014	\$ 651	\$ 1,498	\$ (847)
<b>Police Tier 1</b>			
Balance at: 6/30/13 (Valuation date)	\$ 65,683,457	\$ 43,898,749	\$ 21,784,708
Balance at: 6/30/14 (Measurement date)	\$ 68,870,050	\$ 50,505,373	\$ 18,364,677
Net Changes during 2013-2014	\$ 3,186,593	\$ 6,606,624	\$ (3,420,031)
<b>Police Tier 2</b>			
Balance at: 6/30/13 (Valuation date)	\$ 83,567	\$ 62,008	\$ 21,559
Balance at: 6/30/14 (Measurement date)	\$ 87,621	\$ 71,340	\$ 16,281
Net Changes during 2013-2014	\$ 4,054	\$ 9,332	\$ (5,278)
<b>Police PEPRA</b>			
Balance at: 6/30/13 (Valuation date)	\$ 77	\$ 57	\$ 20
Balance at: 6/30/14 (Measurement date)	\$ 81	\$ 66	\$ 15
Net Changes during 2013-2014	\$ 4	\$ 9	\$ (5)

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 9 – Defined Benefit Pension Plan (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)*

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability/(Asset)
<b>Misc. Tier 1</b>			
Balance at: 6/30/13 (Valuation date)	\$ 44,099,460	\$ 31,377,088	\$ 12,722,372
Balance at: 6/30/14 (Measurement date)	\$ 46,723,803	\$ 36,592,745	\$ 10,131,058
Net Changes during 2013-2014	\$ 2,624,343	\$ 5,215,657	\$ (2,591,314)
<b>Misc. Tier 2</b>			
Balance at: 6/30/13 (Valuation date)	\$ 168,613	\$ 127,187	\$ 41,426
Balance at: 6/30/14 (Measurement date)	\$ 178,647	\$ 148,328	\$ 30,319
Net Changes during 2013-2014	\$ 10,034	\$ 21,141	\$ (11,107)
<b>Misc. PEPPRA</b>			
Balance at: 6/30/13 (Valuation date)	\$ 1,619	\$ 1,221	\$ 398
Balance at: 6/30/14 (Measurement date)	\$ 1,715	\$ 1,424	\$ 291
Net Changes during 2013-2014	\$ 96	\$ 203	\$ (107)

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, 2013). 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, 2014). 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, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 9 – Defined Benefit Pension Plan (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 (Continued).

- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.
- (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).

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

	<b>Plans</b>				
	<b>Fire Tier 1</b>	<b>Fire Tier 2</b>	<b>Police Tier 1</b>	<b>Police Tier 2</b>	<b>Police PEPR A</b>
June 30, 2013	0.19841%	0.00007%	0.45534%	0.00045%	0.00000%
June 30, 2014	0.20684%	0.00007%	0.48960%	0.00043%	0.00000%
Change - Increase (Decrease)	0.00843%	0.00000%	0.03426%	-0.00002%	0.00000%

	<b>Plans</b>		
	<b>Misc. Tier 1</b>	<b>Misc. Tier 2</b>	<b>Misc. PEPR A</b>
June 30, 2013	0.38827%	0.00126%	0.00001%
June 30, 2014	0.40992%	0.00123%	0.00001%
Change - Increase (Decrease)	0.02165%	-0.00003%	0.00000%

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 9 – Defined Benefit Pension Plan (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, 2015, the City recognized pension expense as follows:

Fire Tier 1	\$	606,149
Fire Tier 2		14,586
Police Tier 1		1,471,507
Police Tier 2		38,602
Police PEPRA		35
Miscellaneous Tier 1		670,208
Miscellaneous Tier 2		68,430
Miscellaneous PEPRA		8,731
	<u>\$</u>	<u>2,878,248</u>

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 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

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

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Fire Tier 1</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (1,705,917)
Adjustment due to differences in proportions	73,435	-
Difference between City contributions and proportionate share of contributions	18,898	-
Total	<u>\$ 92,333</u>	<u>\$ -</u>
<b>Fire Tier 2</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (790)
Adjustment due to differences in proportions	-	(14,146)
Difference between City contributions and proportionate share of contributions	484	-
Total	<u>\$ 484</u>	<u>\$ (14,936)</u>
<b>Police Tier 1</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (3,480,181)
Adjustment due to differences in proportions	109,722	-
Difference between City contributions and proportionate share of contributions	255,396	-
Total	<u>\$ 365,118</u>	<u>\$ (3,480,181)</u>

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 9 – Defined Benefit Pension Plan (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)*

<b>Police Tier 2</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (4,916)
Adjustment due to differences in proportions	-	(25,716)
Difference between City contributions and proportionate share of contributions	31,437	-
Total	<u>\$ 31,437</u>	<u>\$ (30,632)</u>
<b>Police PEPR A</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (5)
Adjustment due to differences in proportions	6,469	-
Difference between City contributions and proportionate share of contributions	18,207	-
Total	<u>\$ 24,676</u>	<u>\$ (5)</u>
<b>Misc. Tier 1</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (2,513,505)
Adjustment due to differences in proportions	162,975	-
Difference between City contributions and proportionate share of contributions	-	(219,901)
Total	<u>\$ 162,975</u>	<u>\$ (2,733,406)</u>

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 9 – Defined Benefit Pension Plan (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)*

<b>Misc. Tier 2</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (10,189)
Adjustment due to differences in proportions	-	(46,258)
Difference between City contributions and proportionate share of contributions	53,420	-
Total	\$ 53,420	\$ (56,447)

<b>Misc. PEPRA</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (98)
Adjustment due to differences in proportions	-	(281)
Difference between City contributions and proportionate share of contributions	23,577	-
Total	\$ 23,577	\$ (379)



**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 9 – Defined Benefit Pension Plan (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)*

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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources			
	Fire Tier 1	Fire Tier 2	Police Tier 1	Police Tier 2
2016	\$ (393,503)	\$ (5,076)	\$ (739,645)	\$ 815
2017	(393,503)	(5,076)	(739,645)	815
2018	(400,098)	(4,101)	(765,727)	404
2019	(426,480)	(199)	(870,046)	(1,229)
2020	-	-	-	-
Thereafter	-	-	-	-
	<u>\$ (1,613,584)</u>	<u>\$ (14,452)</u>	<u>\$ (3,115,063)</u>	<u>\$ 805</u>

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources			
	Police PEPRA	Misc. Tier 1	Misc. Tier 2	Misc. PEPRA
2016	\$ 8,812	\$ (648,706)	\$ 11	\$ 8,296
2017	8,812	(648,706)	11	8,296
2018	7,049	(644,642)	(501)	6,632
2019	(2)	(628,377)	(2,548)	(26)
2020	-	-	-	-
Thereafter	-	-	-	-
	<u>\$ 24,671</u>	<u>\$ (2,570,431)</u>	<u>\$ (3,027)</u>	<u>\$ 23,198</u>

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 10 – Other Postemployment Benefit Plan**

On June 12, 2007, the City Council adopted a resolution authorizing participation in a post retirement health care plan trust to be administered by Public Agency Retirement Services (“PARS”) and Union Bank of California. In July 2007, the City signed an agreement with Public Agency Retirement Services to create and administer an irrevocable trust fund for the payment of other postemployment benefits for city employees. Funds in the amount of \$1,401,000 that were previously set aside were forwarded to Union Bank pursuant to the agreement to establish the trust during the year ended June 30, 2008. Contributions are made on a monthly basis.

Plan Description

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

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

The range of monthly benefits to be paid by the City ranges from \$40 to \$556 per month based on years of service from 10 years to 20 years provided to the City.

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

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, 2015 were as follows:

Participants	Total
Active employees	129
Retirees	59
Total	188

Funding Policy

The contribution requirements for Plan members and the City are established by a MOU as negotiated by each group or bargaining unit. The City is funding 100% of the annual required contribution as calculated based on the actuarial valuation. For the year ended June 30, 2015, the City contributed \$919,944. Plan members receiving benefits contributed \$218,299 of the total premiums, as their required contributions.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

Annual OPEB Cost and Net OPEB Asset

The City’s annual Other Postemployment Benefits (“OPEB”) cost (expense) is calculated based on the *Annual Required Contribution of the Employer* (“ARC”), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years.

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City’s net OPEB asset:

	<b>Total</b>
Annual required contribution	\$ 946,000
Interest on net OPEB obligation	(7,670)
Adjustment to annual required contribution	13,202
Annual OPEB cost (expense)	951,532
Contributions made	(919,944)
Increase in net OPEB asset	31,588
Net OPEB asset - beginning of year	(122,714)
Net OPEB asset - end of year	\$ (91,126)

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for year ended June 30, 2015 and the preceding two years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions	% of Annual OPEB Cost Contributed	Net OPEB Asset
6/30/2013	\$ 888,000	\$ 1,007,872	102.33%	\$ 119,872
6/30/2014	923,289	926,131	100.31%	122,714
6/30/2015	951,532	919,944	96.68%	91,126

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

*Funded Status and Funding Progress*

As of June 30, 2014, the most recent actuarial valuation date, the plan was 53.6% funded. The actuarial accrued liability for benefits was \$10,714,000 and the actuarial value of assets as of June 30, 2014 was \$5,747,000, resulting in an UAAL of \$4,967,000. The covered payroll (annual payroll of active employees covered by the Plan) was \$10,262,000 and the ratio of UAAL to the covered payroll was 48.40%.

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

*Actuarial Methods and Assumptions*

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

In the June 30, 2011 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 6.25% investment rate of return (net of administrative expenses), which is based on the expected return on funds invested, and an annual healthcare cost trend rate of 10% initially reduced by decrements to an ultimate rate of 5% thereafter. The actuarial assumption for inflation was 3%, and the aggregate payroll increases was 3.25% used in the actuarial valuation. The City's Plan does not provide postretirement benefit increases. The UAAL is amortized as a level percentage of future payroll on a 20-year closed amortization period. The remaining amortization period at June 30, 2015 was 14 years.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 11 – Classification of Fund Balances**

At June 30, 2015, fund balances are classified in the governmental funds as follows:

	General Fund	Sewer Special Revenue Fund	Capital Improvements Capital Projects Fund	Nonmajor Governmental Funds	Total
<b>Nonspendable</b>					
Prepaid items	\$ 19,444	\$ -	\$ -	\$ -	\$ 19,444
Total nonspendable	<u>19,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,444</u>
<b>Restricted</b>					
General Plan Maintenance Fees	171,807	-	-	-	171,807
Verizon PEG Grant	74,758	-	-	-	74,758
Greenwald Theatre Donation	45,000	-	-	-	45,000
Chamber Sign Donation	50,000	-	-	-	50,000
CDBG Fund Exchange	118,739	-	-	-	118,739
Lighting District	-	-	-	34,264	34,264
Gas Tax	-	-	-	324,643	324,643
Source Reduction/Recycling	-	-	-	13,529	13,529
Prop A Open Space	-	-	-	3,404	3,404
Tyco Tidelands	-	-	-	3,653	3,653
Parks/Rec Facility Projects	-	-	-	462,738	462,738
Undergrounding Districts	-	-	-	36,958	36,958
Prop A, C and Measure R Transit Projects	-	-	-	2,270,235	2,270,235
Air Quality Improvement Projects	-	-	-	36,420	36,420
Supplemental Law Enforcement Services Funds	-	-	-	19,962	19,962
Asset Forfeiture - Drug Enforcement and Education	-	-	-	207,206	207,206
Fire Protection	-	-	-	51,533	51,533
Grants	-	-	-	263,555	263,555
Total restricted	<u>460,304</u>	<u>-</u>	<u>-</u>	<u>3,728,100</u>	<u>4,188,404</u>
<b>Committed</b>					
In Lieu Fee- Parking Facilities	28,900	-	-	-	28,900
Tyco	-	-	-	431,716	431,716
Total committed	<u>28,900</u>	<u>-</u>	<u>-</u>	<u>431,716</u>	<u>460,616</u>
<b>Assigned</b>					
Sales Tax- Lieu	131,259	-	-	-	131,259
Reappropriations- Non-CIP	619,977	-	-	-	619,977
Public works capital improvement projects	1,447,766	-	-	-	1,447,766
Sewers and Storm Drains	-	3,722,754	-	-	3,722,754
Contingencies	4,965,437	-	-	-	4,965,437
Retirement Rate Stabilization	1,000,000	-	-	-	1,000,000
Oil Debt Service	1,000,000	-	-	-	1,000,000
Unspecified Contingencies	500,000	-	-	-	500,000
Compensated Absences	304,135	-	-	-	304,135
Community Events	36,466	-	-	-	36,466
Capital projects	-	-	3,924,194	-	3,924,194
Total assigned	<u>10,005,040</u>	<u>3,722,754</u>	<u>3,924,194</u>	<u>-</u>	<u>17,651,988</u>
<b>Total fund balances</b>	<u>\$ 10,513,688</u>	<u>\$ 3,722,754</u>	<u>\$ 3,924,194</u>	<u>\$ 4,159,816</u>	<u>\$ 22,320,452</u>

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 12 – Non-City Obligations**

At June 30, 2015, the following special assessment bonds are payable from the proceeds of the special assessment levied and collected on all real property within the special districts. The City is in no way obligated to repay the debt in the event of default and the debt is not recorded in the accompanying financial statements.

*1998 Lower Pier Special Assessment Bonds*

In November 1997, limited obligation improvement bonds in the amount of \$400,000 were issued for the Lower Pier Avenue Assessment District for street and sidewalk improvements in the downtown area. The City is not financially obligated for payments of the bonds, which are secured by private property in the district. The bonds will be repaid from assessments to the property owners as part of their annual property tax bill.

The annual debt service requirements by year are as follows:

Year ending June 30,	Principal	Interest	Total
2016	\$ 30,000	\$ 5,525	\$ 35,525
2017	35,000	3,413	38,413
2018	35,000	1,137	36,137
<b>Total</b>	<u>\$ 100,000</u>	<u>\$ 10,075</u>	<u>\$ 110,075</u>

*1999 Myrtle Utility Underground District Special Assessment Bonds*

In October 1999, limited obligation improvement bonds in the amount of \$1,159,114 were issued for the Myrtle Avenue Utility Underground Assessment District for the undergrounding of utilities within the district. The City is not financially obligated for payment of the bonds, which are secured by private property in the district. The bonds will be repaid from assessments to the property owners as part of their annual property tax bill.

