

Comprehensive Annual Financial Report



City of Redondo Beach, California
For the year ending June 30, 2007

**CITY OF REDONDO BEACH, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007**

PREPARED BY THE CITY OF REDONDO BEACH, CALIFORNIA
FINANCIAL SERVICES DEPARTMENT

CITY OF REDONDO BEACH
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2007

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December 18, 2007

Honorable Mayor, City Council and
Citizens of the City of Redondo Beach:

The Financial Principles of the City of Redondo Beach require we issue the Comprehensive Annual Financial Report by the second Council meeting in December of each year. Pursuant to this requirement, we hereby submit the Comprehensive Annual Financial Report (CAFR) of the City of Redondo Beach, California (City), for the fiscal year ended June 30, 2007. These financial statements are presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants.

The primary purpose in providing this report, as defined by the City Charter, is to inform the Mayor and City Council of all financial and administrative activities of the previous fiscal year. In addition, this report is directed to two other groups: the citizens of Redondo Beach and the financial community. For the citizens, the report provides an opportunity to correlate City services and accomplishments with the expenditure of financial resources. For the financial community, this report provides information necessary to evaluate financial practices of the City, assure their soundness in accordance with GAAP, and determine the financial capacity of the City to incur and service debt for long-range capital planning.

Responsibility for the accuracy of the data presented and completeness and fairness of the presentation, including disclosures, rests with the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformance with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive 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.

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

PROFILE OF THE CITY OF REDONDO BEACH

The City of Redondo Beach, incorporated in 1892, is located in the South Bay part of Los Angeles County and spans 6.3 square miles. According to the State Department of Finance, Redondo Beach has a population of 67,495 as of January 1, 2007, reflecting a slight increase of 0.57% from its 2006 population level of 67,112. The City remains a highly residential, non-industrial community. It is a highly-educated, upscale community where the median cost of a home is \$789,000.

Redondo Beach has significant concentrations of employment and retail activity in the northern industrial complex anchored by Northrop Grumman, while the South Bay Galleria anchors the east end of the City. The Harbor/Pier area also contributes to the City's economy, and an eclectic mix of specialty shops and services known as the Riviera Village is located at the south end. Based on the number of full-time employees, the top ten employers in Redondo Beach are Northrop Grumman, Beach Cities Health District, the City, Nordstrom, Redondo Beach Unified School District, Macy's, Crown Plaza, Ocean Club Apartment Homes, DHL Global Forwarding, and the U.S. Post Office.

The City is divided into five districts and operates under a Council-Manager form of government. One councilperson is elected from each district and serves a term of four years, with a limit of two full terms. The Mayor is elected by the City at large, also limited to serving two full terms. Other elected officials are the City Treasurer, City Attorney and City Clerk - all serving terms of four years, but can be re-elected an unlimited number of times. The City Council is responsible for, among other things, passing ordinances, adopting the budget, establishing policy, appointing committees/commissions and appointing a City Manager.

In addition to sitting as the governing board of the City, the Mayor and City Council act as the Board of Directors for various component units of the City: the Redondo Beach Housing Authority, the Redondo Beach Public Financing Authority, the Parking Authority of the City of Redondo Beach, and the Redevelopment Agency of the City of Redondo Beach. The City Manager is responsible for carrying out the policies and ordinances of the City Council and for appointing the heads of the City's various departments.

The City provides a full range of municipal services. These include public safety (police and fire protection), recreation and community services, library, parks, maintenance and improvement of streets and infrastructure, planning and zoning, housing, economic development, transit, and general government. The City also operates and maintains a harbor under a trust agreement with the State of California.

The annual budget serves as the foundation for the City's financial planning and control. The City Council is required to adopt an annual budget on or before June 30 of each year for the General Fund, Special Revenue Funds, Enterprise Funds, Capital Projects Fund and Internal Service Funds. The City also adopts a five-year capital improvement program and a redevelopment agency budget.

The level of appropriated budgetary control is the total adopted budget, which is defined as the total budget for all funds and divisions, and all revisions and amendments approved by the City Council subsequent to the initial budget adoption. The City Manager may authorize transfers within each fund and between line items or programs within each department; however, supplemental appropriations and transfers between funds during the budget year must be approved by four affirmative votes of the City Council. Unexpended or unencumbered appropriations expire at the end of each fiscal year. Encumbered appropriations and appropriations related to grants and donations are re-appropriated in the ensuing year's budget by action of the City Council. The City utilizes an encumbrance system, whereby commitments, such as purchase orders and unperformed contracts, are recorded as reserved fund balances at year end.

FACTORS AFFECTING FINANCIAL CONDITION

Economic Outlook

The economic outlook for the region remained healthy throughout FY 2006-2007. Regional revenues were enhanced by a number of factors including a healthy real estate market, increased tourism, and strong consumer spending. These factors generated increased property tax, transient occupancy tax, and sales tax revenues for the City during FY 2006-2007. Looking forward, higher fuel and energy prices, the impact from the sub prime mortgage crisis, and increased inflationary pressures may have a negative impact on National, State, and local economic performance. Another factor identifying a potential slowdown in the economy is the slight increase in the Redondo Beach unemployment rate, which increased slightly in 2006 to 2.7%, from 2.6% in 2005.

Locally, during FY 2006-2007, the City saw a healthy 7.1% increase in assessed valuation growth. Complimenting this economic trend was a 5.7% increase in retail sales tax revenue. The City's per capital retail sales continue to exceed the countywide average, ranking 32nd in total taxable retail sales out of Los Angeles County's 88 cities. Hotel occupancy rates remained strong at 77%. A voter-approved occupancy tax, coupled with strong travel-related demand, represent other contributing factors to local economic strength.

Economic Development

The City's economy and that of the entire South Bay continue to diversify. The narrowly based defense and aerospace dependent economy of the 1990s has been broadened significantly with strong growth in tourism, trade, technology, film and media sectors. The South Bay creates a disproportionate number of high paying jobs in the region. However, one major economic development challenge is to keep the jobs of the information and knowledge-based economy located here, given high housing costs.

In order to continue to retain and attract business and stimulate tourism, the City must strive to maintain a business friendly attitude and to provide the highest quality in municipal services.

The City's major economic development efforts can be summarized as follows:

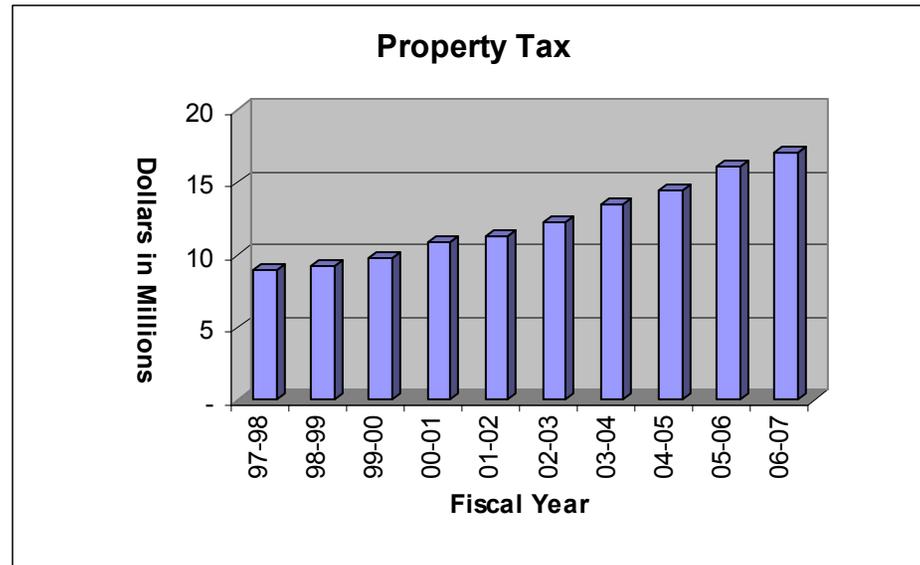
- Providing support to businesses in the Artesia / Inglewood area and helping them capitalize on a new image and identity.
- Assisting the Riviera Village in the process of implementing physical improvements.
- Implementing the Harbor Area Vision and seeking major public and private reinvestment in the Harbor / Pier area.
- Leveraging public assets to ensure a well-rounded economic base.
- Working with major construction and improvement projects, like the Portofino Hotel renovation.
- Strengthening the on-going attractiveness of the Galleria area in the face of revitalized competition from other regional centers.
- Focusing on business retention, expansion, and the attraction of business opportunities as they arise, including a regular business outreach program.

Redondo Beach is better off than most cities, experiencing growth in many of its major revenue categories. Five of the City's largest revenue sources are property tax, sales tax, utility users' tax, motor vehicle in lieu tax, and transient occupancy tax. These major sources are discussed in more detail below.

Property Tax

The City's largest revenue source, property tax, is imposed on real property (land and permanently attached improvements, such as buildings) and tangible personal property (moveable property) located within the City. Property is assessed by the County Assessor at a tax rate of 1.0% of the assessed value. The City receives 16.6% of the tax rate from the County of Los Angeles - Auditor/Controller's Office.

Property values and real estate sales remain strong in FY 2006-2007, with citywide assessed valuation increasing by \$725 million or 7.1% to \$10.56 billion. 78% of the City's assessed valuation is derived from residential properties, 9% is derived from commercial properties, 4% from industrial properties, while the remaining 9% is derived from other properties, such as unused land. During FY 2006-2007, City property tax revenue increased by 6.57% or \$1.06 million, to \$17.14 million. This increase reflects continuation of a positive trend in real estate appreciation driven by relatively low mortgage rates, a continued shortage in housing supply, and a heightened level of real estate exchange. The upward trend in both property tax valuation and corresponding property tax revenue growth is showing signs of moderation in response to increased mortgage rates, the sub prime market, a slowing economy, and supply/demand factors. From an overall strategic perspective, recent slowing trends in both property tax valuations and corresponding revenue growth only moderate the continued positive impact of property tax revenue sources to the City's overall revenue stream.

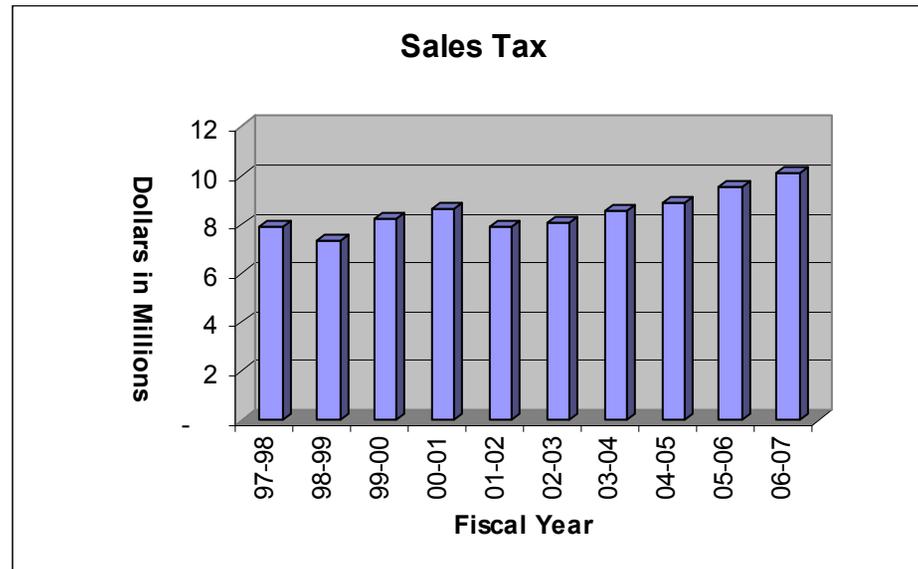


Sales Tax

The City's second largest revenue source is sales tax. Sales tax in Los Angeles County is 8.25% of the sale price of taxable goods and services sold at retail. Redondo Beach receives 1% of taxable sales from the State Board of Equalization.

Over the past five years, local sales tax revenue has shown a consistent strengthening trend, increasing from \$7.89 million in FY 2001-2002 to \$10.12 million in FY 2006-2007, an increase of 28.4%. During FY 2006-2007, growth in sales tax revenue totaled \$548,748, or 5.7%. Components of sales tax revenue for this year consisted of \$7.52 million in local sales tax revenue and \$2.60 million in State "triple flip" sales tax in lieu from education relief augmentation funds. Twenty-five percent of the City's FY 2006-2007 traditional sales tax base is now committed by State legislative action to secure State deficit reduction bonds. Rising local incomes, population growth, and internal auditing efforts have served to augment the performance of this key tax based operating revenue.

The City is committed to maintaining a strong local economy through both business retention and business expansion, thereby enhancing the community's overall economic base. As retail businesses continue to grow within the City, such as the opening of a Target retail store in October of 2005, sales tax revenue growth will continue to be enhanced. The City continues to closely monitor progress with respect to the streamlined sales tax project, designed to simplify and modernize sales and use tax collection and administration for both traditional "Main Street" and remote sellers for all types of commerce, with particular attention to internet sales transactions.