The annual debt service requirements by year are as follows:

Year ending June 30,	Principal	Interest	Total
2016	\$ 70,000	\$ 18,923	\$ 88,923
2017	70,000	14,933	84,933
2018	70,000	10,925	80,925
2019	75,000	6,756	81,756
2020	80,000	2,300	82,300
<b>Total</b>	<u>\$ 365,000</u>	<u>\$ 53,837</u>	<u>\$ 418,837</u>

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 12 – Non-City Obligations (Continued)**

1999 Loma Utility Underground District Special Assessment Bonds

In October 1999, limited obligation improvement bonds in the amount of \$1,324,653 were issued for the Loma Drive Utility Underground Assessment District for the undergrounding of utilities within the district. The City is not financially obligated for payment of the bonds, which are secured by private property in the district. The bonds will be repaid from assessments to the property owners as part of their annual property tax bill.

The annual debt service requirements by year are as follows:

Year ending June 30,	Principal	Interest	Total
2016	\$ 75,000	\$ 21,075	\$ 96,075
2017	75,000	16,800	91,800
2018	80,000	12,362	92,362
2019	85,000	7,619	92,619
2020	90,000	2,587	92,587
<b>Total</b>	<b>\$ 405,000</b>	<b>\$ 60,443</b>	<b>\$ 465,443</b>

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
2016	\$ 20,010	\$ 11,488	\$ 31,498
2017	20,970	10,528	31,498
2018	21,977	9,474	31,451
2019	23,032	8,394	31,426
2020	24,137	7,262	31,399
2021-2025	139,219	17,331	156,550
	<b>\$ 249,345</b>	<b>\$ 64,477</b>	<b>\$ 313,822</b>

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.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 12 – Non-City Obligations (Continued)**

The annual debt service requirements by year are as follows:

Year ending June 30,	Principal	Interest	Total
2016	\$ 35,288	\$ 20,972	\$ 56,260
2017	37,213	19,431	56,644
2018	39,219	17,707	56,926
2019	41,311	15,996	57,307
2020	43,492	14,194	57,686
2020-2024	253,553	40,480	294,033
2025-2026	58,666	1,247	59,913
<b>Total</b>	<b>\$ 508,742</b>	<b>\$ 130,027</b>	<b>\$ 638,769</b>

**Note 13 – Commitments and Contingencies**

**A. Commitments**

The City had several outstanding or planned construction and other projects as of June 30, 2015. These projects are evidenced by contractual commitments with contractors and include:

Project	Spent to Date	Commitment Remaining
Force Option Simulator/Shooting Range	\$ 190,790	\$ 190,790
Permit Software Upgrade and Integration Project	123,762	388,079
General Plan & Coastal Plan Update	563,425	454,228
Sewer Improvements Various Locations	331,599	132,599
South Park Playground Improvements	376,099	544,540
Surf Memorial Statue	124,419	244,606
Citywide Conservation Upgrades	131,494	507,961
<b>Total</b>	<b>\$ 1,841,588</b>	<b>\$ 2,462,803</b>

Of the commitments listed above, \$565,528 represents commitments in the General Fund, \$14,096 represents commitments in the Sewer fund, \$198,399 represents commitments in the Capital Projects Fund, \$788,740 represents commitments in nonmajor funds, and \$896,040 represents commitments in internal service funds.



**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 13 – Commitments and Contingencies (Continued)**

**A. Commitments (Continued)**

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 2014-2015 is \$323,533.

**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 – MacPherson Oil Project Litigation**

The City entered into a lease with MacPherson Oil in 1992 to allow oil drilling from the City Yard site. During the time that ensued, MacPherson was taking the necessary steps to obtain all required environmental reviews and permits. In 1995 the voters enacted a new ordinance by way of an initiative, entitled Proposition E, to prohibit oil drilling in the City. The issue of whether Proposition E applied to MacPherson's project was the subject of a lawsuit initiated by Proposition E proponents. The City and MacPherson argued that Proposition E did not preclude MacPherson from exercising its rights under the lease. The Court of Appeals, in a final opinion, ruled otherwise.

MacPherson then sued the City, by way of a cross-complaint in the legal action referred to above, for damages due to the alleged breach of contract caused by Proposition E. Both parties filed motions for summary judgment in the trial court. In its motion, MacPherson contended, among other things, that enactment of Proposition E worked a breach of its lease with the City, entitling it to damages for lost profits. It claims damages in excess of \$500 million. In its motion, the City contended that because the Court of Appeals has ruled Proposition E not to be an unconstitutional impairment of contract, it cannot work a breach. The City further contended that the passage of Proposition E made performance of the lease impossible. Finally, the City contended that if MacPherson is entitled to any damages, it is limited to restitution, and not lost profits.

In December 2003, the trial court granted the City's motion in its entirety, holding that MacPherson is not entitled to proceed against the City for damages. MacPherson appealed this ruling to the Court of appeals, and in an unpublished decision issued in November 2005, the Court of Appeals reversed, rejecting many of the City's defenses and remanding the case back to the trial court for trial. The City's petition to the Supreme Court for review of this decision was denied. The case returned to the trial court in early 2006 and was assigned to a new judge, JoAnne O'Donnell, because MacPherson filed a timely objection to the previous Superior Court judge. The City engaged new trial counsel to defend it in the trial of this case, the Century City law firm of Bird Marella.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 14 – MacPherson Oil Project Litigation (Continued)**

MacPherson filed a motion to amend its cross-complaint to add causes of action for inverse condemnation and civil rights. Judge O'Donnell denied the motion, ruling that it was barred by laches due to the passage of time since the original cross-complaint was filed. The City filed a motion to bifurcate the trial, so that liability issues can be litigated first, and the damages phase litigated only if MacPherson prevails in the liability phase. Judge O'Donnell granted the motion over MacPherson's strenuous objections. Thereafter, the parties actively engaged in pretrial discovery regarding liability, including production of documents, exchanges of interrogatories, and depositions of witnesses.

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

The City filed a petition with the California Supreme Court seeking review of that decision, arguing that relegation of that decision to a jury necessarily involved an invasion of the deliberative process privilege in contravention of established law, and that the City's 1998 decision to stop the project should be affirmed based on the record. Review was not granted, and the case was back on track for a jury trial. Trial was scheduled for January 18, 2012, but then continued to April 2012.

In March 2012, the Hermosa Beach City Council unanimously voted to enter into a settlement agreement with Macpherson, ending the litigation. The settlement included a third party – E&B Natural Resources Management Corporation ("E&B") – which has assumed all of Macpherson's rights under the original lease and City entitlements and intends to attempt to resurrect the oil drilling project.

Pursuant to the terms of the settlement, the residents of Hermosa Beach were asked by way of ballot Measure O at March 3, 2015 special election whether the City-wide ban on oil drilling should be modified to allow a new oil and natural gas production project proposed by E&B within the City limits. The ballot measure failed. Consequently, under the settlement the City owed E&B \$17.5 million to be paid on "commercially reasonable" terms. The City paid E&B \$6,000,000 during the year ended June 30, 2015 and the remaining principal in the amount of \$11,500,000 on August 13, 2015.

E&B contends that interest on the \$17.5 million commenced to run in March 2012, when the settlement agreement was executed; the City disagrees. The parties have been negotiating over that dispute and as of this writing it remains unresolved. The dispute may proceed to litigation if it is not resolved through negotiation.

**City of Hermosa Beach**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 15 – Subsequent Events**

**A. Hermosa Beach Financing Authority**

On July 14, 2015, the City formed the Hermosa Beach Financing Authority to establish the structure required for the lease revenue bond. See Notes 15B for issuance of the 2015 Lease Revenue Bonds.

**B. Bond issuance**

On July 23, 2015, the City issued Hermosa Beach Public Financing authority 2015 Lease Revenue Bonds (2015 Bonds) in the amount of \$11,600,000. The 2015 Bonds were issued to make certain payments pursuant to a settlement agreement with E & B Natural Resources. See Note 14.

**C. MOU**

Memorandums of Understanding for all six bargaining units were approved on October 27, 2015 by the City Council. A resolution for unrepresented employees was also approved. A 5% increase was made to all positions retroactive to July 1, 2015. This is the first pay increase for employees since 2008-09.

**Note 16 – Prior Period Adjustments**

As a result of the implementation of GASB Statements No. 68 and 71, net position as of July 1, 2014 was restated as follows:

	<b>Governmental Activities</b>
<b>Beginning Net Position, as previously reported</b>	\$ 92,292,790
Prior period adjustments:	
Report pension contributions made during the measurement period as deferred outflows of resources due to implementation of GASB 71	3,373,029
Report net pension liability due to the implementation of GASB 68	(44,066,303)
<b>Beginning Net Position, as restated</b>	<b>\$ 51,599,516</b>

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**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**City of Hermosa Beach**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedule – General Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Fund balance, July 1, 2014</b>	\$ 8,105,002	\$ 8,105,002	\$ 8,105,002	\$ -
Resources (inflows):				
Property taxes	11,214,492	13,598,147	13,739,649	141,502
Other taxes	11,620,015	9,641,415	9,948,170	306,755
Licenses and permits	795,240	793,944	916,073	122,129
Fines and forfeitures	2,748,289	2,750,789	2,600,786	(150,003)
Use of money and property	760,508	752,708	768,912	16,204
Intergovernmental	119,341	144,460	298,001	153,541
Charges for services	6,221,771	6,454,059	6,941,275	487,216
Miscellaneous	249,858	283,459	252,854	(30,605)
Interest earned on investments	109,927	125,265	152,544	27,279
Transfers in	345,641	345,641	351,104	5,463
Amount available for appropriatio:	<u>34,185,082</u>	<u>42,994,889</u>	<u>44,074,370</u>	<u>1,079,481</u>
Charges to appropriations (outflows):				
Legislative and legal	995,829	1,124,614	1,170,229	(45,615)
General government	5,239,249	3,492,171	2,960,379	531,792
Public safety	17,187,410	19,413,985	18,009,359	1,404,626
Community development	1,509,512	1,513,871	1,529,958	(16,087)
Culture and recreation	1,221,058	1,221,058	1,217,620	3,438
Public works	3,546,135	4,501,949	4,166,087	335,862
Capital outlay	2,753,807	2,595,200	1,010,144	1,585,056
Transfers out	856,832	886,464	3,496,906	(2,610,442)
Total charges to appropriations	<u>33,309,832</u>	<u>34,749,312</u>	<u>33,560,682</u>	<u>1,188,630</u>
<b>Fund balance, June 30, 2015</b>	<u>\$ 875,250</u>	<u>\$ 8,245,577</u>	<u>\$ 10,513,688</u>	<u>\$ 2,268,111</u>

**City of Hermosa Beach**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Budgetary Comparison Schedule – Sewer Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Fund balance, July 1, 2014</b>	\$ 693,145	\$ 693,145	\$ 693,145	\$ -
Resources (inflows):				
Intergovernmental	15,422	15,422	15,321	(101)
Charges for services	30,000	31,500	74,958	43,458
Miscellaneous	0	-	40,000	40,000
Interest earned on investments	10,822	11,392	20,056	8,664
Transfers in	850,353	3,914,256	3,914,256	-
Amount available for appropriation	1,599,742	4,665,715	4,757,736	92,021
Charges to appropriations (outflows):				
Public works	826,245	902,806	572,751	330,055
Capital outlay	-	517,704	462,231	55,473
Total charges to appropriations	826,245	1,420,510	1,034,982	385,528
<b>Fund balance, June 30, 2015</b>	<u>\$ 773,497</u>	<u>\$ 3,245,205</u>	<u>\$ 3,722,754</u>	<u>\$ 477,549</u>

**City of Hermosa Beach**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Notes to the Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2015**

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**Budgetary Control and Accounting Policy**

Budgets are annually adopted for all governmental and proprietary fund types on a basis consistent with generally accepted accounting principles. The City is required by its municipal code to adopt an annual budget on or before June 30 for the ensuing fiscal year. From the effective date of the budget, the amounts become the “*annual appropriated budget*.”

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

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

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



**City of Hermosa Beach**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios**  
**For the Year Ended June 30, 2015**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System ("CalPERS") Fire Tier I Plan**

	June 30, 2014 <sup>1</sup>
City's Proportion of the Net Pension Liability/(Asset)	0.12468%
City's Proportionate Share of the Net Pension Liability/(Asset)	\$ 7,758,383
City's Covered-Employee Payroll	\$ 1,783,299
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	435.06%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	76.14%

**California Public Employees' Retirement System ("CalPERS") Fire Tier II Plan**

	June 30, 2014 <sup>1</sup>
City's Proportion of the Net Pension Liability/(Asset)	0.00004%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ 2,615
City's Covered-Employee Payroll	\$ 73,146
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	3.58%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	81.42%

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

	June 30, 2014 <sup>1</sup>
City's Proportion of the Net Pension Liability/(Asset)	0.00000%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ -
City's Covered-Employee Payroll	\$ -
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	0.00%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	81.48%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable. The fiscal year 2015 was the first year of implementation, therefore only one year is shown.

**City of Hermosa Beach**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios (Continued)**  
**For the Year Ended June 30, 2015**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System ("CalPERS") Police Tier I Plan**

	June 30, 2014 <sup>1</sup>
City's Proportion of the Net Pension Liability/(Asset)	0.29514%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ 18,364,677
City's Covered-Employee Payroll	\$ 2,865,270
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	640.94%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	73.33%

**California Public Employees' Retirement System ("CalPERS") Police Tier II Plan**

	June 30, 2014 <sup>1</sup>
City's Proportion of the Net Pension Liability/(Asset)	0.00026%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ 16,281
City's Covered-Employee Payroll	\$ 201,594
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	8.08%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	81.42%

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

	June 30, 2014 <sup>1</sup>
City's Proportion of the Net Pension Liability/(Asset)	0.00000%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ 15
City's Covered-Employee Payroll	\$ 61,961
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	0.02%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	81.48%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable. The fiscal year 2015 was the first year of implementation, therefore only one year is shown.

**City of Hermosa Beach**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios (Continued)**  
**For the Year Ended June 30, 2015**

**Last Ten Fiscal Years**

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

	June 30, 2014 <sup>1</sup>
City's Proportion of the Net Pension Liability/(Asset)	0.16281%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ 10,131,058
City's Covered-Employee Payroll	\$ 4,055,478
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	249.81%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	78.32%

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

	June 30, 2014 <sup>1</sup>
City's Proportion of the Net Pension Liability/(Asset)	0.00049%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ 30,319
City's Covered-Employee Payroll	\$ 876,441
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	3.46%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	83.03%

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

	June 30, 2014 <sup>1</sup>
City's Proportion of the Net Pension Liability/(Asset)	0.00000%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ 291
City's Covered-Employee Payroll	\$ 244,669
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	0.12%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	83.03%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable. The fiscal year 2015 was the first year of implementation, therefore only one year is shown.

**City of Hermosa Beach**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of the City's Contributions**  
**For the Year Ended June 30, 2015**

Last Ten Fiscal Years

**California Public Employees' Retirement System ("CalPERS") Fire Tier I Plan**

	2014-15	2013-14 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ 759,620	\$ 726,540
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(759,620)	(726,540)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ 1,836,798	\$ 1,783,299
Contributions as a Percentage of Covered-Employee Payroll	41.36%	40.74%

**California Public Employees' Retirement System ("CalPERS") Fire Tier II Plan**

	2014-15	2013-14 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ -	\$ 981
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	-	(981)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ -	\$ 73,146
Contributions as a Percentage of Covered-Employee Payroll	0.00%	1.34%

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

	2014-15	2013-14 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ 11,264	\$ -
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(11,264)	-
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,5</sup>	\$ 91,923	\$ -
Contributions as a Percentage of Covered-Employee Payroll	12.25%	0.00%

**City of Hermosa Beach**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of the City's Contributions (Continued)**  
**For the Year Ended June 30, 2015**

Last Ten Fiscal Years

**California Public Employees' Retirement System ("CalPERS") Police Tier I Plan**

	2014-15	2013-14 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ 1,977,042	\$ 1,776,475
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(1,977,042)	(1,776,475)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ 2,951,228	\$ 2,865,270
Contributions as a Percentage of Covered-Employee Payroll	66.99%	62.00%

**California Public Employees' Retirement System ("CalPERS") Police Tier II Plan**

	2014-15	2013-14 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ 42,151	\$ 44,685
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(42,151)	(44,685)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ 207,642	\$ 201,594
Contributions as a Percentage of Covered-Employee Payroll	20.30%	22.17%

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

	2014-15	2013-14 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ 52,343	\$ 24,711
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(52,343)	(24,711)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ 63,820	\$ 61,961
Contributions as a Percentage of Covered-Employee Payroll	82.02%	39.88%

**City of Hermosa Beach**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of the City's Contributions (Continued)**  
**For the Year Ended June 30, 2015**

Last Ten Fiscal Years

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

	2014-15	2013-14 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ 738,563	\$ 691,091
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(738,563)	(691,091)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ 4,177,142	\$ 4,055,478
Contributions as a Percentage of Covered-Employee Payroll	17.68%	17.04%

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

	2014-15	2013-14 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ 90,048	\$ 76,510
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(90,048)	(76,510)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ 902,734	\$ 876,441
Contributions as a Percentage of Covered-Employee Payroll	9.98%	8.73%

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

	2014-15	2013-14 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ 54,882	\$ 32,036
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(54,882)	(32,036)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ 252,009	\$ 244,669
Contributions as a Percentage of Covered-Employee Payroll	21.78%	13.09%

**City of Hermosa Beach**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of the City's Contributions (Continued)**  
**For the Year Ended June 30, 2015**

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<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable. The fiscal year 2015 was the first year of implementation, therefore only one year and the measure period are shown.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" are not considered separately financed specific liabilities.

<sup>3</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

<sup>4</sup> Payroll from prior year was assumed to increase by the 3.00% payroll growth assumption

	2012-13 Covered-Employee Payroll
Fire Tier 1	\$ 1,731,359
Fire Tier 2	71,016
Police Tier 1	2,781,816
Police Tier 2	195,722
Police PEPRA	60,156
Miscellaneous Tier 1	3,937,357
Miscellaneous Tier 2	850,914
Miscellaneous PEPRA	237,543

<sup>5</sup> Payroll for Fire PEPRA plan obtained from payroll record from the City. No valuation report was available due to having no covered employee for June 30, 2013 valuation period.

**Notes to Schedule**

**Change in Benefit Terms:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

**Changes of Assumptions:** There were no changes in assumptions.

**City of Hermosa Beach**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of Funding Progress – Other Postemployment Benefits**  
**For the Year Ended June 30, 2015**

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The schedule of funding progress for the past three actuarial valuations is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Accrued Liability ("UAAL") (A - B)	Funded Ratio (A / B)	Covered Payroll (C)	UAAL as a % of Payroll (A - B) / C
6/30/2008	\$ 1,890,000	\$ 5,830,000	\$ (3,940,000)	32.4%	\$ 9,182,000	42.91%
6/30/2011	3,491,000	10,221,000	(6,730,000)	34.2%	9,030,000	74.53%
6/30/2014	5,747,000	10,714,000	(4,967,000)	53.6%	10,262,000	48.40%



**SUPPLEMENTARY INFORMATION**

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## NONMAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds:

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

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

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

**Prop A Open Space Fund** - This fund is used to account for funds generated by passage of the L.A. County Safe Neighborhood Parks Bond Act by County voters for the purpose of improving parks and recreational facilities.

**Tyco Fund** - This fund is used to account for funds received from an easement granted for construction of a transpacific, submarine fiber optic cable system originating in Japan with a landing in Hermosa Beach. The project will provide additional capacity.

**Tyco Tidelands Fund** - This fund is used to account for the portion of the funds specific to the tidelands and submerged lands received from an easement granted for construction of a transpacific, submarine fiber optic cable system originating in Japan with a landing in Hermosa Beach that were set aside to build one new restroom and rehabilitate three existing restrooms at the beach.

**Parks/Recreation Facilities Tax Fund** - This fund is used to account for revenue from subdivision fees and park or recreation facility tax fees on new dwellings. Generally, the funds are to be used for acquisition, improvements and expansion of park or recreational facilities.

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

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

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

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

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

## NONMAJOR GOVERNMENTAL FUNDS (Continued)

### Special Revenue Funds (Continued):

**Proposition "A" Transit Fund** - Transit revenue consists primarily of Proposition A fund (the 1/2 cent sales tax for Los Angeles County transportation purposes). The City currently operates a Dial-a-Ride program for seniors, a taxi voucher program, a commuter bus, special event and after school program shuttles and subsidizes bus passes for senior citizens and students.

**Proposition "C" Fund** - This is a fund which was added during 1992 to account for funds allocated from the voter-approved 1/2 cent sales tax. Funds must be used for transit purposes.

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

**Air Quality Management District Fund** - This fund is used to account for funds distributed by the South Coast Air Quality Management district. The revenues are restricted to programs which promote reduction in air pollution from motor vehicles.

**Supplemental Law Enforcement Services Fund** - This fund is used to account for funds received from the Citizen Option for Public Safety ("COPS") program, established by the State Legislature in fiscal year 1996-1997. Funds must be used for front line municipal police services and must supplement and not supplant existing funding.

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

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

**Artesia Boulevard Relinquishment Fund** - This fund is used to track the costs related to the transfer ownership of Artesia Boulevard from the State to the City. During the fiscal year 2000-01, the State of California determined an estimated cost for the rehabilitation of the street which will be contributed to the City as a part of the transfer of ownership. The fund was closed on July 1, 2014 and all assets and liabilities were transferred to the General Fund.

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

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**City of Hermosa Beach**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	Special Revenue Funds			
	Lighting and Landscaping District	State Gas Tax	AB 939	Prop A Open Space
<b>ASSETS</b>				
Cash and investments	\$ 66,107	\$ 279,702	\$ 34,750	\$ -
Accounts receivable	2,489	53,507	388	176,697
Property taxes receivable, net	6,757	-	-	-
Reimbursable grants receivable	-	-	-	-
Interest receivable	174	643	7	-
<b>Total assets</b>	<b>\$ 75,527</b>	<b>\$ 333,852</b>	<b>\$ 35,145</b>	<b>\$ 176,697</b>
<b>LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 32,137	\$ 9,209	\$ 17,500	\$ 3,315
Accrued wages and benefits payable	9,126	-	4,116	-
Due to other funds	-	-	-	169,978
<b>Total liabilities</b>	<b>41,263</b>	<b>9,209</b>	<b>21,616</b>	<b>173,293</b>
<b>Fund Balances:</b>				
Restricted	34,264	324,643	13,529	3,404
Committed	-	-	-	-
<b>Total fund balances</b>	<b>34,264</b>	<b>324,643</b>	<b>13,529</b>	<b>3,404</b>
<b>Total liabilities, deferred outflows of resources and fund balances</b>	<b>\$ 75,527</b>	<b>\$ 333,852</b>	<b>\$ 35,145</b>	<b>\$ 176,697</b>

(Continued)

**City of Hermosa Beach**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	Special Revenue Funds			
	Tyco	Tyco Tidelands	Parks/ Recreation Facilities Tax	Bayview Drive Administrative Expense
<b>ASSETS</b>				
Cash and investments	\$ 560,824	\$ 3,646	\$ 548,028	\$ 1,356
Accounts receivable	-	-	1,450	-
Property taxes receivable, net	-	-	-	-
Reimbursable grants receivable	-	-	-	-
Interest receivable	1,373	7	1,172	3
<b>Total assets</b>	<b>\$ 562,197</b>	<b>\$ 3,653</b>	<b>\$ 550,650</b>	<b>\$ 1,359</b>
<b>LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 130,481	\$ -	\$ 87,912	\$ 771
Accrued wages and benefits payable	-	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>130,481</b>	<b>-</b>	<b>87,912</b>	<b>771</b>
<b>Fund Balances:</b>				
Restricted	-	3,653	462,738	588
Committed	431,716	-	-	-
<b>Total fund balances</b>	<b>431,716</b>	<b>3,653</b>	<b>462,738</b>	<b>588</b>
<b>Total liabilities, deferred outflows of resources and fund balances</b>	<b>\$ 562,197</b>	<b>\$ 3,653</b>	<b>\$ 550,650</b>	<b>\$ 1,359</b>

(Continued)

**City of Hermosa Beach**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	Special Revenue Funds			
	Lower Pier Administrative Expense	Myrtle District Administrative Expense	Loma District Administrative Expense	Beach Drive Assessment District Admin Expense
<b>ASSETS</b>				
Cash and investments	\$ 4,184	\$ 12,577	\$ 18,330	\$ 2,531
Accounts receivable	-	-	-	-
Property taxes receivable, net	-	-	-	-
Reimbursable grants receivable	-	-	-	-
Interest receivable	-	29	42	6
<b>Total assets</b>	<b>\$ 4,184</b>	<b>\$ 12,606</b>	<b>\$ 18,372</b>	<b>\$ 2,537</b>
<b>LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 300	\$ 605	\$ 73	\$ 351
Accrued wages and benefits payable	-	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>300</b>	<b>605</b>	<b>73</b>	<b>351</b>
<b>Fund Balances:</b>				
Restricted	3,884	12,001	18,299	2,186
Committed	-	-	-	-
<b>Total fund balances</b>	<b>3,884</b>	<b>12,001</b>	<b>18,299</b>	<b>2,186</b>
<b>Total liabilities, deferred outflows of resources and fund balances</b>	<b>\$ 4,184</b>	<b>\$ 12,606</b>	<b>\$ 18,372</b>	<b>\$ 2,537</b>

(Continued)



**City of Hermosa Beach**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	Special Revenue Funds			
	Proposition "A"	Proposition "C"	Measure "R"	Air Quality
	Transit			Management
<b>ASSETS</b>				
Cash and investments	\$ 770,168	\$ 777,483	\$ 766,941	\$ 36,472
Accounts receivable	-	-	-	-
Property taxes receivable, net	-	-	-	-
Reimbursable grants receivable	-	-	-	-
Interest receivable	1,574	1,695	1,455	58
<b>Total assets</b>	<b>\$ 771,742</b>	<b>\$ 779,178</b>	<b>\$ 768,396</b>	<b>\$ 36,530</b>
<b>LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 27,487	\$ 14,650	\$ 6,429	\$ -
Accrued wages and benefits payable	327	-	188	110
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>27,814</b>	<b>14,650</b>	<b>6,617</b>	<b>110</b>
<b>Fund Balances:</b>				
Restricted	743,928	764,528	761,779	36,420
Committed	-	-	-	-
<b>Total fund balances</b>	<b>743,928</b>	<b>764,528</b>	<b>761,779</b>	<b>36,420</b>
<b>Total liabilities, deferred outflows of resources and fund balances</b>	<b>\$ 771,742</b>	<b>\$ 779,178</b>	<b>\$ 768,396</b>	<b>\$ 36,530</b>

(Continued)

**City of Hermosa Beach**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	Special Revenue Funds		
	Supplemental Law Enforcement Services	Asset Seizure and Forfeiture	Fire Protection
<b>ASSETS</b>			
Cash and investments	\$ 20,366	\$ 196,443	\$ 51,430
Accounts receivable	-	10,457	-
Property taxes receivable, net	-	-	-
Reimbursable grants receivable	-	-	-
Interest receivable	154	490	103
<b>Total assets</b>	<b>\$ 20,520</b>	<b>\$ 207,390</b>	<b>\$ 51,533</b>
<b>LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 558	\$ 184	\$ -
Accrued wages and benefits payable	-	-	-
Due to other funds	-	-	-
<b>Total liabilities</b>	<b>558</b>	<b>184</b>	<b>-</b>
<b>Fund Balances:</b>			
Restricted	19,962	207,206	51,533
Committed	-	-	-
<b>Total fund balances</b>	<b>19,962</b>	<b>207,206</b>	<b>51,533</b>
<b>Total liabilities, deferred outflows of resources and fund balances</b>	<b>\$ 20,520</b>	<b>\$ 207,390</b>	<b>\$ 51,533</b>