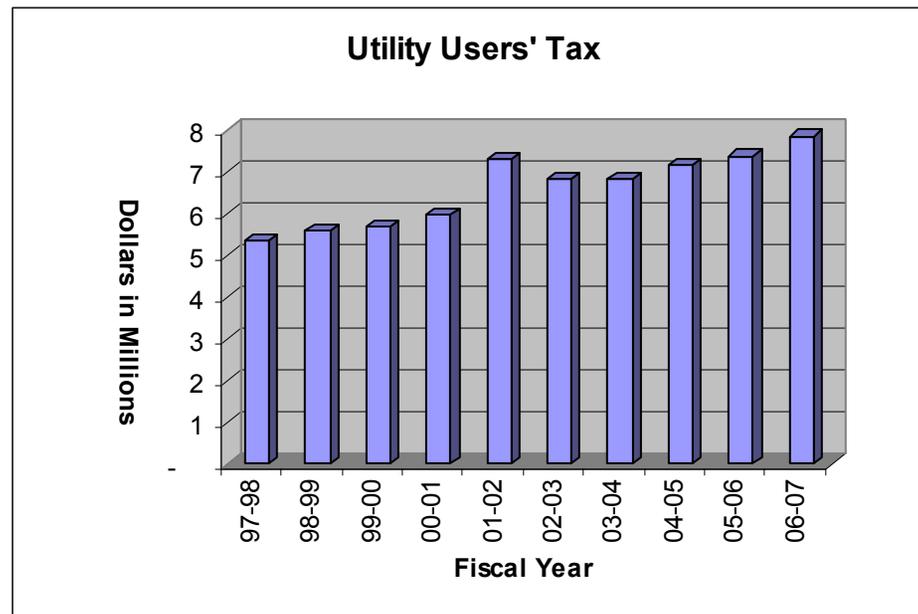


Utility Users' Tax

The City's third largest revenue source, utility users' tax (UUT), is imposed on consumers of electric, gas, cable services, water and telephone services. Federal and state governmental agencies and pay telephone users are exempt. UUT consists of approximately 36% telecommunications and 38% electricity. Redondo Beach's UUT rate is 4.75%.

For fiscal years 1998 through 2001, revenues derived from UUT were fairly level. The spike in UUT revenue for FY 2001-2002 reflects the impact of the energy shortage in California and the corresponding dramatic short term increase in energy rates. UUT revenue was reduced in FY 2002-2003 due to utility rate reductions and State mandated energy rebates to consumers. During FY 2003-2004, increases in UUT telecommunications revenue resulted from application of UUT to wireless communications services. These increases were offset by reductions in energy-related UUT sources, flattening the overall performance of UUT for FY 2003-2004.

UUT revenue for FY 2006-2007 totaled \$7.88 million, increasing by \$479 thousand or 6.48%. With 36%, or \$2.84 million of the City's UUT revenue derived from telecommunications services, this source is facing a number of threats challenging the continuing viability of these revenues. The combination of hostile litigation, technology changes, and adverse legislation; place future UUT telecommunications-based revenues at risk. The City is pro-actively responding to these challenges by considering an array of options designed to protect these important tax-based resources.



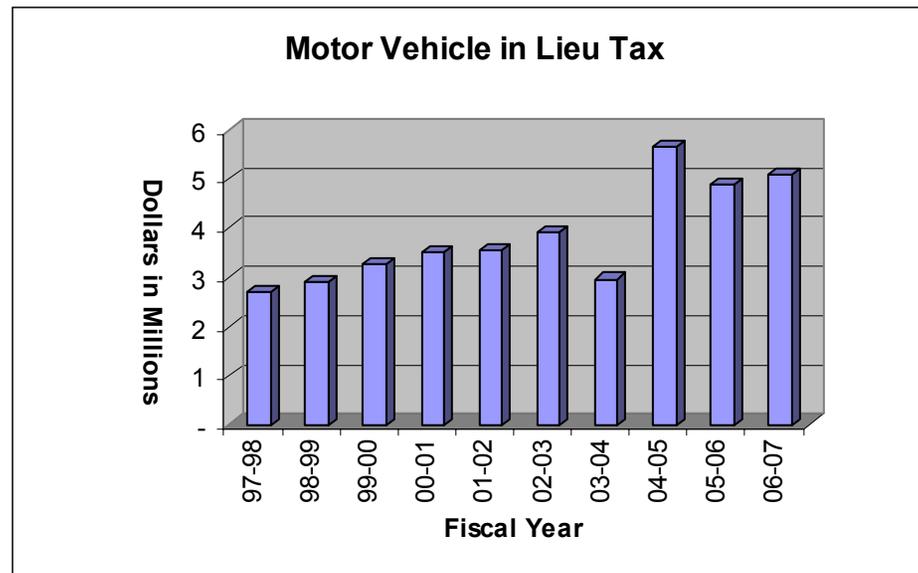
Motor Vehicle in Lieu Tax

The City's fourth largest revenue source (including property tax in lieu) is motor vehicle in lieu tax (MVIL) and is imposed on ownership of a registered vehicle for the privilege of operating the vehicle on the public highways. A portion of the tax is disbursed to the cities and is distributed based on the proportion that the population of each city bears to the total population of all cities (a per capita formula). The license fee paid to the state by vehicle owners is 0.65% of the market value of the motor vehicle; however, the City is due 2% of the market value of the motor vehicle. Therefore, the State backfills the additional 1.35% out of its General Fund in the form of MVIL. For each year the vehicle is owned, the assessed fee declines in accordance with a depreciation schedule to reflect the decreased value of the vehicle.

In FY 2003-2004, the State Budget Act of 2004 substantially changed the allocation of Vehicle Licenses Fee (VLF) revenues to Cities and Counties. The state VLF backfill was eliminated and the formula allocating the remaining VLF revenues to Cities and Counties was altered. A new revenue, the Property Tax In Lieu of VLF effectively compensated Cities and Counties for the funding they would have received at the full 2% VLF tax rate.

The new formula for allocating the remaining VLF revenues consists of a monthly allocation to Cities and Counties in proportion to population. The total VLF revenue collected by the State under the 0.65% tax rate for FY 2006-2007 was \$2.33 billion. State and county programs receive over 75% of these revenues. State administrative and other charges total \$391 million, and the remaining balance of \$184 million was allocated to Cities based upon population.

Since FY 1995-1996, the City experienced a steady increase in VLF until FY 2003-2004, when revenue decreased by \$937,000 as the result of State budgetary realignment reducing the MVIL apportionment. In FY 2004-2005, the MVIL revenue increased by \$2.7 million to \$5.7 million. This increase was attributed to the State's advance repayment of \$1.1 million in MVIL funds loaned to the State from prior year, adjustments to prior period apportionments, and implementation of a revised State VLF allocation formula establishing the Property Tax in Lieu of VLF revenue. In FY 2006-2007, MVIL revenue totaled \$5.08 million, consisting of \$4.65 million of property tax in lieu of VLF revenue and \$430,000 in MVIL revenue.

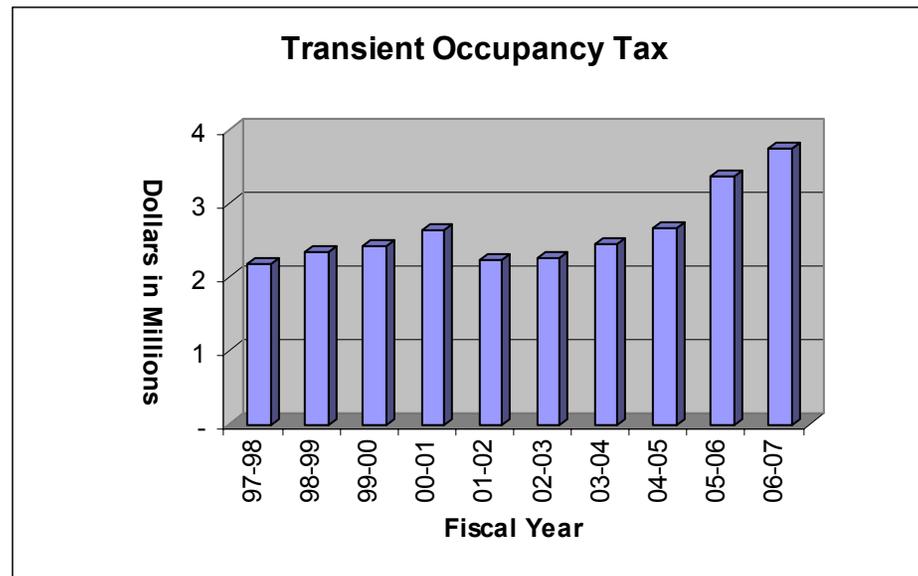


Transient Occupancy Tax

The City's fifth largest revenue source, transient occupancy tax (TOT), is imposed on occupants of hotel, motel, inn, tourist home or other lodging facilities unless such occupancy is for 30 days or longer. By voter approval, the City's TOT rate was increased in July of 2005 from 10% to 12%, in line with regional tax rates. The tax is applied to the customer's lodging bill at a rate of 12%. One percent (1%) of the TOT collected is contributed to the Redondo Beach Chamber of Commerce and Visitors Bureau to support marketing and tourism in the City. This 1% is not netted against revenues, but rather reflected in the City's expenditures.

In FY 1995-1996, the City revised the TOT ordinance to streamline collection and reporting on hotel room rentals associated with the airline industry. This ordinance revision served to significantly enhance the performance of this tax based operating revenue. This favorable trend was offset by the adverse impact of 9/11 during FY 2001-2002, in which TOT revenue declined by 15.7% from the prior fiscal year.

TOT revenues have since significantly recovered and reflected an increase of 11.5%, or \$384,701, from FY 2005-2006 to FY 2006-2007. This reflects the positive impacts of both the voter-approved tax rate increase and strong tourism demand. Hotel room occupancy rates also remain consistently strong at 77%. The combined effects of economic development and strong promotional efforts present a positive picture for the long-term prospects for growth in tourism and business travel in Redondo Beach.



LONG-TERM CAPITAL IMPROVEMENT PLANNING

The City annually adopts a Five-Year Capital Improvement Program. The first year funding of capital improvement projects is included in the fiscal year 2006-2007 adopted budget. These projects, however, should not be viewed as immediate resolution to existing infrastructure problems, but instead as part of “setting the table” for the future. It will take time to rehabilitate the City’s capital assets, and we anticipate that our long-range replacement program will protect the City’s valuable assets for future generations. Meanwhile, the City is continuing to invest in a number of significant projects:

Street Resurfacing

- ♦ *Residential Street Rehabilitation* - In FY 2006-2007, the City spent \$960,000 on its multi-year residential street rehabilitation program. The City also spent approximately \$400,000 on additional improvements to its residential street system. For FY 2007-2008, the City has budgeted \$1.5 million to continue the project.
- ♦ *Arterial Street Resurfacing* - In FY 2006-2007, the City spent over \$475,000 resurfacing City arterials. For FY 2007-2008, the City budget includes over \$2.5 million for additional arterial resurfacing.
- ♦ *Pacific Coast Highway/Catalina Avenue Intersection Improvements* – In February 2005, work began to restore the five point intersection at Pacific Coast Highway and Catalina Avenue. The landscaping component of the project has been designed and is estimated to be completed in FY 2007-2008.

Storm Drain System Improvements

- ♦ *Water Quality Improvements* - The City has begun an aggressive program to improve the quality of the water discharged from the City’s storm drain system. In FY 2005-2006, a “Water Quality Task Force” was formed to find solutions to recurring “red tides” and water quality issues in the City’s vibrant harbor. The Task Force completed an extensive list of short- and long-term action recommendations. Several of these items were considered as part of the City’s Capital Improvement Program. The FY 2007-2008 budget includes \$175,000 to implement three of the Task Force’s recommendations.
- ♦ *Storm Drain Line Replacement* - The FY 2007-2008 budget includes approximately \$2.0 million for storm drain improvements and replacement.

Sewer Improvements

- ♦ *Sewer Line Replacement* - In FY 2006-2007, over 4,100 linear feet of sewer line were replaced as well as, 13 manholes. Also during the period, 75% of the City’s 112 miles of sewer line was video inspected. The results of the inspection will be used to guide future sewer improvement projects. The fiscal year 2007-2008 budget includes \$4.5 million for sewer facility improvements.

Facility Improvements

- ♦ *City Facility Improvements* - In FY 2006-2007, the City spent approximately \$170,000 to repair and improve the Fire Station 2 Training Tower. During this period, the City also spent \$280,000 on a new marquee and monument signs at the Performing Arts Center. A new \$136,000 HVAC system was also installed at the City’s Main Library.
- ♦ *Major Public Facilities Priority List* – In February, 2007, the City Council adopted the first Major Public Facilities Priority List. The purpose of the List is to capture and prioritize the more major public facility needs, including replacement of existing facilities, especially those outside of the regular five year planning horizon in the regular CIP process.

CASH MANAGEMENT POLICIES AND PRACTICES

Under the direction of the elected City Treasurer, cash temporarily idle during the year is invested in securities as outlined in the City’s investment policy. The Treasurer’s cash management philosophy is to buy and hold both Federal Agency instruments and high-grade Corporate Medium-Term notes within a structured investment maturity ladder of one to five years. Complimenting these investment instruments, the Treasurer ensures sufficient investment portfolio liquidity by maintaining approximately 25% of the portfolio’s assets in the state managed Local Agency Investment Fund (LAIF).

All investments comply with state law and the City’s Statement of Investment Policy, which is reviewed and approved by the City Council and the Budget and Finance Commission on an annual basis. In addition, the City’s Statement of Investment Policy was recertified by the Association of Public Treasurers of the United States and Canada (APT-US&C) in June 2007.

The policy’s established investment performance benchmark is the one-year moving average of the Constant Maturity Treasury (CMT) index. In the periodic purchase of investments, the rate of return provided by LAIF, and the yield on the U.S. Treasury Security of closest maturity to the purchased investment, also serve as investment performance indicators. The Treasurer is required to submit a quarterly investment report to the City Council and Budget and Finance Commission that provides a summary of the status of the current portfolio and material transactions.

In order to ensure liquidity within the investment portfolio, the City maintains \$10 million to \$20 million in LAIF, on average. The yield provided by LAIF over the past year has increased in line with the overall improvement in interest rates available in the marketplace. Excess investment funds above the liquidity threshold are placed primarily in Federal Agency investments within the one-to-five-year investment maturity range. The improvement in market interest rates experienced during fiscal year 2006-2007 provided investment opportunities that served to improve the overall investment yield on the portfolio. As of June 30, 2007, the City’s idle funds were invested as follows:

Investment	Market Value*	% of Portfolio	Yield to Maturity
Federal Agency Issues - Coupon	\$ 41,676,677	62.1%	4.34%
LAIF	21,500,000	32.0%	5.25%
Corporate Medium- Term Notes	3,950,873	5.9%	5.17%
Total Investments/ Averages	\$ 67,127,550	100.0%	4.68%
Average Term of Investments			1.36 years

*As required by GASB 31, the City recorded the “paper” or unrealized loss on certain investments to account for the market value on June 30, 2007. The amount, \$670,383, represented less than 9/10ths of 1% of the current market value of the investments within the City’s investment portfolio – an insignificant unrealized diminishment in the City’s overall level of financial resources. This unrealized diminishment in the value of investments resulted from the general increase in fixed income market rates over the course of the fiscal year. The value of the City’s fixed income investments have an inverse relationship to market interest rates , i.e., when market rates rise, investment valuations fall; when interest rates fall, investment valuations rise. As stated in the City’s Investment Policy, the City utilizes a buy and hold investment strategy, whereby fixed income investments are held to maturity. This results in the return of the full value of the original investment, plus associated interest, at the maturity date of the investment.

Investment Portfolio value is enhanced by maintaining a well diversified mix of investments consisting of AAA rated Federal Agency Issues, AA rated Corporate Medium-Term Notes, liquid investments within the state's LAIF Investment pool, and participation in the California Statewide Communities Development Authority Tax and Revenue Anticipation Note (TRAN) financing program. TRAN allows participants the opportunity to borrow funds at tax exempt market rates to increase cash resources needed to fund temporary cash shortfalls in the General Fund. These shortfalls arise due to the timing differential of monthly cash receipts and disbursements. The financing program provides an additional source of revenue for the City because the cost of borrowing is less than the reinvestment earnings generated by TRAN. For the fiscal year 2006-2007 the City issued \$5 million in TRAN, maturing on June 30, generating additional interest income of \$58,809.

RISK MANAGEMENT

The City maintains a self-insurance program for workers' compensation and liability claims. The program accumulates resources in the Self-Insurance Program internal service fund to meet potential losses. For fiscal year 2006-2007, the self-insurance retention (SIR) is \$750,000 for workers' compensation and \$500,000 for liability. Excess coverage up to \$100,000,000 for each workers' compensation claim is provided by a third-party private insurer, and excess liability up to \$20,000,000 each occurrence is covered by the Independent Cities Risk Management Authority (ICRMA).

ICRMA is a joint powers authority for medium-sized California municipalities which have agreed to pool risks and losses. Each member's share of pooled costs depends on the losses of all members as well as the member's own loss experience. Both the workers' compensation and liability claims programs are managed by a third-party claims administrator under the direction of the Risk Management Division of the Human Resources Department.

The amounts included in the Self-Insurance Program internal service fund are significant partly due to requirements of Government Accounting Standards Board (GASB) Statement No.10. In complying with GASB 10, the City must record as a liability and expenditure not only actual risk/loss experienced in the areas of workers' compensation and liability, but also claims incurred but not reported (IBNR). IBNR claims include exposure for losses that a city is not yet aware of, as well as any statistically probable increase in costs for accidents that are already known to the City. The appropriate amount to include on the financial statements for IBNR claims is typically developed by an actuary.

As of June 30, 2007, the City recorded the following:

Workers' Compensation Claim

Claims payable totaled \$14,278,380, representing a decrease of \$235,346, or 1.62% from prior period. This decrease is attributable to a decrease in reserves and IBNR over a one-year period.

Liability Claims

Claims payable totaled \$ 2,553,474, representing an increase of \$830,560, or 69.13%, from prior period. This increase is attributable to an increase in estimated reserves and IBNR.

Unemployment Insurance

The City participates in a direct-cost reimbursement method for unemployment insurance. This program is administered by the State Employment Development Department to provide salary continuance for employees who were terminated involuntarily. For fiscal year 2006-2007, the total reimbursed cost was \$27,345.

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The City provides three defined benefit pension plans - two for safety employees (3% at 55 for Fire and 3% at 50 for Police) and one for miscellaneous employees (2% at 55). These plans are part of the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. The City makes contributions to the plans based on amounts determined by CalPERS actuaries. The City also contributes the employees' required contributions on their behalf and for their account.

After a number of years of rate volatility given a variety of causes, the CalPERS Board adopted a Rate Stabilization Plan in April, 2005. This Rate Stabilization Plan provides for a more manageable ability to fund pension obligations over short and long terms. The Rate Stabilization Plan features an asset smoothing method, an amortization period for gains and losses, and a minimum contribution when the Plan has a surplus. The Rate Stabilization Plan resulted in a reduction in the City's PERS employer contribution rates, after a number of years with significant increases. Rates for safety employees in fiscal year 2006-2007 were 31.105%, down from 40.021% in 2005-2006, with miscellaneous employees' rates decreasing from 11.937% to 11.577%. Rates are projected to increase from 2006-2007 levels for the 2007-2008 and 2008-2009 fiscal years.

The total contribution paid by the City toward retirement benefits was \$9.2 million, which includes both the employer and employer-paid member contributions. Approximately 78.3%, or \$7.2 million, was charged to the General Fund. The safety employees' rate decreased 8.916% and the miscellaneous employees' rate remained relatively flat. The anticipated total contribution for fiscal year 2006-2007 will be approximately \$10.4 million.

Aside from contributing to CalPERS, the City also contributes to Social Security. The fiscal year 2006-2007 total cost for Social Security and Medicare coverage was \$1.7 million, of which \$1.0 million, or 58.8%, is from the General Fund. Safety employees do not participate in Social Security and Medicare, except for those employees hired after 1986, which are required to participate in Medicare.

The City also provides post-retirement health care benefits to its employees in accordance with agreements reached with various employee bargaining groups. The City pays for retirees' health care premiums in these plans up to limits established in the agreements with the bargaining units. These payments are financed on a pay-as-you-go basis. As of June 30, 2007, the City was providing benefits to an average of 92 participants at an annualized cost of \$380,471.

AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Redondo Beach for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2006. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

For FY 2006-2007, the City's application for award programs will be limited to the GFOA Certificate for Excellence in Financial Reporting. Beginning with FY 2005-2006, the California Society of Municipal Finance Officers (CSMFO) Board determined that only those agencies that 1) did not receive the GFOA CAFR award for the previous year OR, 2) will not be submitting to the GFOA CAFR award program for the current year are eligible to participate in the CSMFO award program. Since we do not meet either criterion above, we are disqualified from participating in the CSMFO award program. We believe that our current comprehensive annual financial report continues to meet the criteria to receive the GFOA Certificate for Excellence in Financial Reporting, and we will be submitting it to GFOA for consideration.

ACKNOWLEDGMENTS

The timely preparation of this report has been accomplished with the efficient and dedicated services of the staff of the Financial Services and Treasury Departments. We also thank the City's independent auditors, Lance, Soll & Lunghard, LLP, for their assistance and expertise and all City departments for their cooperation during the audit engagement and their participation in preparing this report. We would like to express our appreciation to the Mayor and City Council and the Budget and Finance Commission for their interest and support in planning and conducting the City's financial affairs in a responsible and progressive manner.

Respectfully submitted,



WILLIAM P. WORKMAN
City Manager



DIANA MORENO
Financial Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Redondo Beach
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

CITY OF REDONDO BEACH

MAYOR AND CITY COUNCIL



Michael A. Gin
Mayor



Steve Aspel
Councilmember
District 1



Chris Cagle
Councilmember
District 2



Pat Aust
Councilmember
District 3



Steven Diels
Councilmember
District 4



Matt Kilroy
Councilmember
District 5

CITY OFFICIALS

William P. Workman
City Manager

David Biggs
Assistant City Manager



Michael Webb
City Attorney



Eleanor Manzano
City Clerk



Ernie O'Dell
City Treasurer

Michael Witzansky
Director of Recreation & Community Services

Daniel P. Madrigal
Fire Chief

Steve Huang
City Engineer/Chief Building Official

Barry Kielsmeier
Harbor, Business and Transit Director

Chris Benson
Information Technology Director

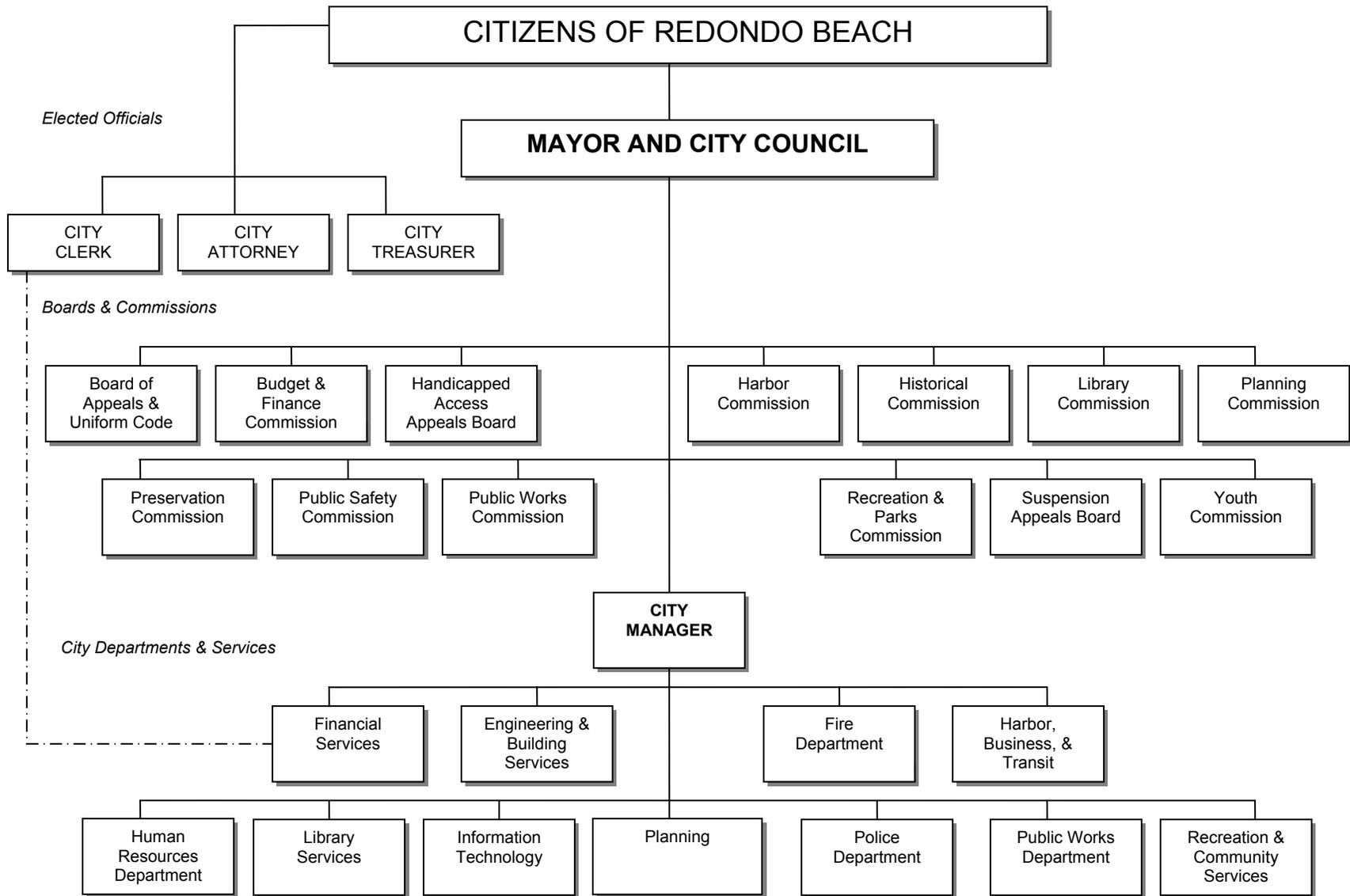
Randy Berler
Planning Director

W. Joseph Leonardi
Chief of Police

Jean Scully
Director of Library Services

Sylvia Glazer
Public Works Director

Diana Moreno
Financial Services Director



ORGANIZATIONAL CHART
FY 2006-2007

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Redondo Beach, California, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Redondo Beach's management. 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 the 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 of Redondo Beach as of June 30, 2007, and the respective changes in financial position and cash flows where applicable thereof and the budgetary comparison for the General Fund, Other Intergovernmental Grants, and Special Revenue Redevelopment Agency Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2007, on our consideration of the City of Redondo Beach's internal control over financial reporting and our tests of its compliance with certain 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* and should be considered in assessing the results of our audit.