(Continued)

**City of Hermosa Beach**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	<u>Special Revenue Funds</u>		
	Artesia Boulevard	Grants	Total Nonmajor Governmental
	Relinquishment		Funds
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 55,086	\$ 4,206,424
Accounts receivable	-	-	244,988
Property taxes receivable, net	-	-	6,757
Reimbursable grants receivable	-	496,149	496,149
Interest receivable	-	-	8,985
<b>Total assets</b>	<u>\$ -</u>	<u>\$ 551,235</u>	<u>\$ 4,963,303</u>
<b>LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 174,488	\$ 506,450
Accrued wages and benefits payable	-	44	13,911
Due to other funds	-	113,148	283,126
<b>Total liabilities</b>	<u>-</u>	<u>287,680</u>	<u>803,487</u>
<b>Fund Balances:</b>			
Restricted	-	263,555	3,728,100
Committed	-	-	431,716
<b>Total fund balances</b>	<u>-</u>	<u>263,555</u>	<u>4,159,816</u>
<b>Total liabilities, deferred outflows of resources and fund balances</b>	<u>\$ -</u>	<u>\$ 551,235</u>	<u>\$ 4,963,303</u>

(Concluded)

**City of Hermosa Beach**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

	Special Revenue Funds			
	Lighting and Landscaping District	State Gas Tax	AB 939	Prop A Open Space
<b>REVENUES:</b>				
Property taxes	\$ 458,405	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	551,885	-	151,031
Charges for services	-	-	60,031	-
Miscellaneous	-	-	-	-
Interest earned on investments	388	2,891	36	-
<b>Total revenues</b>	<b>458,793</b>	<b>554,776</b>	<b>60,067</b>	<b>151,031</b>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	46,538	-
Public safety	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Public works	512,282	20,581	-	-
Capital outlay	-	272,514	-	130,474
<b>Total expenditures</b>	<b>512,282</b>	<b>293,095</b>	<b>46,538</b>	<b>130,474</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(53,489)</b>	<b>261,681</b>	<b>13,529</b>	<b>20,557</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	36,111	-	-	-
Transfers out	(8,345)	(297,972)	-	(20,557)
<b>Total other financing sources (uses)</b>	<b>27,766</b>	<b>(297,972)</b>	<b>-</b>	<b>(20,557)</b>
<b>CHANGES IN FUND BALANCES</b>	<b>(25,723)</b>	<b>(36,291)</b>	<b>13,529</b>	<b>-</b>
<b>FUND BALANCES:</b>				
Beginning of year	59,987	360,934	-	3,404
End of year	<u>\$ 34,264</u>	<u>\$ 324,643</u>	<u>\$ 13,529</u>	<u>\$ 3,404</u>

(Continued)

**City of Hermosa Beach**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

	Special Revenue Funds			
	Tyco	Tyco Tidelands	Parks/ Recreation Facility Tax	Bayview Drive Administrative Expense
<b>REVENUES:</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	318,845	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	216,625	-
Miscellaneous	-	-	-	4,350
Interest earned on investments	8,884	36	6,881	24
<b>Total revenues</b>	<u>327,729</u>	<u>36</u>	<u>223,506</u>	<u>4,374</u>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	-	1,942
Public safety	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Public works	-	-	-	-
Capital outlay	323,156	-	252,448	-
<b>Total expenditures</b>	<u>323,156</u>	<u>-</u>	<u>252,448</u>	<u>1,942</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>4,573</u>	<u>36</u>	<u>(28,942)</u>	<u>2,432</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	(3,653)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,653)</u>
<b>CHANGES IN FUND BALANCES</b>	4,573	36	(28,942)	(1,221)
<b>FUND BALANCES:</b>				
Beginning of year	427,143	3,617	491,680	1,809
End of year	<u>\$ 431,716</u>	<u>\$ 3,653</u>	<u>\$ 462,738</u>	<u>\$ 588</u>

(Continued)

**City of Hermosa Beach**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

	Special Revenue Funds			
	Lower Pier Administrative Expense	Myrtle District Administrative Expense	Loma District Administrative Expense	Beach Drive Assessment District Admin Expense
<b>REVENUES:</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	1	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	2,600	9,000	10,000	3,000
Interest earned on investments	-	179	254	37
<b>Total revenues</b>	<b>2,601</b>	<b>9,179</b>	<b>10,254</b>	<b>3,037</b>
<b>EXPENDITURES:</b>				
Current:				
General government	1,271	5,775	5,454	1,451
Public safety	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>1,271</b>	<b>5,775</b>	<b>5,454</b>	<b>1,451</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,330</b>	<b>3,404</b>	<b>4,800</b>	<b>1,586</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	(2,249)	(5,264)	(5,710)	(1,891)
<b>Total other financing sources (uses)</b>	<b>(2,249)</b>	<b>(5,264)</b>	<b>(5,710)</b>	<b>(1,891)</b>
<b>CHANGES IN FUND BALANCES</b>	<b>(919)</b>	<b>(1,860)</b>	<b>(910)</b>	<b>(305)</b>
<b>FUND BALANCES:</b>				
Beginning of year	4,803	13,861	19,209	2,491
End of year	<u>\$ 3,884</u>	<u>\$ 12,001</u>	<u>\$ 18,299</u>	<u>\$ 2,186</u>

(Continued)

**City of Hermosa Beach**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

	Special Revenue Funds			
	Proposition "A"	Proposition "C"	Measure "R"	Air Quality
	Transit			Management
<b>REVENUES:</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	347,569	288,054	294,054	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	24,504
Charges for services	7,065	-	-	-
Miscellaneous	-	-	190,000	-
Interest earned on investments	8,878	11,131	6,733	255
<b>Total revenues</b>	<b>363,512</b>	<b>299,185</b>	<b>490,787</b>	<b>24,759</b>
<b>EXPENDITURES:</b>				
Current:				
General government	15,251	-	-	2,365
Public safety	70,829	-	-	-
Community development	15,836	-	-	-
Culture and recreation	28,912	-	-	-
Public works	-	8,323	3,184	-
Capital outlay	-	285,285	67,149	-
<b>Total expenditures</b>	<b>130,828</b>	<b>293,608</b>	<b>70,333</b>	<b>2,365</b>
<b>REVENUES OVER</b>				
<b>(UNDER) EXPENDITURES</b>	<b>232,684</b>	<b>5,577</b>	<b>420,454</b>	<b>22,394</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGES IN FUND BALANCES</b>	<b>232,684</b>	<b>5,577</b>	<b>420,454</b>	<b>22,394</b>
<b>FUND BALANCES:</b>				
Beginning of year	511,244	758,951	341,325	14,026
End of year	<u>\$ 743,928</u>	<u>\$ 764,528</u>	<u>\$ 761,779</u>	<u>\$ 36,420</u>

(Continued)

**City of Hermosa Beach**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

	Special Revenue Funds		
	Supplemental	Asset	Fire
	Law Enforcement Services	Seizure and Forfeiture	Protection
<b>REVENUES:</b>			
Property taxes	\$ -	\$ -	\$ -
Other taxes	114,530	-	-
Fines and forfeitures	-	51,407	-
Use of money and property	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	18,455
Miscellaneous	-	-	-
Interest earned on investments	1,838	3,682	548
<b>Total revenues</b>	<u>116,368</u>	<u>55,089</u>	<u>19,003</u>
<b>EXPENDITURES:</b>			
Current:			
General government	-	-	-
Public safety	59,387	3,383	-
Community development	-	-	-
Culture and recreation	-	-	-
Public works	-	-	-
Capital outlay	234,640	166,913	-
<b>Total expenditures</b>	<u>294,027</u>	<u>170,296</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(177,659)</u>	<u>(115,207)</u>	<u>19,003</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGES IN FUND BALANCES</b>	(177,659)	(115,207)	19,003
<b>FUND BALANCES:</b>			
Beginning of year	197,621	322,413	32,530
End of year	<u>\$ 19,962</u>	<u>\$ 207,206</u>	<u>\$ 51,533</u>

(Continued)



**City of Hermosa Beach**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

	Special Revenue Fund		Total Nonmajor Governmental Funds
	Artesia Boulevard Relinquishment	Grants	
<b>REVENUES:</b>			
Property taxes	\$ -	\$ -	\$ 458,405
Other taxes	-	-	1,044,207
Fines and forfeitures	-	-	51,407
Use of money and property	-	-	318,846
Intergovernmental	-	250,107	977,527
Charges for services	-	-	302,176
Miscellaneous	-	176,243	395,193
Interest earned on investments	-	-	52,675
<b>Total revenues</b>	<b>-</b>	<b>426,350</b>	<b>3,600,436</b>
<b>EXPENDITURES:</b>			
Current:			
General government	-	-	80,047
Public safety	-	-	133,599
Community development	-	176,719	192,555
Culture and recreation	-	-	28,912
Public works	-	34,333	578,703
Capital outlay	-	203,743	1,936,322
<b>Total expenditures</b>	<b>-</b>	<b>414,795</b>	<b>2,950,138</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>11,555</b>	<b>650,298</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	36,111
Transfers out	(5,463)	-	(351,104)
<b>Total other financing sources (uses)</b>	<b>(5,463)</b>	<b>-</b>	<b>(314,993)</b>
<b>CHANGES IN FUND BALANCES</b>	<b>(5,463)</b>	<b>11,555</b>	<b>335,305</b>
<b>FUND BALANCES:</b>			
Beginning of year	5,463	252,000	3,824,511
End of year	\$ -	\$ 263,555	\$ 4,159,816

(Concluded)

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Lighting and Landscaping District**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2014</b>	\$ 59,987	\$ 59,987	\$ -
Resources (inflows):			
Property taxes	458,600	458,405	(195)
Interest earned on investments	369	388	19
Transfers in	36,111	36,111	-
Amount available for appropriation	555,067	554,891	(176)
Charges to appropriations (outflows):			
Public works	546,722	512,282	34,440
Transfers out	8,345	8,345	-
Total charges to appropriations	555,067	520,627	34,440
<b>Fund balance, June 30, 2015</b>	\$ -	\$ 34,264	\$ 34,264

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**State Gas Tax**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2014</b>	\$ 360,934	\$ 360,934	\$ -
Resources (inflows):			
Intergovernmental	566,903	551,885	(15,018)
Interest earned on investments	2,715	2,891	176
Amount available for appropriation	930,552	915,710	(14,842)
Charges to appropriations (outflows):			
Public Works	23,413	20,581	2,832
Capital outlay	512,253	272,514	239,739
Transfers out	297,972	297,972	-
Total charges to appropriations	833,638	591,067	242,571
<b>Fund balance, June 30, 2015</b>	\$ 96,914	\$ 324,643	\$ 227,729

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**AB 939**  
**For the Year Ended June 30, 2015**

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	<u>Budgeted</u> <u>Amounts</u> <u>Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
<b>Fund balance, July 1, 2014</b>	\$ -	\$ -	\$ -
<b>Resources (inflows):</b>			
Charges for services	61,130	60,031	(1,099)
Interest earned on investments	<u>12</u>	<u>36</u>	<u>24</u>
Amount available for appropriation	<u>61,142</u>	<u>60,067</u>	<u>(1,075)</u>
<b>Charges to appropriations (outflows):</b>			
General government	<u>59,372</u>	<u>46,538</u>	<u>12,834</u>
Total charges to appropriations	<u>59,372</u>	<u>46,538</u>	<u>12,834</u>
<b>Fund balance, June 30, 2015</b>	<u><u>\$ 1,770</u></u>	<u><u>\$ 13,529</u></u>	<u><u>\$ 11,759</u></u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Prop A Open Space**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2014</b>	\$ 3,404	\$ 3,404	\$ -
Resources (inflows):			
Intergovernmental	145,110	151,031	5,921
Amount available for appropriation	148,514	154,435	5,921
Charges to appropriations (outflows):			
Capital outlay	127,957	130,474	(2,517)
Transfers out	20,557	20,557	-
Total charges to appropriations	148,514	151,031	(2,517)
<b>Fund balance, June 30, 2015</b>	\$ -	\$ 3,404	\$ 3,404

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Tyco**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts <u>Final</u>	Actual Amounts <u></u>	Variance with Final Budget <u></u>
<b>Fund balance, July 1, 2014</b>	\$ 427,143	\$ 427,143	\$ -
Resources (inflows):			
Use of money and property	318,845	318,845	-
Interest earned on investments	<u>6,980</u>	<u>8,884</u>	<u>1,904</u>
Amount available for appropriation	<u>752,968</u>	<u>754,872</u>	<u>1,904</u>
Charges to appropriations (outflows):			
Capital outlay	<u>744,275</u>	<u>323,156</u>	<u>421,119</u>
Total charges to appropriations	<u>744,275</u>	<u>323,156</u>	<u>421,119</u>
<b>Fund balance, June 30, 2015</b>	<u>\$ 8,693</u>	<u>\$ 431,716</u>	<u>\$ 423,023</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Tyco Tidelands**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts <u>Final</u>	Actual Amounts <u></u>	Variance with Final Budget <u></u>
<b>Fund balance, July 1, 2014</b>	\$ 3,617	\$ 3,617	\$ -
Resources (inflows):			
Interest earned on investments	28	36	8
Amount available for appropriation	3,645	3,653	8
Charges to appropriations (outflows):			
Capital outlay	3,318	-	3,318
Total charges to appropriations	3,318	-	3,318
<b>Fund balance, June 30, 2015</b>	<u>\$ 327</u>	<u>\$ 3,653</u>	<u>\$ 3,326</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Parks/Recreation Facilities Tax**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2014</b>	\$ 491,680	\$ 491,680	\$ -
Resources (inflows):			
Other taxes	7,019	-	(7,019)
Charge for services	219,261	216,625	(2,636)
Interest earned on investments	5,828	6,881	1,053
Amount available for appropriation	723,788	715,186	(8,602)
Charges to appropriations (outflows):			
Public works	46,993		46,993
Capital outlay	675,896	252,448	423,448
Total charges to appropriations	722,889	252,448	470,441
<b>Fund balance, June 30, 2015</b>	\$ 899	\$ 462,738	\$ 461,839