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

The management's discussion and analysis and the Modified Approach for City Streets Infrastructure Capital Assets are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, the combining and individual fund statements, schedules and statistical tables are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying combining and individual non-major fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Lance, Soll & Lunghard, LLP

November 16, 2007

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CITY OF REDONDO BEACH

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Redondo Beach (the "City") provides the Management Discussion and Analysis of the City's Comprehensive Annual Financial Report (CAFR) for readers of the City's financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found preceding this narrative, and with the City's financial statements, which follow. Keep in mind that the Financial Highlights, immediately following, are strictly snapshots of information. Net assets, changes in net assets, and fund disclosures are discussed in more detail later in the report.

Financial Highlights - Primary Government

- ♦ *Government-Wide Highlights*

Net Assets - Assets of the City exceeded its liabilities at fiscal year ending June 30, 2007 by \$214.2 million - assets for governmental activities exceeded liabilities by \$153.3 million and assets for business-type activities exceeded liabilities by \$60.9 million.

Changes in Net Assets - The City's net assets increased \$10.1 million in fiscal year 2006-2007. Net assets of governmental activities increased \$8.4 million, while net assets of business-type activities decreased \$1.7 million.

- ♦ *Fund Highlights*

Governmental Funds - At the close of fiscal year 2006-2007, the City's total governmental funds reported a fund balance of \$38.5 million, an increase of \$5.9 million from the prior year. Highlighted below are this year's five major funds included in this grouping.

General Fund - The fund balance of the General fund on June 30, 2007 was \$11.1 million, a decrease of \$1.7 million from the prior year.

Special Revenue - Redevelopment Agency Fund - The fund balance of the Special Revenue - Redevelopment Agency fund on June 30, 2007 was \$11.2 million, an increase of \$3.6 million from the prior year.

Special Revenue - Other Intergovernmental Grants - The fund balance of the Special Revenue - Other Intergovernmental Grants fund on June 30, 2007 was (\$1.9) million, a decrease of \$1.1 million from the prior year.

Capital Improvement Projects Fund - The fund balance of the Capital Improvement Projects fund on June 30, 2007 was \$10.6 million, an increase of \$2.7 million from the prior year.

Debt Service - Redevelopment Agency Fund - The fund balance of the Debt Service - Redevelopment Agency fund on June 30, 2007 was a negative \$15.9 million, decreasing the negative fund balance by \$800,000 when compared to prior year.

Debt Service - Public Financing Authority Fund - The fund balance of the Debt Service - Public Financing Authority fund on June 30, 2007 was \$12.6 million, a decrease of \$361,639 from the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. They are comprised of the following:

- ♦ *Statement of Net Assets*

The Statement of Net Assets presents summarized information of all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. This financial statement combines and consolidates governmental funds' current financial resources with capital assets and long-term obligations.

- ♦ *Statement of Activities and Changes in Net Assets*

The Statement of Activities and Changes in Net Assets presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, cultural and leisure services and housing and community development. Business type activities include operations of the harbor, sewers (wastewater), and solid waste.

The government-wide financial statements include not only the City itself (known as the primary government), but also the activities of legally separate component units: the Parking Authority of the City of Redondo Beach, the Redondo Beach Public Financing Authority (PFA), the Redevelopment Agency of the City of Redondo Beach (RDA), and the Redondo Beach Housing Authority. Because the City Council acts as the governing board for each of these component units and because they function as part of the City government, their activities are blended with those of the primary government.

The government-wide financial statements can be found behind the tab section titled Government-Wide Financial Statements.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: Governmental funds, proprietary funds, and fiduciary funds.

The fund financial statements provide detail information about each of the City's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are major funds, was established by GASB Statement No. 34 (GASB 34) and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, while all Non-Major Funds are summarized and presented in a single column.

- ♦ *Governmental 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 financial 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. A reconciliation of both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance with the government-wide financial statements can be found on pages behind the tab section titled Government-Wide Financial Statements.

The City has 25 governmental funds, of which five are considered major funds for presentation purposes. Each major fund is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The City's five major funds are: General Fund, Special Revenue – Redevelopment Agency Fund, Special Revenue – Other Intergovernmental Grants Fund, Debt Service - Redevelopment Agency Fund, and Debt Service - Public Financing Authority. Data from the non-major governmental funds (e.g., State Gas Tax Fund, Local Transit Fund, Storm Drain Fund, Workforce Investment Act Fund) are combined into a single, aggregated presentation. The governmental funds financial statements can be found on pages behind the tab section titled Fund Financial Statements. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages behind the tab section titled Non-Major Governmental Funds.

- ◆ *Proprietary Funds*

The City maintains two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds are used to account for harbor activities, solid waste (i.e., collection, recycling, hazardous waste disposal, street cleaning), and operations and maintenance of City sewers. Internal service funds are used to accumulate and account for the City's vehicles, building maintenance and repair, graphics and printing, information technology, emergency communications, and insurance. Because internal services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds' financial statements provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary funds' financial statements use the accrual basis of accounting. Separate financial statements are provided for Harbor Uplands, Harbor Tidelands, Solid Waste and Wastewater. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for each internal service fund is provided in the form of combining statements in the Internal Service Funds section of this report.

The basic proprietary funds financial statements can be found behind the tab section titled Fund Financial Statements.

- ◆ *Fiduciary Funds*

Fiduciary (Agency) funds are used to account for resources held for the benefit of parties outside the government. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found behind the tab section titled Notes to the Financial Statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplementary information includes disclosure of the modified approach for the city pavement infrastructure. This information can be found behind the tab section titled Required Supplementary Information.

City of Redondo Beach's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006-2007	2005-2006	2006-2007	2005-2006	2006-2007	2005-2006
Current and Other Assets	\$ 71,186,799	\$ 62,151,880	\$ 36,077,471	\$ 34,401,933	\$ 107,264,270	\$ 96,553,813
Capital Assets, net depre	135,154,770	134,709,507	40,206,605	40,401,510	175,361,375	175,111,017
Total assets	<u>206,341,569</u>	<u>196,861,387</u>	<u>76,284,076</u>	<u>74,803,443</u>	<u>282,625,645</u>	<u>271,664,830</u>
Long-Term Liabilities						
Outstanding	47,119,077	46,794,188	14,171,988	14,529,050	61,291,065	61,323,238
Other Liabilities	5,928,315	5,153,532	1,202,356	1,110,062	7,130,671	6,263,594
Total Liabilities	<u>53,047,392</u>	<u>51,947,720</u>	<u>15,374,344</u>	<u>15,639,112</u>	<u>68,421,736</u>	<u>67,586,832</u>
Investments in Capital						
Net of Related Debt	135,153,851	131,382,820	38,139,435	39,151,202	173,293,286	170,534,022
Restricted	34,504,525	29,022,856	-	-	34,504,525	29,022,856
Unrestricted	<u>(16,364,199)</u>	<u>(15,492,009)</u>	<u>22,770,297</u>	<u>20,013,129</u>	<u>6,406,098</u>	<u>4,521,120</u>
Total Net Assets	<u>\$ 153,294,177</u>	<u>\$ 144,913,667</u>	<u>\$ 60,909,732</u>	<u>\$ 59,164,331</u>	<u>\$ 214,203,909</u>	<u>\$ 204,077,998</u>

Total Assets:

Current and Other Assets include: Cash and Investments; Accounts Receivable and Receivables for Taxes, Interest, and Loans; Prepaid costs; Unamortized debt issuance costs; Deposits; Due from other governments; and Restricted assets of Cash with fiscal agent; and Internal Balances (Due to/from and Advances between the business activities and governmental activities).

Capital Assets include: Assets net of depreciation as well as assets not being depreciated (e.g., Streets, Land, Construction in progress).

Total Liabilities:

Long-Term Liabilities Outstanding include: Compensated absences payable, Claims and judgments payable, and Long-term debt payable.

Other Liabilities include: Accounts payable; Accrued interest; Unearned revenue; Deposits Payable; Due to other governments.

Net Assets

The chart above reflects the City's combined net assets (governmental and business-type activities) of \$214.2 million at the close of fiscal year ending June 30, 2007.

The largest portion of the City's total net assets (80.9%) reflects investment in capital assets (e.g., land, streets, sewers, buildings, machinery, and equipment) net of outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining City net assets (19.1%) represent resources that are subject to external restrictions (e.g., certain capital projects, community development, debt services).

Changes in Net Assets

As noted in the chart above, the City's fiscal year 2006-2007 total net assets increased by \$10.1 million, or 5.0%, from the prior year. The governmental activities net assets increased \$8.4 million, or 5.8%, while the business-type activities net assets increased \$1.7 million, or 3.0%.

The increase in net assets of governmental activities of \$8.4 million was due to an increase in total assets of \$9.5 million and an increase in liabilities of \$1.1 million. Within total assets, the increase in current and other assets was attributable to increases in revenues. Significant impacts to revenues were due to increases in program revenues, property taxes, and use of money and property (includes investment earnings). The offset to these revenues were increases in public safety which were primarily driven by increased personnel costs, and increases in housing and community development expenditures due to the housing Section 8 voucher program and transit related contracts and professional services. The increase in total liabilities was attributable to other liabilities which were caused by the timing of payments to vendors. Business-type activities showed a 3.0% increase in net assets basically due to charges for services, e.g., rubbish fees and parking citations, etc., and use of money and property, e.g., rents and investment earnings, for fiscal year 2006-2007.

City of Redondo Beach's Changes in Net Assets
Fiscal Year Ended June 30, 2007 and 2006

	Governmental Activities		Business-Type Activities		Total	
	2006-2007	2005-2006	2006-2007	2005-2006	2006-2007	2005-2006
Revenues:						
Program revenues:						
Charges for services	\$ 16,329,116	\$ 15,255,293	\$ 14,494,563	\$ 13,974,942	\$ 30,823,679	\$ 29,230,235
Operating grants and contributions	12,366,720	11,403,631	68,841	73,035	12,435,561	11,476,666
Capital grants and contributions	4,916,505	2,856,548	-	-	4,916,505	2,856,548
Total program revenues	<u>33,612,341</u>	<u>29,515,472</u>	<u>14,563,404</u>	<u>14,047,977</u>	<u>48,175,745</u>	<u>43,563,449</u>
General revenues:						
Property taxes	27,136,137	25,617,618	-	-	27,136,137	25,617,618
Sales taxes	10,205,436	9,906,235	-	-	10,205,436	9,906,235
Utilities users taxes	7,878,429	7,398,984	-	-	7,878,429	7,398,984
Motor vehicle license	429,612	453,645	-	-	429,612	453,645
Transient occupancy taxes	3,738,839	3,354,138	-	-	3,738,839	3,354,138
Franchise Taxes	1,685,711	1,767,452	-	-	1,685,711	1,767,452
Business license taxes	1,289,608	1,376,117	-	-	1,289,608	1,376,117
Use of money and property ¹	4,687,909	3,349,037	1,439,428	839,082	6,127,337	4,188,119
Other revenues	1,626,971	1,340,746	138,877	204,761	1,765,848	1,545,507
Total general revenues	<u>58,678,652</u>	<u>54,563,972</u>	<u>1,578,305</u>	<u>1,043,843</u>	<u>60,256,957</u>	<u>55,607,815</u>
Total revenue	<u>92,290,993</u>	<u>84,079,444</u>	<u>16,141,709</u>	<u>15,091,820</u>	<u>108,432,702</u>	<u>99,171,264</u>
Expenses:						
General government	10,019,467	10,638,910	-	-	10,019,467	10,638,910
Public safety	38,269,521	35,772,948	-	-	38,269,521	35,772,948
Public works	14,986,259	12,936,637	-	-	14,986,259	12,936,637
Cultural and leisure services	9,499,827	8,812,584	-	-	9,499,827	8,812,584
Housing and community development	12,194,088	11,749,944	-	-	12,194,088	11,749,944
Interest on long-term debt	1,696,368	2,122,317	-	-	1,696,368	2,122,317
Harbor Tidelands	-	-	4,902,841	4,447,965	4,902,841	4,447,965
Harbor Uplands	-	-	4,503,160	4,466,239	4,503,160	4,466,239
Solid Waste	-	-	3,493,852	3,225,121	3,493,852	3,225,121
Wastewater	-	-	2,122,793	2,686,646	2,122,793	2,686,646
Total expenses	<u>86,665,530</u>	<u>82,033,340</u>	<u>15,022,646</u>	<u>14,825,971</u>	<u>101,688,176</u>	<u>96,859,311</u>
Increase (decrease) in net assets before transfers	5,625,463	2,046,104	1,119,063	265,849	6,744,526	2,311,953
Transfers	-	-	-	-	-	-
Change in net assets	<u>5,625,463</u>	<u>2,046,104</u>	<u>1,119,063</u>	<u>265,849</u>	<u>6,744,526</u>	<u>2,311,953</u>
Net assets, beginning of year	144,913,667	141,733,707	59,164,331	58,789,917	204,077,998	200,523,624
Restatement of net assets	2,755,047	1,133,856	626,338	108,565	3,381,385	1,242,421
Net assets, end of year	<u>\$ 153,294,177</u>	<u>\$ 144,913,667</u>	<u>\$ 60,909,732</u>	<u>\$ 59,164,331</u>	<u>\$ 214,203,909</u>	<u>\$ 204,077,998</u>

¹ Includes investment earnings

Levels of revenues and expenditures also impact current assets and other liabilities and, therefore, cause changes in net assets. As reflected above, total revenues increased in fiscal year 2006-2007 by \$9.3 million, or 9.3%. The increase in revenues was due to charges for services, taxes, and use of money and property. The major increase from charges for services resulted from charging overhead to departments for services from supporting departments (Mayor and City Council, city Attorney, City Clerk, Financial Services, City Treasurer, City Manager, and Human Resources). Although essentially all tax categories increased, property tax was the most significant. Property tax growth reflects continuation of a positive trend in real estate appreciation driven by relatively low mortgage rates, a continued shortage in housing supply, and a heightened level of real estate exchange. Use of money and property increased substantially due to increased market rates impacting the rate of return provided on the City's short to intermediate term investments.

The City also had an increase in expenses of \$4.8 million, or 5.0%, when compared to fiscal year 2005-2006. The increase in public works expenses resulted from cost of living increases related to personnel. The increase in housing and community development expenses is due to the housing Section 8 voucher program and transit related contracts and professional services. Further analysis is provided in the governmental and business-type activity sections below.

Governmental Activities

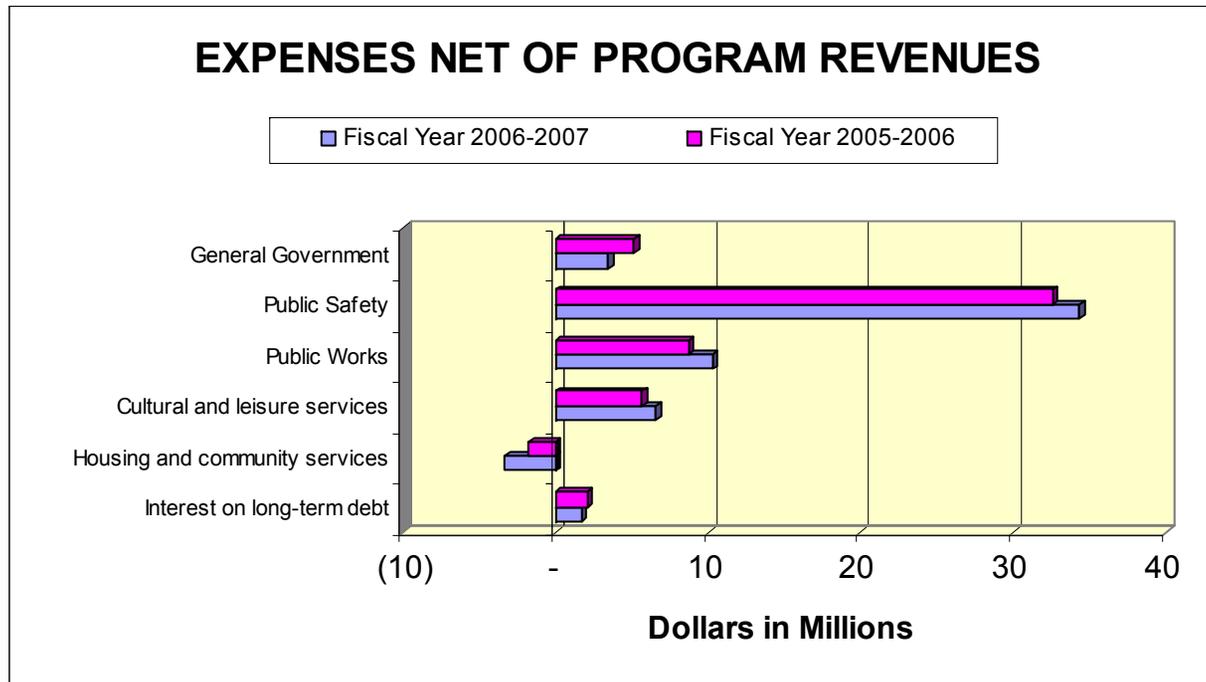
As reflected in the Changes in Net Assets schedule above, the total governmental activity expenses were \$86.7 million in fiscal year 2006-2007; whereas, total revenues from governmental activities were \$92.3 million, of which 36.4% were derived from program revenues.

On the following chart, the governmental activity expenses net of program revenues, increased \$535,321, or 1.0%, in fiscal year 2006-2007. Substantial decreases in expenses were experienced by General government due to the program revenue related to overhead. Public works expenses, Public safety expenses, and Cultural and leisure services increased due to cost of living related personnel expenses and overhead increases resulting from the implementation of recommendations from a cost allocation plan analysis. Housing and community development had an increase in revenues of \$1.5 million due to the recognition of grant revenue in fiscal year 2006-2007 that was deferred in fiscal year 2005-2006, the receipt of new grants that were not awarded to the City in prior years, and increases in reimbursements for the housing Section 8 voucher program. Interest on long-term debt decreased primarily due to an early partial redemption of the Public Financing Authority 2000 Tax Allocation Bonds. The reduction of the balance of outstanding bonds also allows for a reduction in interest expense.

Governmental Activities:	Impact to Net Assets		Percent Increase (Decrease)
	2006-2007	2005-2006	
<i>Expenses Net of Program Revenues*</i>			
General government	\$ (3,441,892)	\$ (5,147,010)	(33.1%)
Public safety	(34,346,523)	(32,581,296)	5.4%
Public works	(10,279,390)	(8,717,601)	17.9%
Cultural and leisure services	(6,582,124)	(5,693,846)	15.6%
Housing and community development	3,293,108	1,744,202	88.8%
Interest on long-term debt	(1,696,368)	(2,122,317)	(20.1%)
Total Governmental Activity Expenses			
Net of Program Revenues	<u>\$ (53,053,189)</u>	<u>\$ (52,517,868)</u>	1.0%

*Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues.

The chart below is a graphical representation of the schedule above.

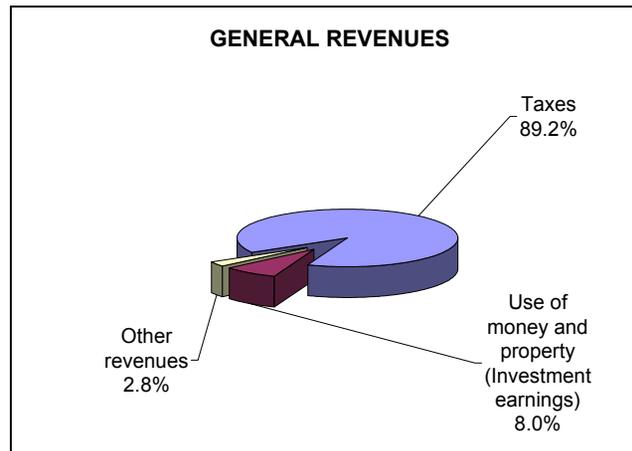


General Revenues Related to Governmental Activities

<u>General Revenues</u>	<u>2006-2007</u>	<u>2005-2006</u>
Taxes	\$ 52,363,772	\$ 49,874,189
Use of money and property ¹	4,687,909	3,349,037
Other revenues	1,626,971	1,340,746
Total General Revenues	<u>\$ 58,678,652</u>	<u>\$ 54,563,972</u>

¹ Includes investment earnings

General revenues are all other revenues not attributable to a specific program and, therefore, not categorized as program revenues. These revenues include taxes, investment earnings, use of money and property, and other revenues. Total general revenues from governmental activities were \$58.6 million in fiscal year 2006-2007. The largest percentage of these revenues for fiscal year 2006-2007 (89.2%) was derived from taxes, increasing 5.0%. This includes property taxes, transient occupancy taxes, sales taxes, business license taxes, utility users' taxes, and motor vehicle in lieu license fees. Although the remaining items makeup only 10.8% of General Revenues, these items in total reflected an increase of 33.9%. The largest increase was experienced in use of money and property of \$4.7 million from prior year, reflecting an increase of \$1.3 million, or 40.0%. The majority of this increase is attributable to the overall increase in market interest rates experienced during the year. The yield on the general investment portfolio rose during the fiscal year by 33 basis points, from 4.11% at the start of the fiscal year, to 4.44% at the close. Continued increases in the Federal Funds rate throughout the fiscal year boosted market interest rates of return in the short to intermediate sector in the investment yield curve, positively influencing the overall performance of the City's investment portfolio. To ensure core investment liquidity within the portfolio, approximately one quarter of the City's investments is maintained with the State Local Agency Investment Fund (LAIF). In line with the general increase in market interest rates experienced during the fiscal year, the yield on investments in LAIF increased significantly over the course of the year, commencing the fiscal year at 4.70% and ending at 5.25%.



Business-Type Activities

The City has four business-type activities: Harbor Tidelands, Harbor Uplands, Solid Waste, and Wastewater. These business-type activities increased the City's net assets by \$1.7 million from the prior year.

Solid Waste is the City's comprehensive solid waste program, which includes refuse collection, recycling, hazardous waste disposal, and street sweeping services. The solid waste program is supported through user service fees. The assets of Solid Waste essentially remained flat increasing only \$56,122 from prior year.

Wastewater is funded by a capital facility charge, or more commonly referred to as a sewer user fee. These funds are substantially used to service the City's debt relative to the sewer bond, which is restricted to sewer infrastructure improvements. The assets of Wastewater decreased \$280,314 from the prior year.

Harbor Tidelands is used for the operations of small boat harbor facilities available to the general public, including related pier activities. This fund is restricted under the City Tidelands Trust Agreement with the State of California. In fiscal year 2006-2007, the assets of the Harbor Tidelands increased \$164,474 from prior year.

Harbor Uplands is also used for the operations of small boat harbor facilities available to the general public, including related pier activities. However, the use of these funds is subject only to the decisions of the City Council. In fiscal year 2006-2007, the assets of Harbor Uplands decreased by \$399,524, from prior year. The major cause of the decrease was related to increases in repairs and maintenance.

INTERNAL SERVICE FUNDS

The City has six internal service funds: Vehicle Replacement, Building Occupancy, Information Technology, Self-Insurance Program, Printing and Graphics, and Emergency Communications. These funds are used to account for interdepartmental operations where the costs of services provided to the departments is financed or recovered by charging the user department.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

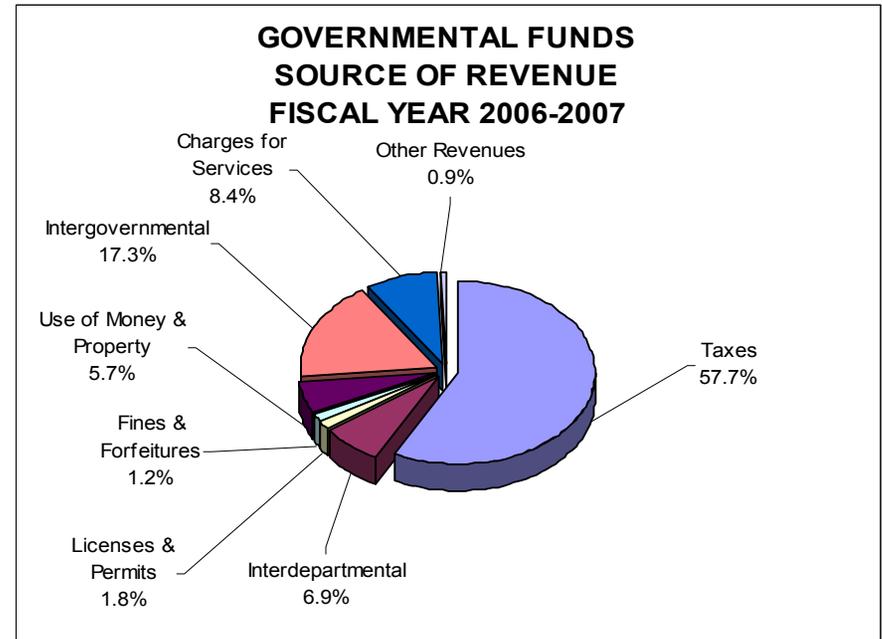
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Please note that unlike the Government-Wide financial statements displayed previously, the fund statements which follow are not reflected on a full accrual basis. Therefore, amounts reflected in the funds statements versus the Government-Wide statements may differ due to his change in accounting methodology.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Governmental Funds - The following schedule is a summary of governmental fund revenues for fiscal year ended June 30, 2007, and includes Major and Non-Major Funds. It reflects the amount and percent of increase or decrease of each source of revenue compared to the prior year.