**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Bayview Drive Administrative Expense**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts <u>Final</u>	Actual Amounts <u>          </u>	Variance with Final Budget <u>          </u>
<b>Fund balance, July 1, 2014</b>	\$ 1,809	\$ 1,809	\$ -
Resources (inflows):			
Miscellaneous	4,350	4,350	-
Interest earned on investments	<u>22</u>	<u>24</u>	<u>2</u>
Amount available for appropriation	<u>6,181</u>	<u>6,183</u>	<u>2</u>
Charges to appropriations (outflows):			
General government	2,528	1,942	586
Transfers out	<u>3,653</u>	<u>3,653</u>	<u>-</u>
Total charges to appropriations	<u>6,181</u>	<u>5,595</u>	<u>586</u>
<b>Fund balance, June 30, 2015</b>	<u>\$ -</u>	<u>\$ 588</u>	<u>\$ 588</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Lower Pier Administrative Expense**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts <u>Final</u>	Actual Amounts <u></u>	Variance with Final Budget <u></u>
<b>Fund balance, July 1, 2014</b>	\$ 4,803	\$ 4,803	\$ -
Resources (inflows):			
Miscellaneous	2,600	2,600	-
Interest earned on investments	-	1	1
Amount available for appropriation	<u>7,403</u>	<u>7,404</u>	<u>1</u>
Charges to appropriations (outflows):			
General government	1,813	1,271	542
Transfers out	<u>2,249</u>	<u>2,249</u>	<u>-</u>
Total charges to appropriations	<u>4,062</u>	<u>3,520</u>	<u>542</u>
<b>Fund balance, June 30, 2015</b>	<u>\$ 3,341</u>	<u>\$ 3,884</u>	<u>\$ 543</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Myrtle District Administrative Expense**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts <u>Final</u>	Actual Amounts <u></u>	Variance with Final Budget <u></u>
<b>Fund balance, July 1, 2014</b>	\$ 13,861	\$ 13,861	\$ -
Resources (inflows):			
Miscellaneous	9,000	9,000	-
Interest earned on investments	<u>166</u>	<u>179</u>	<u>13</u>
Amount available for appropriation	<u>23,027</u>	<u>23,040</u>	<u>13</u>
Charges to appropriations (outflows):			
General government	6,760	5,775	985
Transfers out	<u>5,264</u>	<u>5,264</u>	<u>-</u>
Total charges to appropriations	<u>12,024</u>	<u>11,039</u>	<u>985</u>
<b>Fund balance, June 30, 2015</b>	<u>\$ 11,003</u>	<u>\$ 12,001</u>	<u>\$ 998</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Loma District Administrative Expense**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts <u>Final</u>	Actual Amounts <u></u>	Variance with Final Budget <u></u>
<b>Fund balance, July 1, 2014</b>	\$ 19,209	\$ 19,209	\$ -
Resources (inflows):			
Miscellaneous	10,000	10,000	-
Interest earned on investments	<u>234</u>	<u>254</u>	<u>20</u>
Amount available for appropriation	<u>29,209</u>	<u>29,463</u>	<u>254</u>
Charges to appropriations (outflows):			
General government	7,621	5,454	2,167
Transfers out	<u>5,710</u>	<u>5,710</u>	<u>-</u>
Total charges to appropriations	<u>13,331</u>	<u>11,164</u>	<u>2,167</u>
<b>Fund balance, June 30, 2015</b>	<u>\$ 15,878</u>	<u>\$ 18,299</u>	<u>\$ 2,421</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Beach Drive Assessment District Administrative Expense**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts <u>Final</u>	Actual Amounts <u></u>	Variance with Final Budget <u></u>
<b>Fund balance, July 1, 2014</b>	\$ 2,491	\$ 2,491	\$ -
Resources (inflows):			
Miscellaneous	3,000	3,000	-
Interest earned on investments	<u>32</u>	<u>37</u>	<u>5</u>
Amount available for appropriation	<u>5,523</u>	<u>5,528</u>	<u>5</u>
Charges to appropriations (outflows):			
General government	2,275	1,451	824
Transfers out	<u>1,891</u>	<u>1,891</u>	<u>-</u>
Total charges to appropriations	<u>4,166</u>	<u>3,342</u>	<u>824</u>
<b>Fund balance, June 30, 2015</b>	<u>\$ 1,357</u>	<u>\$ 2,186</u>	<u>\$ 829</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Proposition "A" Transit**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2014</b>	<u>\$ 511,244</u>	<u>\$ 511,244</u>	<u>\$ -</u>
Resources (inflows):			
Other taxes	344,137	347,569	3,432
Charges for services	6,646	7,065	419
Interest earned on investments	6,849	8,878	2,029
Amount available for appropriation	<u>868,876</u>	<u>874,756</u>	<u>5,880</u>
Charges to appropriations (outflows):			
General government	58,133	15,251	42,882
Public safety	69,000	70,829	(1,829)
Community development	16,891	15,836	1,055
Culture and recreation	40,000	28,912	11,088
Public works	274,892	-	274,892
Total charges to appropriations	<u>458,916</u>	<u>130,828</u>	<u>328,088</u>
<b>Fund balance, June 30, 2015</b>	<u><u>\$ 409,960</u></u>	<u><u>\$ 743,928</u></u>	<u><u>\$ 333,968</u></u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Proposition "C"**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2014</b>	\$ 758,951	\$ 758,951	\$ -
Resources (inflows):			
Other taxes	285,452	288,054	2,602
Interest earned on investments	9,828	11,131	1,303
Amount available for appropriation	1,054,231	1,058,136	3,905
Charges to appropriations (outflows):			
Public works	47,978	8,323	39,655
Capital outlay	533,326	285,285	248,041
Total charges to appropriations	581,304	293,608	287,696
<b>Fund balance, June 30, 2015</b>	\$ 472,927	\$ 764,528	\$ 291,601

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Measure "R"**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2014</b>	\$ 341,325	\$ 341,325	\$ -
Resources (inflows):			
Other taxes	214,092	294,054	79,962
Miscellaneous	190,000	190,000	-
Interest earned on investments	4,477	6,733	2,256
Amount available for appropriation	749,894	832,112	82,218
Charges to appropriations (outflows):			
Public works	3,626	3,184	442
Capital outlay	746,268	67,149	679,119
Total charges to appropriations	749,894	70,333	679,561
<b>Fund balance, June 30, 2015</b>	\$ -	\$ 761,779	\$ 761,779



**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Air Quality Management District**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts <u>Final</u>	Actual Amounts <u></u>	Variance with Final Budget <u></u>
<b>Fund balance, July 1, 2014</b>	\$ 14,026	\$ 14,026	\$ -
Resources (inflows):			
Intergovernmental	22,500	24,504	2,004
Interest earned on investments	98	255	157
Amount available for appropriation	<u>36,624</u>	<u>38,785</u>	<u>2,161</u>
Charges to appropriations (outflows):			
General government	3,600	2,365	1,235
Capital outlay	30,000	-	30,000
Total charges to appropriations	<u>33,600</u>	<u>2,365</u>	<u>31,235</u>
<b>Fund balance, June 30, 2015</b>	<u>\$ 3,024</u>	<u>\$ 36,420</u>	<u>\$ 33,396</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Supplemental Law Enforcement Services**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2014</b>	\$ 197,621	\$ 197,621	\$ -
Resources (inflows):			
Other taxes	100,000	114,530	14,530
Interest earned on investments	2,200	1,838	(362)
Amount available for appropriation	299,821	313,989	14,168
Charges to appropriations (outflows):			
Public safety	64,320	59,387	4,933
Capital outlay	235,501	234,640	861
Total charges to appropriations	299,821	294,027	5,794
<b>Fund balance, June 30, 2015</b>	\$ -	\$ 19,962	\$ 19,962

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Asset Seizure and Forfeiture**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2014</b>	\$ 322,413	\$ 322,413	\$ -
Resources (inflows):			
Fines and forfeitures	37,000	51,407	14,407
Interest earned on investments	3,847	3,682	(165)
Amount available for appropriation	363,260	377,502	14,242
Charges to appropriations (outflows):			
Public safety	6,700	3,383	3,317
Capital outlay	356,560	166,913	189,647
Total charges to appropriations	363,260	170,296	192,964
<b>Fund balance, June 30, 2015</b>	\$ -	\$ 207,206	\$ 207,206

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Fire Protection**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts <u>Final</u>	Actual Amounts <u>          </u>	Variance with Final Budget <u>          </u>
<b>Fund balance, July 1, 2014</b>	\$ 32,530	\$ 32,530	\$ -
Resources (inflows):			
Charges for services	10,500	18,455	7,955
Interest earned on investments	<u>394</u>	<u>548</u>	<u>154</u>
Total charges to appropriations	<u>43,424</u>	<u>51,533</u>	<u>8,109</u>
<b>Fund balance, June 30, 2015</b>	<u>\$ 43,424</u>	<u>\$ 51,533</u>	<u>\$ 8,109</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Artesia Boulevard Relinquishment**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts <u>Final</u>	Actual Amounts <u></u>	Variance with Final Budget <u></u>
<b>Fund balance, July 1, 2014</b>	\$ 5,463	\$ 5,463	\$ -
Charges to appropriations (outflows):			
Transfers out	<u>-</u>	<u>5,463</u>	<u>(5,463)</u>
Total charges to appropriations	<u>-</u>	<u>5,463</u>	<u>(5,463)</u>
<b>Fund balance, June 30, 2015</b>	<u>\$ 5,463</u>	<u>\$ -</u>	<u>\$ (5,463)</u>

**City of Hermosa Beach**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Grants**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget
<b>Fund balance, July 1, 2014</b>	\$ 252,000	\$ 252,000	\$ -
Resources (inflows):			
Intergovernmental	369,796	250,107	(119,689)
Miscellaneous	-	176,243	176,243
Amount available for appropriation	<u>621,796</u>	<u>678,350</u>	<u>56,554</u>
Charges to appropriations (outflows):			
Public safety	5,426	-	5,426
Community development	318,970	176,719	142,251
Public works	15,915	34,333	(18,418)
Capital outlay	<u>272,469</u>	<u>203,743</u>	<u>68,726</u>
Total charges to appropriations	<u>612,780</u>	<u>414,795</u>	<u>197,985</u>
<b>Fund balance, June 30, 2015</b>	<u>\$ 9,016</u>	<u>\$ 263,555</u>	<u>\$ 254,539</u>

## **INTERNAL SERVICE FUNDS**

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

***Equipment Replacement Fund*** - This fund was created to provide ongoing funds to replace assets at the end of the assets' useful life.

**City of Hermosa Beach**  
**Combining Statement of Net Position**  
**All Internal Service Funds**  
**June 30, 2015**

	Insurance Fund	Equipment Replacement Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	10,373,268	\$ 5,453,662	\$ 15,826,930
Other assets	79,000	27,721	106,721
Total current assets	<u>10,452,268</u>	<u>5,481,383</u>	<u>15,933,651</u>
Capital assets:			
Nondepreciable	-	163,841	163,841
Depreciable, net	-	2,882,155	2,882,155
Total capital assets	<u>-</u>	<u>3,045,996</u>	<u>3,045,996</u>
<b>Total assets</b>	<u>10,452,268</u>	<u>8,527,379</u>	<u>18,979,647</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	43,995	547,398	\$ 591,393
Accrued wages and benefits payable	3,144	8,790	11,934
Interest payable	133,867		133,867
Settlement payable (Note 14)	11,500,000	-	11,500,000
Workers' compensation claims payable, due within one year	686,562	-	686,562
General liability claims payable, due within one year	323,644	-	323,644
Compensated absences due within one year	7,621	9,254	16,875
Total current liabilities	<u>12,698,833</u>	<u>565,442</u>	<u>13,264,275</u>
Long-term liabilities:			
Workers' compensation claims payable, due in more than one year	4,134,783	-	4,134,783
General liability claims payable, due in more than one year	564,656	-	564,656
Total long-term liabilities	<u>4,699,439</u>	<u>-</u>	<u>4,699,439</u>
<b>Total liabilities</b>	<u>17,398,272</u>	<u>565,442</u>	<u>17,963,714</u>
<b>NET POSITION</b>			
Investment in capital assets	-	3,045,996	3,045,996
Unrestricted	(6,946,004)	4,915,941	(2,030,063)
<b>Total net position</b>	<u>\$ (6,946,004)</u>	<u>\$ 7,961,937</u>	<u>\$ 1,015,933</u>



**City of Hermosa Beach**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2015**

	Insurance Fund	Equipment Replacement Fund	Total
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 2,782,847	\$ 1,518,865	\$ 4,301,712
Miscellaneous	200,351	-	200,351
<b>Total operating revenues</b>	<b>2,983,198</b>	<b>1,518,865</b>	<b>4,502,063</b>
<b>OPERATING EXPENSES:</b>			
Salaries and wages	98,239	177,956	276,195
Contractor services	955,861	796,203	1,752,064
Supplies	16	516,357	516,373
Claims expense	262,393	-	262,393
Depreciation	-	341,180	341,180
<b>Total operating expenses</b>	<b>1,316,509</b>	<b>1,831,696</b>	<b>3,148,205</b>
<b>OPERATING INCOME</b>	<b>1,666,689</b>	<b>(312,831)</b>	<b>1,353,858</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Operating grant	-	3,000	3,000
Interest expenses	(133,867)	-	(133,867)
Gain on disposal of capital assets	-	5,727	5,727
<b>Total nonoperating revenues (expenses)</b>	<b>(133,867)</b>	<b>8,727</b>	<b>(125,140)</b>
<b>INCOME BEFORE TRANSFERS AND SPECIAL ITEM</b>	<b>1,532,822</b>	<b>(304,104)</b>	<b>1,228,718</b>
<b>TRANSFERS:</b>			
Transfers in	-	1,324,690	1,324,690
Transfers out	(3,063,903)	-	(3,063,903)
<b>Total transfers</b>	<b>(3,063,903)</b>	<b>1,324,690</b>	<b>(1,739,213)</b>
<b>SPECIAL ITEM:</b>			
Settlements (Note 14)	(14,000,000)	-	(14,000,000)
<b>Total special item</b>	<b>(14,000,000)</b>	<b>-</b>	<b>(14,000,000)</b>
<b>Changes in net position</b>	<b>(15,531,081)</b>	<b>1,020,586</b>	<b>(14,510,495)</b>
<b>NET POSITION</b>			
Beginning of the year	\$ 8,585,077	\$ 6,941,351	15,526,428
End of the year	\$ (6,946,004)	\$ 7,961,937	\$ 1,015,933