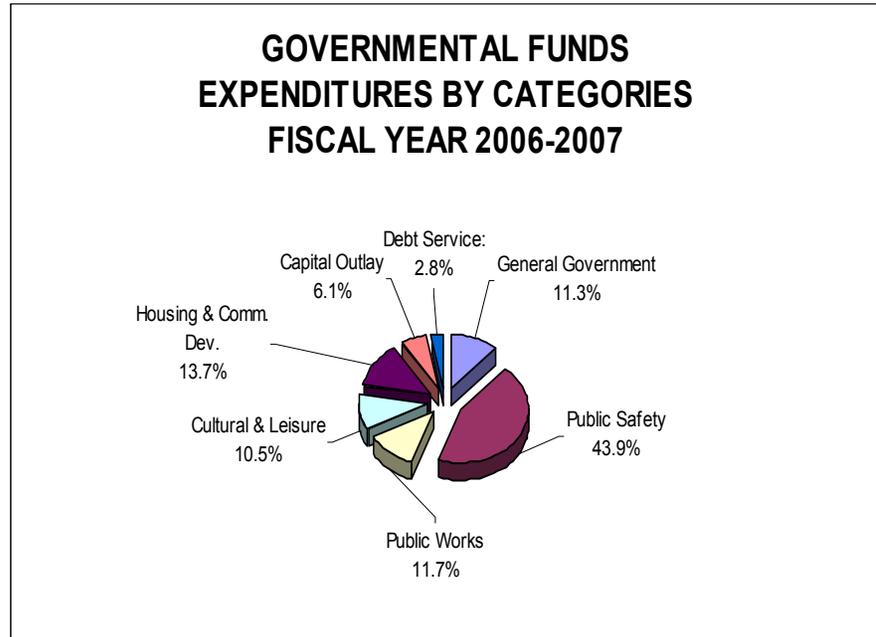
Source of Revenue	Amount FY 06-07	Percent of Total	Increase (Decrease) FY 05-06	Percent Increase (Decrease)
Taxes	\$ 52,569,593	57.7%	\$ 2,760,392	5.5%
Interdepartmental	6,314,753	6.9%	2,016,493	46.9%
Licenses & permits	1,660,339	1.8%	(346,347)	(17.3%)
Fines & forfeitures	1,117,196	1.2%	227,759	25.6%
Use of money & property	5,228,621	5.7%	1,531,038	41.4%
Intergovernmental	15,771,721	17.3%	1,288,865	8.9%
Charges for services	7,627,197	8.4%	(520,177)	(6.4%)
Other revenues	787,722	0.9%	26,906	3.5%
Total	\$ 91,077,142	100.0%	\$ 6,984,929	8.3%



Total governmental fund revenues increased \$7.0 million, or 8.3%, from fiscal year 2005-2006. The largest source of revenue was taxes, which increased \$2.8 million, or 5.5% which was primarily due to property tax as a result of continued strength in the level of assessed valuation growth, generated by a combination of factors including an accelerated level of real estate exchange, growth in new construction, and relatively low mortgage rates, as mentioned earlier. Interdepartmental increased \$2.0 million, or 46.9% due to the addition of the operations component of the emergency communications center. Licenses and permits revenue decreased \$346,347 due to building and parking permits. Fines and forfeitures revenue increased \$227,759 due to increases in court fines, parking citations, and traffic fines. Use of money and property revenue increased \$1.5 million, or 41.4% primarily due to investment earnings, which was mentioned earlier, and an increase in facility rentals. Charges for services decreased \$520,177. This decrease is due to an anomalous one-time payment received from Adelphia in fiscal year 2005-2006 that would not be collected in subsequent fiscal years. Other revenues increased \$26,906 due to community donations to various areas of the City.

The following schedule is a summary of governmental fund expenditures by function for fiscal year ended June 30, 2007, and includes both Major and Non-Major Funds. It reflects the amount and percent of increase or decrease for each functional category of expenditures compared to the prior year.

Expenditures	Amount FY 06-07	Percent Total	Increase (Decrease) FY 05-06	Percent Increase (Decrease)
Current:				
General government	\$ 9,878,387	11.3%	\$ (653,462)	(6.2%)
Public safety	38,254,942	43.9%	3,145,108	9.0%
Public works	10,218,116	11.7%	808,218	8.6%
Cultural and leisure services	9,120,765	10.5%	462,409	5.3%
Housing and community development	11,960,230	13.7%	618,277	5.5%
Capital outlay	5,318,230	6.1%	1,961,916	58.5%
Debt service	2,456,555	2.8%	(1,659,142)	(40.3%)
Total	\$ 87,207,225	100.0%	\$ 4,683,324	5.9%



Total governmental fund expenditures increased \$4.7 million or 5.9% from fiscal year 2005-2006. As mentioned earlier, the increases are attributable to:

- Public works increased by \$808,218 or 8.6% and public safety increased by \$3,145,108 or 9.0% due to cost of living related personnel expenses and overhead increases resulting from the implementation of recommendations from a cost allocation plan analysis.
- Housing and community development increased by \$618,277 or 5.5% due to the housing Section 8 voucher program and transit related contracts and professional services.
- Capital Outlay increased almost \$2.0 million or 58.5% due to an increase in citywide capital projects. Major projects included Residential Street Rehabilitation, Arterial Street Resurfacing, and city facilities improvements, such as repairing and improving the Fire Station 2 Training Tower. During this period, the City also procured new marquee and monument signs at the Performing Arts Center.

Offsetting these increases is a substantial decrease in debt service expenditures of \$1.7 million or (40.3%). The decrease is primarily due to an early partial redemption of the Public Financing Authority 2000 Tax Allocation Bonds in fiscal year 2005-2006, which caused substantial payment of interest and principal on these bonds. In fiscal year 2006-2007, no early redemptions were made and only the scheduled debt service was recorded.

The six major funds are Special Revenue – Redevelopment Agency Fund, Special Revenue – Other Intergovernmental Grants Fund, Capital Improvement Projects Fund, Debt Service - Redevelopment Agency Fund, Debt Service - Public Financing Authority Fund, and General Fund.

Special Revenue – Redevelopment Agency Fund – The fund balance of the Special Revenue – Redevelopment Agency Fund on June 30, 2007 was \$11.2 million, an increase of \$3.6 million from the prior year.

Special Revenue – Other Intergovernmental Grants Fund - The fund balance of the Special Revenue – Other Intergovernmental Grants fund on June 30, 2007 was (\$1.9) million, a decrease of \$1.1 million from the prior year.

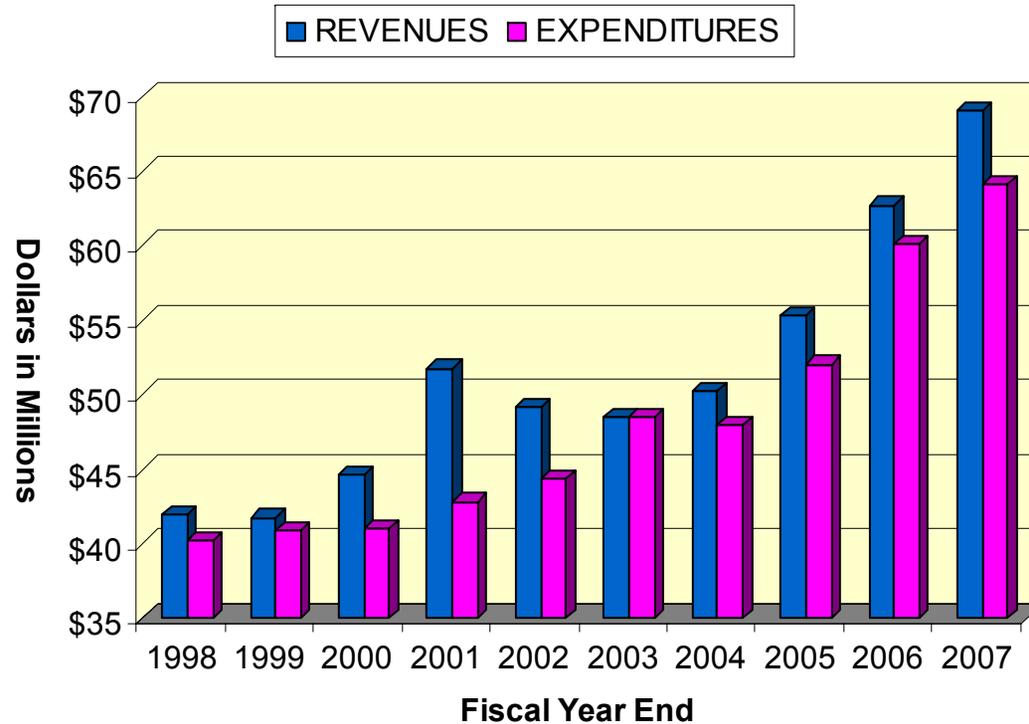
Capital Improvement Projects Fund - The fund balance of the Capital Improvement Projects fund on June 30, 2007 was \$10.6 million, an increase of \$2.7 million from the prior year.

Debt Service - Redevelopment Agency Fund - The fund balance of the Debt Service - Redevelopment Agency Fund on June 30, 2007, was a negative \$15.9 million, decreasing the negative fund balance by \$800,000 when compared to prior year.

Debt Service – Public Financing Authority Fund - The fund balance of the Debt Service – Public Financing Authority Fund on June 30, 2007, was \$12.6 million, reflecting a decrease of \$361,369 from fiscal year 2005-2006.

General Fund - The following graph illustrates the ten-year trend of General Fund revenues and expenditures. Interfund transfers have been excluded from this graphic presentation. The discussion which follows focuses on changes from fiscal year 2005-2006 to fiscal year 2006-2007.

REVENUES VS. EXPENDITURES
General Fund – Last Ten Years



Impacts of both increases and decreases to General Fund revenues resulted in a net increase of \$6.4 million, or 10.2%, from fiscal year 2005-2006. The majority of the increase in revenue was due to taxes, interdepartmental revenues, use of money and property.

General fund expenditures increased by \$4.0 million, or 6.6%. As mentioned earlier, increases were due to cost of living related personnel costs, overhead with the implementation of recommendations from a cost allocation plan analysis, and other internal service fund charges for which the allocation bases continue to be refined.

General Fund Balance

The fund balance of the General Fund, which includes transfers out of \$6.7 million, as of June 30, 2007 was \$11.1 million, a decrease of \$1.7 million, when compared to the prior year. The City Council approved the designations of the General Fund balance reflected below.

	GENERAL FUND DESIGNATIONS		
	<u>FY 04-05</u>	<u>FY 05-06</u>	<u>FY 06-07</u>
General Fund Contingency	\$ 4,947,200	\$ 5,642,575	\$ 5,647,843
Compensated Absences	857,705	729,455	975,405
Carryover Designations	561,110	886,383	1,350,448
Retiree Medical Insurance	2,000,000	633,000	406,000
Traffic Mitigation	300,000	-	-
General Plan Circulation Update	200,000	-	-
Emergency Preparedness/EOC	200,000	-	-
ADA/Civic Facility Improvements	66,000	-	-
Health Ins Premium Increases	-	-	274,000
Future Labor Negotiations	-	-	800,000
Future Years' Appropriations	-	1,480,000	672,517
Undesignated Balance	253,676	542,843	214,115

As part of year-end activities, the City Council reviews the General Fund balance and determines how the City should designate the unreserved portion. As illustrated above, Council designations of General Fund balance over the past several years reflect the City's Strategic Plan. Aside from policy-designated amounts (i.e., contingency reserve and compensated absences), much of the money is set aside to accomplish strategic goals.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended fiscal year 2006-2007 budget totaled \$69.5 million, including net amendments of \$1,783,282 to the originally adopted budget. The City Council adopts budget adjustments during the year to reflect both changed priorities and consideration of events that took place subsequent to the budget adoption. The amendments can be briefly summarized as follows:

- Appropriation of \$464,103 for labor agreement modifications.
- Additional departmental appropriations of \$106,000 for professional services to perform financial management software implementation and building plan checking.
- Funding of prior-year encumbrances of \$738,124.
- Funding of carry-over appropriations of \$886,383.
- Funding of mid-year appropriations of (\$411,328).

Budget amendments were funded from/credited to available fund balance. During the year, however, revenues exceeded budgetary estimates by \$2.2 million and expenditures were \$5.5 million less than budgetary estimates, primarily due to personnel vacancies, a miscalculation in the fiscal year 2006-2007 budgeted personnel amounts, and contractual services that were not completed by year-end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets of the City, including infrastructure assets are those assets used in the performance of the City's functions. At June 30, 2007, net capital assets of the governmental and business-type activities totaled \$135.2 million and \$40.2 million, respectively. Depreciation on capital assets is recognized in the Government-Wide financial statements.

The City has elected to use the "Modified Approach" as defined by GASB 34 for infrastructure reporting for its paving system (streets). Under GASB 34, eligible infrastructure capital assets are not required to be depreciated as long as:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of: 1) an up-to-date inventory, 2) condition assessments which summarize the results using a measurement scale, and 3) estimated annual amounts budgeted to maintain and preserve an established condition assessment level.
- The City documents the eligible infrastructure capital assets being preserved approximately at, or above the established and disclosed condition assessment level.

City policy is to achieve an average rating of 8.0 for all streets by fiscal year 2007-2008. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds. As of fiscal year 2003, the City established the standard rate of 7.0, and as of June 30, 2007 the City's street system was rated at a PQI of 7.7.

The City's budget for street maintenance for the fiscal year ended June 30, 2007 was \$6.5 million. Actual expenditures were \$1.9 million, with the remaining budget carried forward as continuing appropriations. The City is judiciously investing in this infrastructure asset as part of the five-year Capital Improvement Program and will continue to rehabilitate and maintain its streets in order to achieve this goal. The expenditure required to maintain and improve the overall condition of the streets from July 1, 2005 through June 30, 2007 is a minimum of \$16.8 million.

More information on the modified approach for City streets infrastructure capital assets is behind the tab section titled Required Supplementary Information.

Description	Original Cost	Accumulated Depreciation	Book Value
Capital Assets - Governmental Activities			
Land	\$ 16,522,947	\$ -	\$ 16,522,947
Buildings and Improvements	36,714,813	(10,997,924)	25,716,889
Equipment, Vehicles, Machinery	17,366,505	(10,102,522)	7,263,983
Work in Progress	1,003,491		1,003,491
Construction in Progress	246,811		246,811
Infrastructure	118,052,941	(33,652,292)	84,400,649
Total	\$ 189,907,508	\$ (54,752,738)	\$ 135,154,770
Capital Assets - Business-Type Activities			
Land	\$ 11,323,255	\$ -	\$ 11,323,255
Buildings and Improvements	27,821,275	(11,581,404)	16,239,872
Equipment, Vehicles, Machinery	1,025,453	(504,466)	520,987
Construction in Progress	-		
Infrastructure	21,033,865	(8,911,373)	12,122,492
Total	\$ 61,203,848	\$ (20,997,243)	\$ 40,206,605

For more information on the City's capital assets, refer to Note 6 of the Notes to Financial Statements and also the tab section titled Capital Assets Used in the Operation of Governmental Funds.

DEBT ADMINISTRATION

Debt service funds are used to account for the accumulation of resources for payment of interest and principal on bonds issued by the City. The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita for the fiscal year 2006-2007 are provided below. These indicators provide important information for management and concerned citizens, as well as potential investors.

	<u>Amount</u>	<u>Ratio of Debt to Assessed Value of Property</u>	<u>Debt per Capita</u>
Net Direct: Bonded Debt	\$ 23,935,000	0.23%	\$ 354.62

The current bonds for the City are those which have been issued by the Public Financing Authority. The bonds outstanding as of June 30, 2007, are the South Bay Redevelopment Project 1996 Revenue Bonds in the amount of \$8.8 million, the Aviation High School Redevelopment Project 2000 Tax Allocation Bonds in the amount of \$3.0 million, the Redondo Pier Reconstruction Project 2001 Refunding Revenue Bonds in the amount of \$2.4 million, and the Wastewater System Financing Project 2004 Revenue Bonds in the amount of \$9.8 million. The South Bay Center bonds were issued to provide funds to acquire the 1996 Tax Allocation Bonds of the Redevelopment Agency, used to finance certain redevelopment activities with respect to the South Bay Center Project Area, and to provide new monies for certain public capital improvements within the City. The Aviation bonds were issued to provide funds to finance redevelopment projects in the Agency's Aviation High School Redevelopment Project Area. The Redondo Pier Reconstruction bonds were issued to refund the Redevelopment Agency's outstanding Tax Allocation and Revenue bonds issued in 1993, and to provide funds to finance certain development activities of the Agency within, or of benefit to the Redevelopment Agency's Harbor Center Redevelopment Project Area. The Wastewater System Financing bonds were issued to finance certain improvements and related facilities which constitute part of the Wastewater Enterprise. The City has no general obligation bond indebtedness.

For a complete listing of the City's long-term debt obligations, refer to Note 8 of the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Because the economic upswings of the past few years have subsided and the economy now seems to be slowing, the City developed its fiscal year 2007-2008 budget projecting General Fund revenues to increase 1.7%, or \$1.1 million over the fiscal year 2006-2007 final budget. Budgetary expectations reflect:

- Property tax revenue is projected to increase by 5.2%, or \$853,000, to \$17,288,000 from the fiscal year 2006-2007 final budget, excluding property tax in lieu of VLF and homeowners' exemptions. Property tax revenue continues to increase moderately due to the combination of strong new construction, moderate levels of real estate sales, location desirability of the community, and Proposition 13 valuation growth.

- Sales and use tax revenue is projected to decline by 0.4%, or \$39,000 to \$10,300,000. This projection is based on analysis of current revenue trends, including annual adjustments to the State “triple flip” sales tax apportionment, receipts from our largest sales tax sources, stable levels of consumer disposable income, heightened regional sales tax competition, moderating consumer confidence, and in-depth analysis of the components of the local sales tax data base influencing the overall performance of our sales and use tax revenue stream.
- Utility users’ tax (UUT) revenue is projected to moderately increase by 1.4%, or \$51,000, to \$3,605,000. This estimate is based upon analysis of the projected performance from each of the categorical components of the City’s UUT tax base, including electricity, natural gas, telecommunications, water, and cable television. UUT on electricity services represents \$3.46 million, or 44% of this revenue source, while \$2.50 million or 32% is provided from the UUT on telecommunications services, which includes both wired and wireless services. Competition among utility providers, advancement in technology, and growth in the overall demand for utilities services over the near term will continue to gradually increase the level of UUT revenue provided to support the provision of essential City operational services. This somewhat optimistic view of UUT revenue is offset, however, with changes in technology, litigation, and legislation relating to the evolving telecommunications industry challenging the future viability of telecommunications based UUT resources. The City continues its proactive efforts addressing the challenges impacting this key tax-based operating revenue source.
- Franchise fees are estimated to increase modestly by 5.1%, or \$92,000 to \$1,905,000. Components of franchise fee revenue include Time Warner cable television operations, Southern California Edison electricity franchise, Southern California Gas operations, and taxicab franchise fees. With the exception of revenues from Southern California Gas, revenues from franchise fee sources reflect moderate increases in line with growth in local operations. Cable television franchise revenue represents 40% of the overall franchise fee revenue estimate for fiscal year 2007-2008, while projected revenue from the electricity franchise represents 21%. The gas franchise revenue, generated from the sale and transport of natural gas utilized to power the local AES Power Plant represents 35% of the total franchise fee estimate. Cyclical uncertainties of the deregulated energy environment and their impact upon the productive utilization rate of the AES Power Plant require continued utilization of a conservative estimate from this revenue source.
- Investment earnings for the General Fund for fiscal year 2007-2008 are projected to increase by 8.8%, or \$139,000, to \$1,480,000. This increase is based upon conservatively postured projected increases in both the size of the overall investment portfolio and the yield generated within the overall investment portfolio. Slightly increasing yields provided within the investment marketplace should improve the overall return on the City’s diversified investment portfolio. Enhanced cash management activities, coupled with the City’s continued participation in the California Statewide Communities Tax and Revenue Anticipation Note (TRAN) program, serve as core elements of the City Treasurer’s comprehensive cash management program. In addition, implementation of a strategically focused capital improvement program (CIP) cash management plan will serve to enhance investment returns from CIP funding sources, while insuring CIP program liquidity.
- Motor vehicle fees are projected in two parts – One part, the Motor Vehicle in-lieu fees (VLF) are projected as part of the Intergovernmental revenues. These fees are projected by the State Department of Finance and scheduled to decrease by \$9,000, or 2.1%, to \$429,600. This reduction is attributable to the State withholding a greater apportionment of the City’s funds for State administrative and Health and Welfare Program costs. The other part of this fee is allocated to the City through property tax. This is called the Property Tax in Lieu of Vehicle License Fee (VLF) revenue and is projected to increase \$251,000, or 5.4%, to \$4,897,000. Growth in this revenue source now parallels growth in City property tax revenue.

Budgeted General Fund appropriations decreased 2.4%, or \$1.7 million, to \$67,801,239, from the prior final budget. Personnel costs decreased 0.9%, primarily due to an overstatement of personnel expenses in fiscal year 2006-2007. Internal service fund allocations increased 0.7%, or \$115,000, due to the addition of an emergency communications operations component. There were significant cost reductions in maintenance and operations expenditures of 17.9% from the prior year’s final budget resulting from reductions to contracts and professional services. While

longer term projections indicate that the City must continue to keep a tight reign on spending, no significant reductions in City services are anticipated.

The economic outlook for the region remained healthy throughout FY 2006-2007. Regional revenues were enhanced by a number of factors including a healthy real estate market, increased tourism, and strong consumer spending. These factors generated increased property tax, transient occupancy tax, and sales tax revenues for the City during FY 2006-2007. Looking forward, higher fuel and energy prices, the impact from the sub prime mortgage crisis, and increased inflationary pressures may have a negative impact on National, State, and local economic performance. Another factor identifying a potential slowdown in the economy is the slight increase in the Redondo Beach unemployment rate, which increased slightly in 2006 to 2.7%, from 2.6% in 2005 as reported by the U.S. Census Bureau's American Community Survey.

Locally, during FY 2006-2007, the City saw a healthy 7.1% increase in assessed valuation growth. Complimenting this economic trend was a 5.7% increase in retail sales tax revenue. The City's per capital retail sales continue to exceed the countywide average, ranking 32nd in total taxable retail sales out of Los Angeles County's 88 cities. Hotel occupancy rates remained strong at 77%. A voter-approved occupancy tax, coupled with strong travel-related demand, represent other contributing factors to local economic strength.

The City's economy and that of the entire South Bay continue to diversify. The narrowly based defense and aerospace dependent economy of the 1990s has been broadened significantly with strong growth in tourism, trade, technology, film and media sectors. The South Bay creates a disproportionate number of high paying jobs in the region. However, one major economic development challenge is to keep the jobs of the information and knowledge-based economy located here, given high housing costs.

In order to continue to retain and attract business and stimulate tourism, the City must strive to maintain a business friendly attitude and to provide the highest quality in municipal services.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Financial Services Department at 415 Diamond Street, Redondo Beach CA 90277, phone 310-372-1171, or e-mail FinanceMail@redondo.org

BASIC FINANCIAL STATEMENTS



BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF REDONDO BEACH

STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and investments	\$ 59,218,659	\$ 18,590,507	\$ 77,809,166
Receivables:			
Accounts	740,642	615,911	1,356,553
Taxes	4,480,398	122,880	4,603,278
Interest	754,712	151,895	906,607
Loans	6,715,973	302,971	7,018,944
Internal balances	(8,624,242)	8,624,242	-
Prepaid costs	74,889	250	75,139
Due from other governments	3,601,810	-	3,601,810
Restricted assets:			
Cash with fiscal agent	3,867,634	7,325,556	11,193,190
Unamortized debt issuance costs	-	343,259	343,259
Due from external parties	356,324	-	356,324
Capital assets not being depreciated	71,827,285	11,323,255	83,150,540
Capital assets, net of depreciation	63,327,485	28,883,350	92,210,835
Total Assets	206,341,569	76,284,076	282,625,645
Liabilities:			
Accounts payable	3,629,216	945,781	4,574,997
Accrued liabilities	691,507	-	691,507
Accrued interest	335,113	-	335,113
Deposits payable	134,993	229,048	364,041
Due to other governments	377,060	-	377,060
Unearned revenue	760,426	27,527	787,953
Noncurrent liabilities:			
Due within one year:			
Compensated absences payable	1,975,427	254,099	2,229,526
Claims and judgments payable	1,243,304	-	1,243,304
Other long-term debt	415,919	420,307	836,226
Due in more than one year:			
Compensated absences payable	161,940	20,830	182,770
Claims and judgments payable	15,515,469	-	15,515,469
Other long-term debt	27,807,018	13,476,752	41,283,770
Total Liabilities	53,047,392	15,374,344	68,421,736

See Notes to Financial Statement

CITY OF REDONDO BEACH

STATEMENT OF NET ASSETS
 JUNE 30, 2007

Net Assets:

Invested in capital assets, net of related debt	135,153,851	38,139,435	173,293,286
Restricted for:			
Community development projects	7,575,216	-	7,575,216
Public safety	656,071	-	656,071
Capital projects	13,686,459	-	13,686,459
Debt service	12,586,779	-	12,586,779
Unrestricted	<u>(16,364,199)</u>	<u>22,770,297</u>	<u>6,406,098</u>
Total Net Assets	<u>\$ 153,294,177</u>	<u>\$ 60,909,732</u>	<u>\$ 214,203,909</u>

CITY OF REDONDO BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets Primary Government			
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Primary Government:							
Governmental Activities:							
General government	\$ 10,019,467	\$ 6,434,951	\$ 142,624	\$ -	\$ (3,441,892)	\$ -	\$ (3,441,892)
Public safety	38,269,521	1,290,081	1,553,408	1,079,509	(34,346,523)	-	(34,346,523)
Housing and community development	12,194,088	4,989,531	8,513,180	1,984,485	3,293,108	-	3,293,108
Cultural and leisure services	9,499,827	1,842,631	225,945	849,127	(6,582,124)	-	(6,582,124)
Public works	14,986,259	1,771,922	1,931,563	1,003,384	(10,279,390)	-	(10,279,390)
Interest on long-term debt	1,696,368	-	-	-	(1,696,368)	-	(1,696,368)
Total Governmental Activities	86,665,530	16,329,116	12,366,720	4,916,505	(53,053,189)	-	(53,053,189)
Business-Type Activities:							
Harbor Tidelands	4,902,841	5,067,315	-	-	-	164,474	164,474
Harbor Uplands	4,503,160	4,103,636	-	-	-	(399,524)	(399,524)
Solid Waste	3,493,852	3,481,133	68,841	-	-	56,122	56,122
Wastewater	2,122,793	1,842,479	-	-	-	(280,314)	(280,314)
Total Business-Type Activities	15,022,646	14,494,563	68,841	-	-	(459,242)	(459,242)
Total Primary Government	\$101,688,176	\$30,823,679	\$12,435,561	\$4,916,505	(53,053,189)	(459,242)	(53,512,431)

CITY OF REDONDO BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

General Revenues:			
Taxes:			
Property taxes, levied for general purpose	27,136,137	-	27,136,137
Transient occupancy taxes	3,738,839	-	3,738,839
Sales taxes	10,205,436	-	10,205,436
Franchise taxes	1,685,711	-	1,685,711
Business licenses taxes	1,289,608	-	1,289,608
Utility users tax	7,878,429	-	7,878,429
Motor vehicle in lieu - unrestricted	429,612	-	429,612
Use of money and property	4,687,909	1,439,428	6,127,337
Other	1,626,971	138,877	1,765,848
	<u>58,678,652</u>	<u>1,578,305</u>	<u>60,256,957</u>
Total General Revenues and Transfers			
Change in Net Assets	5,625,463	1,119,063	6,744,526
Net Assets at Beginning of Year	144,913,667	59,164,331	204,077,998
Restatement of Net Assets	2,755,047	626,338	3,381,385
Net Assets at End of Year	<u>\$153,294,177</u>	<u>\$ 60,909,732</u>	<u>\$ 214,203,909</u>