**City of Hermosa Beach**  
**Combining Statement of Cash Flows**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2015**

	Insurance Fund	Equipment Replacement Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received for services from other funds	\$ 2,782,847	\$ 1,518,865	\$ 4,301,712
Cash received for insurance recovery	200,351	-	200,351
Cash payments to suppliers of goods and services	(1,015,729)	(926,192)	(1,941,921)
Cash payments to employees for services	(102,510)	(183,020)	(285,530)
Cash payment for insurance premiums	(1,504,994)	-	(1,504,994)
<b>Net cash provided by operating activities</b>	<b>359,965</b>	<b>409,653</b>	<b>769,618</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Contributions	-	3,000	3,000
Payment on settlement	(6,000,000)	-	(6,000,000)
Transfers in	-	1,324,690	1,324,690
Transfers out	(3,063,903)	-	(3,063,903)
<b>Net cash provided by noncapital financing activities</b>	<b>(9,063,903)</b>	<b>1,327,690</b>	<b>(7,736,213)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	-	(812,185)	(812,185)
Proceeds from sale of capital assets	-	25,121	25,121
<b>Net cash (used in) capital and related financing activities</b>	<b>-</b>	<b>(787,064)</b>	<b>(787,064)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(8,703,938)</b>	<b>950,279</b>	<b>(7,753,659)</b>
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of year	19,077,206	4,503,383	23,580,589
End of year	<u>\$ 10,373,268</u>	<u>\$ 5,453,662</u>	<u>\$ 15,826,930</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income	\$ 1,666,689	\$ (312,831)	\$ 1,353,858
Adjustments to reconcile net operating income to net cash provided by (used in) operating activities:			
Depreciation	-	341,180	341,180
(Increase) Decrease in:			
Other assets	-	(27,721)	(27,721)
Increase (Decrease) in:			
Accounts payable	(59,852)	414,089	354,237
Accrued wages and benefits payable	(337)	467	130
Workers' compensation claims payable	(744,567)	-	(744,567)
General liability claims payable	(498,034)	-	(498,034)
Compensated absences	(3,934)	(5,531)	(9,465)
<b>Total adjustments</b>	<b>(1,306,724)</b>	<b>722,484</b>	<b>(584,240)</b>
<b>Net cash provided by operating activities</b>	<b>\$ 359,965</b>	<b>\$ 409,653</b>	<b>\$ 769,618</b>

## **FIDUCIARY FUNDS**

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

**City of Hermosa Beach**  
**Combining Statement of Fiduciary Net Position**  
**All Agency Funds**  
**June 30, 2015**

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	Bayview Drive Redemption	Bayview Drive Reserve	Lower Pier Avenue Assessment District Redemption	Beach Drive Assessment District Redemption
<b>ASSETS</b>				
Cash and investments	\$ 140,414	\$ 13,613	\$ 45,338	\$ 73,696
Interest receivable	311	30	101	163
Other accounts receivable	590	-	1,467	-
Other assets	-	-	-	-
<b>Total assets</b>	<u>\$ 141,315</u>	<u>\$ 13,643</u>	<u>\$ 46,906</u>	<u>\$ 73,859</u>
<b>LIABILITIES</b>				
Assessment:				
Installment account	\$ 141,315	\$ 3,643	\$ 46,906	\$ 73,859
Reserve requirement	-	10,000	-	-
<b>Total liabilities</b>	<u>\$ 141,315</u>	<u>\$ 13,643</u>	<u>\$ 46,906</u>	<u>\$ 73,859</u>

**City of Hermosa Beach**  
**Combining Statement of Fiduciary Net Position (Continued)**  
**All Agency Funds**  
**June 30, 2015**

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	Beach Drive Assessment District Reserve	Myrtle Avenue Utility Undergrounding Assessment District	Loma Drive Utility Undergrounding Assessment District	Total
<b>ASSETS</b>				
Cash and investments	\$ 4,144	\$ 128,581	\$ 149,937	\$ 555,723
Interest receivable	9	282	329	1,225
Other accounts receivable	-	2,428	2,833	7,318
Other assets	-	-	90	90
<b>Total assets</b>	<b>\$ 4,153</b>	<b>\$ 131,291</b>	<b>\$ 153,189</b>	<b>\$ 564,356</b>
<b>LIABILITIES</b>				
Assessment:				
Installment account	\$ 1,153	\$ 131,291	\$ 153,189	\$ 551,356
Reserve requirement	3,000	-	-	13,000
<b>Total liabilities</b>	<b>\$ 4,153</b>	<b>\$ 131,291</b>	<b>\$ 153,189</b>	<b>\$ 564,356</b>

**City of Hermosa Beach**  
**Combining Statement of Changes in Assets and Liabilities**  
**All Agency Funds**  
**For the Year Ended June 30, 2015**

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
<b>ASSETS</b>				
<b>Bayview Drive Redemption Fund:</b>				
Cash and investments	\$ 137,272	\$ 67,224	\$ (64,082)	\$ 140,414
Interest receivable	328	341	(358)	311
Other accounts receivable	2,148	362	(1,920)	590
<b>Bayview Drive Reserve Fund:</b>				
Cash and investments	13,432	317	(136)	13,613
Interest receivable	32	33	(35)	30
<b>Lower Pier District Redemption Fund:</b>				
Cash and investments	46,486	42,623	(43,771)	45,338
Interest receivable	111	112	(122)	101
Other accounts receivable	1,508	1,467	(1,508)	1,467
<b>Beach Drive Assessment District Redemption Fund:</b>				
Cash and investments	71,049	33,932	(31,285)	73,696
Interest receivable	170	178	(185)	163
Other accounts receivable	144	-	(144)	-
<b>Beach Drive Assessment District Reserve Fund:</b>				
Cash and investments	4,089	125	(70)	4,144
Interest receivable	10	10	(11)	9
<b>Myrtle Avenue Assessment Fund:</b>				
Cash and investments	121,429	103,822	(96,670)	128,581
Interest receivable	290	309	(317)	282
Other accounts receivable	4,254	2,428	(4,254)	2,428
<b>Loma Drive Assessment Fund:</b>				
Cash and investments	143,025	107,160	(100,248)	149,937
Interest receivable	341	361	(373)	329
Other accounts receivable	2,477	2,833	(2,477)	2,833
Other assets	-	90	-	90
<b>Total assets</b>	<u>\$ 548,595</u>	<u>\$ 363,727</u>	<u>\$ (347,966)</u>	<u>\$ 564,356</u>
<b>LIABILITIES</b>				
<b>Bayview Drive Redemption Fund:</b>				
Assessment installment account	\$ 139,748	\$ 67,927	\$ (66,360)	\$ 141,315
<b>Bayview Drive Reserve Fund:</b>				
Assessment installment account	3,464	350	(171)	3,643
Assessment reserve requirement	10,000	-	-	10,000
<b>Lower Pier District Redemption Fund:</b>				
Assessment installment account	48,105	44,202	(45,401)	46,906
<b>Beach Drive Assessment District Redemption Fund:</b>				
Assessment installment account	71,363	34,110	(31,614)	73,859
<b>Beach Drive Assessment District Reserve Fund:</b>				
Assessment installment account	1,099	135	(81)	1,153
Assessment reserve requirement	3,000	-	-	3,000
<b>Myrtle Avenue Assessment Fund:</b>				
Assessment installment account	125,973	106,559	(101,241)	131,291
<b>Loma Drive Assessment Fund:</b>				
Assessment installment account	145,843	110,444	(103,098)	153,189
<b>Total liabilities</b>	<u>\$ 548,595</u>	<u>\$ 363,727</u>	<u>\$ (347,966)</u>	<u>\$ 564,356</u>

# STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
Financial Trends	150-155
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	156-167
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	169-171
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. <sup>1</sup>	
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.	

<sup>1</sup> Since the City of Hermosa Beach has no debt, the following schedules are not included in the Statistical Section:

Ratios of Outstanding Debt by Type  
Ratios of General Bonded Debt Outstanding  
Pledged-Revenue Coverage

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

	Fiscal Year				
	2006	2007	2008	2009	2010
Governmental activities:					
Net investment in capital assets	\$ 56,667,910	\$ 58,249,212	\$ 57,117,532	\$ 56,419,592	\$ 56,599,591
Restricted	3,590,623	3,813,004	5,171,642	5,403,000	4,518,727
Unrestricted	15,221,233	12,424,195	10,619,806	10,348,315	10,768,025
Total governmental activities net positions	<u>\$ 75,479,766</u>	<u>\$ 74,486,411</u>	<u>\$ 72,908,980</u>	<u>\$ 72,170,907</u>	<u>\$ 71,886,343</u>
Business-type activities:					
Net investment in capital assets	\$ 8,297,790	\$ 10,311,365	\$ 10,187,758	\$ 10,057,219	\$ 9,926,861
Restricted	-	-	-	-	-
Unrestricted	237,824	(1,604,154)	(1,443,914)	(1,236,859)	(1,074,651)
Total governmental activities net positions	<u>\$ 8,535,614</u>	<u>\$ 8,707,211</u>	<u>\$ 8,743,844</u>	<u>\$ 8,820,360</u>	<u>\$ 8,852,210</u>
Primary government:					
Net investment in capital assets	\$ 64,965,700	\$ 68,560,577	\$ 67,305,110	\$ 66,476,811	\$ 66,526,450
Restricted	3,590,623	3,813,004	5,171,642	5,403,000	4,518,727
Unrestricted	15,459,057	10,820,041	9,175,892	9,111,456	9,693,374
Total primary government net positions	<u>\$ 84,015,380</u>	<u>\$ 83,193,622</u>	<u>\$ 81,652,644</u>	<u>\$ 80,991,267</u>	<u>\$ 80,738,551</u>

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

<sup>2</sup> Unrestricted net position was restated to reflect implementation of GASB No. 68 and 71.



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

	Fiscal Year				
	2011	2012	2013	2014 <sup>2</sup>	2015
Governmental activities:					
Net investment in capital assets	\$ 56,693,499	\$ 65,518,736	\$ 64,135,741	\$ 64,828,005	\$ 66,733,301
Restricted	1,968,275	3,860,192	4,050,722	4,476,554	4,188,404
Unrestricted	14,122,551	10,589,507	17,294,405	(17,705,043)	(24,869,037)
Total governmental activities net positions	<u>\$ 72,784,325</u>	<u>\$ 79,968,435</u>	<u>\$ 85,480,868</u>	<u>\$ 51,599,516</u>	<u>\$ 46,052,668</u>
Business-type activities:					
Net investment in capital assets	\$ 9,998,669	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	(838,749)	-	-	-	-
Total governmental activities net positions	<u>\$ 9,159,920</u>	<u>\$ - <sup>1</sup></u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Primary government:					
Net investment in capital assets	\$ 66,692,168	\$ 65,518,736	\$ 64,135,741	\$ 64,828,005	\$ 66,733,301
Restricted	1,968,275	3,860,192	4,050,722	4,476,554	4,188,404
Unrestricted	13,283,802	10,589,507	17,294,405	(17,705,043)	(24,869,037)
Total primary government net positions	<u>\$ 81,944,245</u>	<u>\$ 79,968,435</u>	<u>\$ 85,480,868</u>	<u>\$ 51,599,516</u>	<u>\$ 46,052,668</u>

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

<sup>2</sup> Unrestricted net position was restated to reflect implementation of GASB No. 68 and 71.

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

	Fiscal Year				
	2006	2007	2008	2009	2010
<b>Expenses:</b>					
<b>Governmental activities:</b>					
Legislative and legal	\$ 962,682	\$ 867,481	\$ 990,342	\$ 1,059,528	\$ 980,157
General government	1,999,234	2,523,060	2,544,004	3,579,453	2,409,611
Public safety	15,167,715	17,237,156	19,569,031	17,471,578	17,841,984
Community development	1,349,891	1,424,766	1,358,051	1,416,714	1,243,490
Culture and recreation	1,149,070	1,253,882	1,343,223	1,420,956	1,252,037
Public works	7,980,811	7,106,083	6,942,529	6,860,854	7,823,275
Total governmental activities expenses	<u>28,609,403</u>	<u>30,412,428</u>	<u>32,747,180</u>	<u>31,809,083</u>	<u>31,550,554</u>
<b>Business-type activities:</b>					
Downtown Enhancement	1,130,499	1,096,039	1,133,746	963,304	997,138
Parking	- <sup>2</sup>	-	- <sup>2</sup>	- <sup>2</sup>	- <sup>2</sup>
Proposition "A" Transit	-	-	- <sup>1</sup>	- <sup>1</sup>	- <sup>1</sup>
Proposition "C" Transit	-	-	- <sup>1</sup>	- <sup>1</sup>	- <sup>1</sup>
Total business-type activities expenses	<u>1,130,499</u>	<u>1,096,039</u>	<u>1,133,746</u>	<u>963,304</u>	<u>997,138</u>
Total primary government expenses	<u>29,739,902</u>	<u>31,508,467</u>	<u>33,880,926</u>	<u>32,772,387</u>	<u>32,547,692</u>
<b>Program revenues:</b>					
<b>Governmental activities:</b>					
<b>Charges for services:</b>					
General government	458,900	497,423	563,583	569,772	543,259
Public safety	3,891,881 <sup>2</sup>	4,078,709	4,423,335	4,633,478	4,674,410
Community development	1,393,212	1,179,786	1,262,109	782,904	650,962
Culture and recreation	986,137	944,229	1,092,512	949,439	856,135
Public works	808,091	835,845	877,367	907,579	840,740
Operating grants and contributions	725,136	755,716	731,097	539,518	543,531
Capital grants and contributions	1,042,854	286,930	68,862	850,357	1,817,638
Total governmental activities program revenues:	<u>9,306,211</u>	<u>8,578,638</u>	<u>9,018,865</u>	<u>9,233,047</u>	<u>9,926,675</u>
<b>Business-type activities:</b>					
<b>Charges for services:</b>					
Downtown Enhancement	1,187,249	1,144,666	1,088,298	1,021,114	1,026,185
Parking	- <sup>2</sup>	-	- <sup>2</sup>	- <sup>2</sup>	- <sup>2</sup>
Proposition A Transit	-	-	- <sup>1</sup>	- <sup>1</sup>	- <sup>1</sup>
Proposition C Transit	-	-	- <sup>1</sup>	- <sup>1</sup>	- <sup>1</sup>
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues:	<u>1,187,249</u>	<u>1,144,666</u>	<u>1,088,298</u>	<u>1,021,114</u>	<u>1,026,185</u>
Total primary government program revenues:	<u>10,493,460</u>	<u>9,723,304</u>	<u>10,107,163</u>	<u>10,254,161</u>	<u>10,952,860</u>

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

	Fiscal Year				
	2006	2007	2008	2009	2010
Net revenues (expenses):					
Governmental activities	(19,303,192)	(21,833,790)	(23,728,315)	(22,576,036)	(21,623,879)
Business-type activities	56,750	48,627	(45,448)	57,810	29,047
Total net revenues (expenses)	<u>(19,246,442)</u>	<u>(21,785,163)</u>	<u>(23,773,763)</u>	<u>(22,518,226)</u>	<u>(21,594,832)</u>
General revenues and other changes in net positions:					
Governmental activities:					
Taxes:					
Property taxes	8,361,888	9,383,544	10,458,034	11,188,377	11,407,964
Sales tax	2,511,004	2,395,390	2,500,659	2,390,658	2,112,971
Other taxes	6,186,641	6,414,534	6,456,786	6,069,339	5,962,978
Grants and contributions not restricted to specific programs	1,537,667	1,273,625	1,472,191	1,454,006	1,242,064
Investment income	753,746	1,097,128	850,176	429,087	135,423
Other general revenues	113	170,325	503,414	303,035	473,559
Transfers	144,451	11,255	4,259	3,461	4,356
Total governmental activities	<u>19,495,510</u>	<u>20,745,801</u>	<u>22,245,519</u>	<u>21,837,963</u>	<u>21,339,315</u>
Business-type activities:					
Investment income	33,154	48,113	28,320	17,749	5,609
Other general revenues	-	-	-	-	-
Miscellaneous	6,323	86,112	57,840	4,597	1,550
Transfers	(144,451)	(11,255)	(4,259)	(3,461)	(4,356)
Total business-type activities	<u>(104,974)</u>	<u>122,970</u>	<u>81,901</u>	<u>18,885</u>	<u>2,803</u>
Total primary government	<u>19,390,536</u>	<u>20,868,771</u>	<u>22,327,420</u>	<u>21,856,848</u>	<u>21,342,118</u>
Changes in net positions					
Governmental activities:	192,318	(1,087,989)	(1,482,796)	(738,073)	(284,564)
Business-type activities:	(48,224)	171,597	36,453	76,695	31,850
Total primary government	<u>\$ 144,094</u>	<u>\$ (916,392)</u>	<u>\$ (1,446,343)</u>	<u>\$ (661,378)</u>	<u>\$ (252,714)</u>

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

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

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

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

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

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

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

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

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

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

**City of Hermosa Beach**  
**Governmental Activities Tax Revenues By Source**  
**Last Ten Years**  
**(accrual basis of accounting)**

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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
2006	\$ 8,361,888	\$ 2,511,004	\$ 305,018	\$ 597,754	\$ 188,644	\$ 1,628,394	\$ 2,726,085	\$ 740,746	\$ 17,059,533
2007	9,383,544	2,395,390	279,219	606,572	189,852	1,769,015	2,769,113	800,763	18,193,468
2008	10,458,034	2,500,659	226,349	634,421	187,277	1,892,363	2,714,029	802,347	19,415,479
2009	11,188,377	2,390,658	140,113	674,947	167,427	1,645,571	2,575,209	866,072	19,648,374
2010	11,407,964	2,112,971	162,562	650,115	168,103	1,559,048	2,559,369	863,781	19,483,913
2011	11,518,645	2,209,559	178,912	698,622	165,627	1,689,356	2,520,720	807,755	19,789,196
2012	11,639,960	2,474,650	177,555	730,953	180,493	1,884,020	2,495,895	950,803	20,534,329
2013	12,151,229	2,598,752	233,412	752,586	192,175	1,996,174	2,503,265	950,526	21,378,119
2014	12,910,426	2,653,631	290,379	788,694	182,608	2,204,420	2,443,285	1,006,478	22,479,921
2015	13,739,648	2,768,225	312,416	785,935	229,824	2,349,750	2,442,575	1,059,445	23,687,818

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

	Fiscal Year				
	2006	2007	2008	2009	2010
General Fund:					
Reserved	\$ 158,854	\$ 142,604	\$ 241,142	\$ 312,880	\$ 447,426
Unreserved	211,191	168,089	257,599	348,373	253,005
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>370,045</u>	<u>310,693</u>	<u>498,741</u>	<u>661,253</u>	<u>700,431</u>
All other governmental funds:					
Reserved	3,845,091	3,875,682	1,734,658	1,273,762	3,060,042
Unreserved, reported in:					
Special revenue funds	10,900,400	8,864,333	11,135,309	9,764,500	6,965,596
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>14,745,491</u>	<u>12,740,015</u>	<u>12,869,967</u>	<u>11,038,262</u>	<u>10,025,638</u>
Total governmental funds	<u>\$ 15,115,536</u>	<u>\$ 13,050,708</u>	<u>\$ 13,368,708</u>	<u>\$ 11,699,515</u>	<u>\$ 10,726,069</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				
	2011	2012	2013	2014	2015
General Fund:					
Reserved					
Unreserved					
Nonspendable	\$ 35,613	\$ 14,271	\$ 21,589	\$ 10,603	\$ 19,444
Restricted	172,021	255,200	391,504	410,289	460,304
Committed	10,592	10,592	10,592	28,900	28,900
Assigned	5,635,231	5,776,500	6,555,423	7,655,210	10,005,040
Unassigned	-	-	-	-	-
Total general fund	<u>5,853,457</u>	<u>6,056,563</u>	<u>6,979,108</u>	<u>8,105,002</u>	<u>10,513,688</u>
All other governmental funds:					
Reserved	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Nonspendable	-	1,500		1,600	
Restricted	-	3,604,992	3,659,218	4,083,450	3,728,100
Committed	-	117,415	137,166	432,606	431,716
Assigned	4,216,497	961,251	847,266	2,831,179	7,646,948
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>4,216,497</u>	<u>4,685,158</u>	<u>4,643,650</u>	<u>7,348,835</u>	<u>11,806,764</u>
Total governmental funds	<u>\$ 10,069,954</u>	<u>\$ 10,741,721</u>	<u>\$ 11,622,758</u>	<u>\$ 15,453,837</u>	<u>\$ 22,320,452</u>

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				
	2006	2007	2008	2009	2010
<b>Revenues:</b>					
Property taxes	\$ 8,818,051	\$ 9,834,400	\$ 10,907,119	\$ 11,639,348	\$ 11,863,846
Other taxes	9,404,925	9,488,447	9,630,365	9,079,246	8,760,988
Licenses and permits	868,085	772,832	877,775	678,477	556,737
Fines and forfeitures	1,627,274	1,615,777	1,994,522	2,111,467	2,075,759
Use of money and property	612,248	656,966	679,528	716,215	622,847
Intergovernmental	2,278,769	1,299,426	1,277,080	1,788,584	2,578,807
Charges for services	3,905,640	4,125,954	4,171,165	4,102,959	4,080,450
Miscellaneous	388,532	349,856	737,112	436,138	301,179
Interest earned on investments	753,746	1,097,128	850,176	429,092	135,423
Total revenues	<u>28,657,270</u>	<u>29,240,786</u>	<u>31,124,842</u>	<u>30,981,526</u>	<u>30,976,036</u>
<b>Expenditures</b>					
<b>Current:</b>					
Legislative and legal	963,031	858,017	967,423	1,057,092	976,862
General government	2,220,062	2,426,179	2,433,226	2,513,647	2,350,692
Public safety	14,444,334	16,236,080	17,374,613	16,974,820	17,251,686
Community development	1,346,996	1,417,596	1,283,317	1,400,933	1,229,909
Culture and recreation	1,124,347	1,205,653	1,249,251	1,372,611	1,201,057
Public works	3,785,554	3,895,291	3,993,055	4,288,179	4,158,945
Capital outlay	3,406,570	4,722,412	1,672,441	3,294,817	4,176,566
Total expenditures	<u>27,290,894</u>	<u>30,761,228</u>	<u>28,973,326</u>	<u>30,902,099</u>	<u>31,345,717</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,366,376</u>	<u>(1,520,442)</u>	<u>2,151,516</u>	<u>79,427</u>	<u>(369,681)</u>
<b>Other financing sources (uses)</b>					
Proceeds from sale of assets	-	-	-	-	-
Transfers in	4,273,743	2,550,370	1,755,358	1,919,303	2,316,998
Transfers out	(5,625,788)	(3,094,756)	(3,588,874)	(3,667,923)	(2,993,912)
Total other financing sources (uses)	<u>(1,352,045)</u>	<u>(544,386)</u>	<u>(1,833,516)</u>	<u>(1,748,620)</u>	<u>(676,914)</u>
Net change in fund balances	<u>\$ 14,331</u>	<u>\$ (2,064,828)</u>	<u>\$ 318,000</u>	<u>\$ (1,669,193)</u>	<u>\$ (1,046,595)</u>
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	0.0%	0.0%

The City has no debt, therefore Debt Service as a percentage of noncapital expenditures is 0.0% for all years.

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

	Fiscal Year				
	2011	2012	2013	2014	2015
<b>Revenues:</b>					
Property taxes	\$ 11,978,616	\$ 12,056,548	\$ 12,618,579	\$ 13,368,615	\$ 14,198,054
Other taxes	9,023,359	9,722,036	10,076,591	10,492,906	10,992,377
Licenses and permits	627,056	668,405	783,121	971,336	916,073
Fines and forfeitures	2,219,052	2,475,311	2,416,031	2,781,240	2,652,193
Use of money and property	653,752	815,367	1,102,797	1,077,154	1,087,758
Intergovernmental	1,678,980	1,555,097	896,216	1,350,674	1,290,849
Charges for services	4,005,420	4,301,971	6,312,731	6,722,773	7,318,409
Miscellaneous	538,098	198,858	469,725	630,271	688,047
Interest earned on investments	91,913	109,186	131,749	137,909	244,026
Total revenues	<u>30,816,246</u>	<u>31,902,779</u>	<u>34,807,540</u>	<u>37,532,878</u>	<u>39,387,786</u>
<b>Expenditures</b>					
<b>Current:</b>					
Legislative and legal	960,365	1,170,820	893,460	1,093,518	1,170,229
General government	3,001,906	2,293,402	2,550,162	2,806,176	3,040,426
Public safety	16,516,892	16,604,695	16,926,014	17,768,720	18,142,958
Community development	1,189,993	1,177,696	1,279,999	1,548,185	1,722,513
Culture and recreation	1,044,131	989,265	1,110,456	1,132,849	1,246,532
Public works	3,907,921	3,852,318	4,946,423	5,216,430	5,317,541
Capital outlay	3,044,697	2,414,507	1,813,990	2,774,016	3,620,185
Total expenditures	<u>29,665,905</u>	<u>28,502,703</u>	<u>29,520,504</u>	<u>32,339,894</u>	<u>34,260,384</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,150,341</u>	<u>3,400,076</u>	<u>5,287,036</u>	<u>5,192,984</u>	<u>5,127,402</u>
<b>Other financing sources (uses)</b>					
Proceeds from sale of assets	-	2,360	-	-	-
Transfers in	2,239,196	1,911,100	1,381,842	3,905,349	6,911,913
Transfers out	<u>(4,045,652)</u>	<u>(4,641,769)</u>	<u>(5,787,841)</u>	<u>(5,267,254)</u>	<u>(5,172,700)</u>
Total other financing sources (uses)	<u>(1,806,456)</u>	<u>(2,728,309)</u>	<u>(4,405,999)</u>	<u>(1,361,905)</u>	<u>1,739,213</u>
Net change in fund balances	<u>\$ (656,115)</u>	<u>\$ 671,767</u>	<u>\$ 881,037</u>	<u>\$ 3,831,079</u>	<u>\$ 6,866,615</u>
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	0.0%	0.0%

The City has no debt, therefore Debt Service as a percentage of noncapital expenditures is 0.0% for all years.

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

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Fiscal year ended June 30	Property tax	Sales tax	Real property transfer tax	Franchise fees	Transient occupancy tax	Utility user's tax	Other	Total
2006	\$ 8,818,051	\$ 2,511,004	\$ 305,018	\$ 597,754	\$ 1,628,394	\$ 2,726,085	\$ 1,636,670	\$ 18,222,976
2007	9,834,400	2,395,390	279,219	606,572	1,769,015	2,769,113	1,669,138	19,322,847
2008	10,907,119	2,500,659	226,349	634,421	1,892,363	2,714,029	1,662,544	20,537,484
2009	11,639,348	2,390,658	140,113	674,947	1,645,571	2,575,209	1,652,748	20,718,594
2010	11,863,846	2,112,971	162,562	650,115	1,559,048	2,559,369	1,716,923	20,624,834
2011	11,978,616	2,209,559	178,912	698,622	1,689,356	2,520,720	1,726,190	21,001,975
2012	12,056,548	2,474,650	177,555	730,954	1,884,020	2,495,895	1,958,962	21,778,584
2013	12,618,579	2,598,752	233,412	752,586	1,996,174	2,503,265	1,992,402	22,695,170
2014	13,368,615	2,653,631	290,379	788,694	2,204,420	2,443,285	2,112,497	23,861,521
2015	14,198,054	2,768,225	312,416	785,935	2,349,750	2,442,575	2,333,476	25,190,431

**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
2006	\$ 3,158,374	\$ 228,948	\$ 7,853	\$ 102,802	\$ (29,415)	\$ 3,468,562	1.00	\$ 3,497,977	11.50%
2007	3,579,546	258,573	8,653	83,453	(35,325)	3,894,900	1.00	3,930,225	12.29%
2008	3,978,216	305,364	11,695	108,583	(45,501)	4,358,357	1.00	4,403,858	11.90%
2009	4,261,900	355,516	12,724	96,991	(45,381)	4,681,750	1.00	4,705,847	7.42%
2010	4,350,467	378,930	12,442	128,227	(46,338)	4,823,728	1.00	4,870,066	3.03%
2011	4,422,662	397,297	12,412	76,659	(46,807)	4,862,224	1.00	4,909,030	0.80%
2012	4,479,178	407,825	11,156	92,987	(46,205)	4,944,941	1.00	4,991,146	1.70%
2013	4,608,192	422,855	11,853	96,628	(46,338)	5,093,190	1.00	5,139,528	3.00%
2014	4,883,870	437,214	10,379	95,294	(47,030)	5,379,750	1.00	5,332,719	5.63%
2015	5,181,815	455,035	12,635	104,834	(43,278)	5,711,045	1.00	5,667,767	6.16%

**NOTE:**

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

Source: Los Angeles County Auditor-Controller

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

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

Fiscal Year	City	Overlapping rates					Total
	direct rate	Hermosa Beach School District	El Camino Community College District	Los Angeles County	Flood Control	Metropolitan Water District	
2006	1.000000	0.014660	0.018380	0.000800	0.000050	0.005200	1.039090
2007	1.000000	0.020430	0.035700	0.000660	0.000050	0.004700	1.061540
2008	1.000000	0.017139	0.016467	-	-	0.004500	1.038106
2009	1.000000	0.016398	0.017026	-	-	0.004300	1.037724
2010	1.000000	0.017250	0.014868	-	-	0.004300	1.036418
2011	1.000000	0.018067	0.016140	-	-	0.003700	1.037907
2012	1.000000	0.016904	0.016884	-	-	0.003700	1.037488
2013	1.000000	0.018550	0.018490	-	-	0.003500	1.040540
2014	1.000000	0.017970	0.017498	-	-	0.003500	1.038968
2015	1.000000	0.014729	0.017422	-	-	0.003500	1.035651

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

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

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

Source: Los Angeles County Auditor-Controller

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

Taxpayer	2015		2006	
	Taxable assessed value	Percent of total city taxable assessed value	Taxable assessed value	Percent of total city taxable assessed value
Crico of Fountain Place Limited Partnership (1)	\$ 76,500,859	1.34%	\$ -	-
EQR Gallery Apartments Limited Partnership (1)	68,522,454	1.20%	-	-
1601 PCH, LLP (1)	24,037,838	0.42%	-	-
Strand and Pier Holding Company LLC (4)	19,588,528	0.34%	-	-
William Stirton Trust (4)	17,549,301	0.31%	-	-
International Church of the Foursquare (42)	-	-	17,463,663	0.50%
Hermosa Hotel Investments (1)	17,004,571	0.30%	-	-
Reg8 Plaza Hermosa LLC (7)/Regency Centers LP (7)	15,026,753	0.26%	13,215,124	0.38%
Johnny and Elizabeth Lopez Trust (1)	14,800,000	0.26%	-	-
Sepulveda Design Center LLC (5)	14,572,382	0.26%	-	-
Boris LLC (1)	13,168,554	0.23%	-	-
Beta Group (2)	-	-	11,412,878	0.33%
Robert J. & Ranae R. Desantis Trust (1)	-	-	11,026,410	0.32%
Barbara K. Robinson (1)	-	-	10,267,455	0.30%
Barch PCH	-	-	8,200,000	0.24%
Cheng Yi and Ying Yin Chang (1)	-	-	7,646,216	0.22%
Formosa Hotel Inc (1)	-	-	7,555,111	0.22%
Crico of Fountain Place Limited Partnership (1)	-	-	7,504,168	0.22%
Robert Lovelace and Alicia Minana (2)	-	-	6,632,243	0.19%
	<u>\$ 280,771,240</u>	<u>4.92%</u>	<u>\$ 100,923,268</u>	<u>2.92%</u>

Source: HdL Coren & Cone, Los Angeles County Assessor Combined Tax Rolls  
Numbers in parentheses represent the number of parcels owned by the tax payer.

**City of Hermosa Beach**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Fiscal year ended June 30	Taxes levied for the fiscal year	Collected within the fiscal year of levy		Collections in subsequent years	Total collections to date	
		Amount	Percent of levy		Amount	Percent of levy
2006	\$ 6,938,764	\$ 6,717,516	96.81%	\$ 221,248	\$ 6,938,764	100.00%
2007	8,256,383	7,778,209	94.21%	344,407	8,122,616	98.38%
2008	9,192,162	8,237,323	89.61%	406,013	8,643,336	94.03%
2009	9,859,343	8,065,980	81.81%	-	8,065,980	81.81%
2010	10,210,015	9,165,388	89.77%	-	9,165,388	89.77%
2011	10,298,644	9,789,691	95.06%	-	9,789,691	95.06%
2012	10,477,164	9,971,097	95.17%	-	9,971,097	95.17%
2013	10,761,548	10,422,088	96.85%	-	10,422,088	96.85%
2014	11,124,112	10,798,615	97.07%	-	10,798,615	97.07%
2015	12,081,959	11,805,592	97.71%	-	11,805,592	97.71%

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	
2006	696	\$ 41,088,855	66	\$ 4,101,562	\$ 3,497,977,443
2007	526	26,041,241	52	4,595,140	3,894,900,286
2008	531	29,341,001	73	4,600,100	4,358,356,873
2009	416	16,284,748	72	5,004,689	4,705,847,448
2010	377	9,596,415	64	2,454,027	4,823,727,991
2011	486	16,079,850	81	2,599,656	4,862,223,524
2012	410	15,944,064	82	3,597,461	4,944,940,538
2013	462	24,241,397	56	2,710,750	5,093,189,582
2014	468	36,787,127	69	3,946,450	5,379,750,286
2015	457	39,058,181	52	1,947,535	5,711,045,616

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

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**City of Hermosa Beach**  
**Direct and Overlapping Debt**  
**June 30, 2015**

City assessed valuation		\$ 5,711,045,616	
Redevelopment agency incremental valuation		-	
Total assessed valuation		<u>\$ 5,711,045,616</u>	
	<u>Percentage applicable</u>	<u>Outstanding debt 6/30/15</u>	<u>Estimated share of overlapping debt</u>
Overlapping debt repaid with property taxes:			
West Basin Water District debt service	0.587%	\$ 53,296,395	\$ 312,997
El Camino Community College District 2005 refunding	6.436%	26,018,159	1,674,627
El Camino Community College District 2002 series 2006B	6.436%	79,950,000	5,145,884
El Camino Community College District 2002 series 2012C	6.436%	180,631,166	11,626,104
El Camino Community College District 2012 refunding	6.436%	<u>41,490,000</u>	<u>2,670,453</u>
Total overlapping debt repaid with property taxes		<u>\$ 381,385,720</u>	<u>21,430,065</u>
City direct debt			
Hermosa Beach School District debt service 2005 refunding	100.000%		<u>7,743,773</u>
Total city direct debt			<u>7,743,773</u>
Total direct and overlapping debt			<u>\$ 29,173,838</u>
Direct Debt	0.140%		
Overlapping Debt	0.380%		
Total Debt	0.510%		

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

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

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

	Fiscal Year				
	2006	2007	2008	2009	2010
Assessed valuation	\$ 3,497,977,443	\$ 3,930,224,784	\$ 4,382,493,918	\$ 4,705,847,448	\$ 4,823,727,991
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	\$ 874,494,361	\$ 982,556,196	\$ 1,095,623,480	\$ 1,176,461,862	\$ 1,205,931,998
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	\$ 131,174,154	\$ 147,383,429	\$ 164,343,522	\$ 176,469,279	\$ 180,889,800
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 131,174,154</u>	<u>\$ 147,383,429</u>	<u>\$ 164,343,522</u>	<u>\$ 176,469,279</u>	<u>\$ 180,889,800</u>
Total debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

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

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

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

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

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

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

**City of Hermosa Beach**  
**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)
2006	19,435	\$ 369,174,348	\$ 37,362	\$ 124,479	1.9%	1,462
2007	19,474	390,295,865	39,794	102,630	2.0%	1,449
2008	19,527	413,316,582	42,265	121,634	2.9%	1,518
2009	19,491	402,459,119	40,867	-	4.7%	1,521
2010	19,599	-	-	-	5.5%	1,278
2011	19,510	420,913,463	42,564	-	5.5%	1,420
2012	19,574	420,913,463	42,564	-	4.9%	1,608
2013	19,653	420,913,463	42,564	-	4.5%	1,710
2014	19,750	466,098,988	46,530	-	3.6%	1,764
2015	19,772	499,767,889	49,400	-	3.1%	1,827

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 2015.
- (3) Personal Income figures for 2002, 2004, 2005, 2006, 2007 and 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 Nine Years Ago**

Employer	2015		2006	
	Number of employees	Percent of total employment	Number of employees	Percent of total employment
Lotus South Bay	-	0.00%	219	5.62%
24 Hour Fitness	182	4.28%	138	3.54%
City of Hermosa Beach	129	3.03%	133	3.42%
Von's Companies	115	2.70%	130	3.34%
Sangria/American Junkie	94	2.21%	-	0.00%
Hermosa Beach School District	90	2.12%	73	1.84%
Hennessey's Tavern	85	2.00%	60	1.54%
Intensive Behavior Intervention Consultants	81	1.90%	-	0.00%
First Steps for Kids, Inc.	78	1.83%	-	0.00%
HYFN - Harris & Forstot, Inc.	64	1.50%	-	0.00%
Patrick Molloy's	55	1.29%	55	1.41%
Comedy & Magic Club	53	1.25%	61	1.57%
Shorewood Realtors	-	0.00%	96	2.47%
Hope Chapel	-	0.00%	62	1.59%

Source: City of Hermosa Beach Finance Department

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

Function	Full-time employees as of June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government	18	19	23	19	16	16	13	17	18	20
Public safety	89	90	87	92	95	72	74	74	75	81
Community development	8	9	6	8	8	9	8	8	8	8
Culture and recreation	5	4	4	4	2	3	3	2	2	3
Public works	20	20	24	20	20	16	17	15	20	17
<b>Total</b>	<b>140</b>	<b>142</b>	<b>144</b>	<b>143</b>	<b>141</b>	<b>116</b>	<b>115</b>	<b>116</b>	<b>123</b>	<b>129</b>

Function	Part-time employees as of June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government	-	-	-	-	-	-	-	-	3	4
Public safety	23	13	9	14	13	26	12	24	13	6
Community development	3	1	2	2	-	1	1	1	2	3
Culture and recreation	35	32	29	24	22	20	19	26	21	25
Public works	2	1	-	-	-	-	1	2	-	3
<b>Total</b>	<b>63</b>	<b>47</b>	<b>40</b>	<b>40</b>	<b>35</b>	<b>47</b>	<b>33</b>	<b>53</b>	<b>39</b>	<b>41</b>

Source: City of Hermosa Beach Finance Department



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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public safety										
Police:										
Physical arrests	887	896	933	648	665	795	781	857	945	732
Traffic citations issued	1,518	1,681	2,490	2,503	2,798	1,593	2,290	1,819	3,421	2,406
Parking citations issued	47,770	48,329	59,656	52,080	47,620	63,010	68,193	70,678	74,228	65,783
Fire:										
Number of emergency calls <sup>1</sup>	2,136	2,255	2,088	2,273	2,162	2,149	2,487	2,488	2,386	2,467
Inspections	467	751	312	965	908	436	559	495	657	1,061
Community development:										
Building permits issued	762	597	637	511	441	567	492	462	537	509
Culture and recreation:										
Number of recreation classes	165	186	171	138	165	172	169	129	134	514 <sup>2</sup>
Total enrollment	5,228	5,128	4,272	3,744	3,776	3,798	4,327	4,982	5,464	4,247
Public works:										
Graffiti removal (hours)	414	474	461	341	540	468	383	408	212	209
Permits issued	875	821	1,071	643	611	564	718	736	819	904

Source: Various city departments.

Note:

<sup>1</sup>Emergency calls for 2005-2008 were only available for January through June.

<sup>2</sup> A new software program was used for recreation classes in the 2014-15 fiscal year and classes are now counted by date and time rather than grouped.

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public safety										
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Parking meters	1,666	1,666	1,666	1,666	1,663	1,663 <sup>1</sup>	1,663	1,663	1,565	1,553
Fire:										
Fire stations	1	1	1	1	1	1	1	1	1	1
Culture and recreation										
Community centers	1	1	1	1	1	1	1	1	1	1
Community theatres	1	1	1	1	1	1	1	1	1	1
Public works:										
Beach (acres)	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5
Greenbelt (acres)	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5
Parks	20	20	20	20	20	20	20	20	20	20
Parks (acres)	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7
Sanitary sewers (miles)	34	34	34	34	34	34	34	34	40	40
Streets (miles)	40	40	40	40	40	40	40	40	40	40
Streetlights	392	392	392	392	392	392	392	392	400	400
Storm drains (miles)	1	1	1	1	1	1	1	1	2	2
Traffic Signals	17	17	18	18	18	18	19	19	19	19
Infiltration (miles) <sup>2</sup>						0.6	0.6	0.6	0.6	0.2

Source: City of Hermosa Beach Finance Department

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

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