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FUND FINANCIAL STATEMENTS



FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

CITY OF REDONDO BEACH

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	Special Revenue Funds			Capital Projects Funds	Debt Service Funds		Other Governmental Funds	Total Governmental Funds
	General	Other Intergovernmental Grants	Redevelopment Agency	Capital Improvement Projects	Public Financing Authority	Redevelopment Agency		
Assets:								
Pooled cash and investments	\$ 4,460,619	\$ -	\$ 5,697,089	\$ 10,797,974	\$ 366,108	\$ 1,390,380	\$ 12,356,781	\$ 35,068,951
Receivables:								
Accounts	632,845	-	-	-	24,347	-	72,214	729,406
Taxes	4,184,377	-	38,900	-	-	100,290	156,831	4,480,398
Interest	570,395	1,347	76,433	-	2,211	-	104,326	754,712
Loans	11,041	-	6,177,866	-	-	-	527,066	6,715,973
Prepaid costs	74,889	-	-	-	-	-	-	74,889
Due from other governments	531,246	2,174,953	133	-	-	-	895,270	3,601,602
Due from other funds	3,431,638	-	51,773	-	427,264	-	19,281	3,929,956
Advances to other funds	-	-	-	-	10,637,401	-	-	10,637,401
Restricted assets:								
Cash and investments with fiscal agents	58,809	-	-	-	1,553,394	2,255,431	-	3,867,634
Due from external parties	356,324	-	-	-	-	-	-	356,324
Total Assets	\$14,312,183	\$ 2,176,300	\$ 12,042,194	\$ 10,797,974	\$13,010,725	\$ 3,746,101	\$ 14,131,769	\$ 70,217,246
Liabilities and Fund Balances:								
Liabilities:								
Accounts payable	\$ 765,714	\$ 22,278	\$ -	\$ 179,814	\$ -	\$ -	\$ 1,576,848	\$ 2,544,654
Accrued liabilities	691,507	-	-	-	-	-	-	691,507
Due to other funds	50,907	2,069,174	108,607	-	410,224	447,411	1,181,467	4,267,790
Deferred revenues	964,278	1,807,546	675,234	-	-	-	663,683	4,110,741
Advances from other funds	-	-	-	-	-	18,851,419	-	18,851,419
Deposits payable	134,993	-	-	-	-	-	-	134,993
Due to other governments	5,965	18,547	415	-	-	350,472	1,661	377,060
Unearned revenue	559,981	181,695	-	-	18,750	-	-	760,426
Total Liabilities	3,173,345	4,099,240	784,256	179,814	428,974	19,649,302	3,423,659	31,738,590

See Notes to Financial Statement

CITY OF REDONDO BEACH

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	Special Revenue Funds			Capital Projects Funds	Debt Service Funds		Other Governmental Funds	Total Governmental Funds
	General	Other Intergovernmental Grants	Redevelopment Agency	Capital Improvement Projects	Public Financing Authority	Redevelopment Agency		
Fund Balances:								
Reserved:								
Reserved for encumbrances	699,513	908,146	-	241,116	-	-	1,012,938	2,861,713
Reserved for prepaid costs	71,156	-	-	-	-	-	-	71,156
Reserved for loans receivable	11,041	-	5,502,632	-	-	-	-	5,513,673
Reserved for advances to other funds	-	-	-	-	10,637,401	-	-	10,637,401
Reserved for low income programs	-	-	2,806,984	-	-	-	-	2,806,984
Unreserved:								
Unreserved, reported in nonmajor:								
Special revenue funds	-	-	-	-	-	-	8,108,628	8,108,628
Capital projects funds	-	-	-	-	-	-	1,581,516	1,581,516
Debt service funds	-	-	-	-	-	-	5,028	5,028
Designated for Labor Relations	800,000	-	-	-	-	-	-	800,000
Designated for Health Insurance Premiums	274,000	-	-	-	-	-	-	274,000
Designated for emergencies	5,647,843	-	-	-	-	-	-	5,647,843
Designated for petty cash	16,800	-	-	-	-	-	-	16,800
Designated for compensated absences	975,405	-	-	-	-	-	-	975,405
Designated for retirees' health benefits	406,000	-	-	-	-	-	-	406,000
Designated for continuing appropriations	1,350,448	-	2,948,322	6,326,050	-	-	-	10,624,820
Designated for future years' appropriations	672,517	-	-	-	-	-	-	672,517
Undesignated	214,115	(2,831,086)	-	4,050,994	1,944,350	(15,903,201)	-	(12,524,828)
Total Fund Balances	11,138,838	(1,922,940)	11,257,938	10,618,160	12,581,751	(15,903,201)	10,708,110	38,478,656
Total Liabilities and Fund Balances	\$14,312,183	\$ 2,176,300	\$ 12,042,194	\$ 10,797,974	\$13,010,725	\$ 3,746,101	\$ 14,131,769	\$ 70,217,246

See Notes to Financial Statement

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CITY OF REDONDO BEACH

GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Fund balances of governmental funds	\$ 38,478,656
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity	131,323,744
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Bonds Payable	(14,155,000)
Loans Payable	(14,067,018)
Compensated Absences	(1,903,074)
Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds	(335,113)
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities.	4,110,741
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets	9,841,241
Net assets of governmental activities	<u>\$ 153,294,177</u>

CITY OF REDONDO BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	Special Revenue Funds			Capital Projects	Debt Service Funds		Other Governmental Funds	Total Governmental Funds
	General	Other	Redevelopment	Capital	Public	Redevelopment		
		Intergovernmental	Agency	Improvement	Financing	Agency		
	Grants		Projects	Authority				
Revenues:								
Taxes	\$ 49,749,857	\$ -	\$ 873,467	\$ -	\$ -	\$ 1,869,518	\$ 76,751	\$52,569,593
Interdepartmental	6,314,753	-	-	-	-	-	-	6,314,753
Licenses and permits	1,660,339	-	-	-	-	-	-	1,660,339
Intergovernmental	884,945	2,268,019	-	-	-	-	12,618,757	15,771,721
Charges for services	5,721,937	-	-	-	-	-	1,905,260	7,627,197
Use of money and property	3,253,258	-	405,071	-	778,671	78,089	713,532	5,228,621
Fines and forfeitures	1,117,196	-	-	-	-	-	-	1,117,196
Miscellaneous	395,038	-	97,396	75,601	-	-	219,687	787,722
Total Revenues	69,097,323	2,268,019	1,375,934	75,601	778,671	1,947,607	15,533,987	91,077,142
Expenditures:								
Current:								
General government	8,999,501	-	230,598	-	-	37,379	610,909	9,878,387
Public safety	37,561,367	652,383	-	-	-	-	41,192	38,254,942
Housing and community development	1,654,021	118,305	185,296	-	315,141	-	9,687,467	11,960,230
Cultural and leisure services	9,111,867	8,898	-	-	-	-	-	9,120,765
Public works	6,649,389	64,156	-	122,152	-	-	3,382,419	10,218,116
Capital outlay	108,027	2,489,472	-	1,717,651	-	-	1,003,080	5,318,230
Debt service:								
Principal retirement	-	-	-	-	430,209	327,462	-	757,671
Interest and fiscal charges	-	-	-	-	950,055	748,829	-	1,698,884
Total Expenditures	64,084,172	3,333,214	415,894	1,839,803	1,695,405	1,113,670	14,725,067	87,207,225
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,013,151	(1,065,195)	960,040	(1,764,202)	(916,734)	833,937	808,920	3,869,917

See Notes to Financial Statement

CITY OF REDONDO BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	Special Revenue Funds			Capital Projects	Debt Service Funds		Other Governmental Funds	Total Governmental Funds
	General	Other	Redevelopment	Capital	Public	Redevelopment		
		Intergovernmental Grants	Agency	Improvement Projects	Financing Authority	Agency		
Other Financing Sources (Uses):								
Transfers in	-	-	-	4,500,000	555,097	-	1,555,954	6,611,051
Transfers out	(6,709,673)	-	-	-	-	(555,097)	(588,627)	(7,853,397)
Other debts issued	-	-	-	-	-	476,292	-	476,292
Total Other Financing Sources (Uses)	(6,709,673)	-	-	4,500,000	555,097	(78,805)	967,327	(766,054)
Net Change in Fund Balances	(1,696,522)	(1,065,195)	960,040	2,735,798	(361,637)	755,132	1,776,247	3,103,863
Fund Balances, Beginning of Year, as previously reported	12,823,642	(857,745)	7,562,474	7,882,362	12,943,388	(16,658,333)	8,931,863	32,627,651
Restatements	11,718	-	2,735,424	-	-	-	-	2,747,142
Fund Balances, Beginning of Year, as restated	12,835,360	(857,745)	10,297,898	7,882,362	12,943,388	(16,658,333)	8,931,863	35,374,793
Fund Balances, End of Year	\$ 11,138,838	\$ (1,922,940)	\$ 11,257,938	\$ 10,618,160	\$12,581,751	\$(15,903,201)	\$ 10,708,110	\$38,478,656

CITY OF REDONDO BEACH

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Net change in fund balances - total governmental funds \$ 3,103,863

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital outlay	3,193,294
Depreciation expense	(3,246,466)
Loss on disposal of capital asset	(13,808)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

Principal payments on bonds payable	395,000
Principal payments on loans payable	362,671

Issuance of long-term debt is an other financing source in the governmental funds, but the the issuance increases long-term liabilities in the statement of net assets

(476,292)

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.

9,471

Compensated absences 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

59,046

Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities.

1,213,851

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities

1,024,833

Change in net assets of governmental activities

\$ 5,625,463

CITY OF REDONDO BEACH

BUDGETARY COMPARISON STATEMENT
 GENERAL FUND
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ 12,835,360	\$ 12,835,360	\$ 12,835,360	\$ -
Resources (Inflows):				
Taxes	47,855,343	48,612,150	49,749,857	1,137,707
Interdepartmental	8,027,351	6,637,002	6,314,753	(322,249)
Licenses and permits	1,852,400	1,580,900	1,660,339	79,439
Intergovernmental	553,190	748,186	884,945	136,759
Charges for services	5,718,090	5,625,442	5,721,937	96,495
Use of money and property	1,950,390	2,091,390	3,253,258	1,161,868
Fines and forfeitures	1,069,700	1,335,949	1,117,196	(218,753)
Miscellaneous	157,200	217,364	395,038	177,674
Amounts Available for Appropriation	80,019,024	79,683,743	81,932,683	2,248,940
Charges to Appropriation (Outflow):				
General government	8,095,416	9,545,308	8,999,501	545,807
Public safety	41,459,862	41,605,934	37,561,367	4,044,567
Housing and community development	2,186,718	2,068,852	1,654,021	414,831
Cultural and leisure services	9,005,930	9,343,954	9,111,867	232,087
Public works	6,926,288	6,685,202	6,649,389	35,813
Capital outlay	63,781	272,027	108,027	164,000
Transfers to other funds	377,719	6,709,673	6,709,673	-
Total Charges to Appropriations	68,115,714	76,230,950	70,793,845	5,437,105
Budgetary Fund Balance, June 30	\$ 11,903,310	\$ 3,452,793	\$ 11,138,838	\$ 7,686,045

CITY OF REDONDO BEACH

BUDGETARY COMPARISON STATEMENT
 OTHER INTERGOVERNMENTAL GRANTS
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ (857,745)	\$ (857,745)	\$ (857,745)	\$ -
Resources (inflows):				
Intergovernmental				
Amounts available for appropriation	599,008	7,011,154	2,268,019	(4,743,135)
Charges to appropriation (outflow):	(258,737)	6,153,409	1,410,274	(4,743,135)
Public safety	250,546	1,031,053	652,383	378,670
Housing and community development	67,870	99,088	118,305	(19,217)
Cultural and leisure services	-	12,230	8,898	3,332
Public works	71,062	63,457	64,156	(699)
Capital outlay	209,530	5,813,068	2,489,472	3,323,596
	599,008	7,018,896	3,333,214	3,685,682
Budgetary fund balance, June 30	\$ (857,745)	\$ (865,487)	\$ (1,922,940)	\$ (1,057,453)

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON STATEMENT
REDEVELOPMENT AGENCY - SPECIAL REVENUE
YEAR ENDED JUNE 30, 2007**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$10,297,898	\$10,297,898	\$ 10,297,898	\$ -
Resources (inflows):				
Taxes	611,000	611,000	873,467	262,467
Use of money and property	173,343	173,343	405,071	231,728
Miscellaneous	14,340	14,340	97,396	83,056
Amounts available for appropriation	11,096,581	11,096,581	11,673,832	577,251
Charges to appropriation (outflow):				
General government	362,017	362,017	230,598	131,419
Housing and community development	336,600	336,600	185,296	151,304
	698,617	698,617	415,894	282,723
Budgetary fund balance, June 30	\$10,397,964	\$10,397,964	\$ 11,257,938	\$ 859,974

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CITY OF REDONDO BEACH

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2007

	Business-Type Activities - Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Harbor Tidelands	Harbor Uplands	Wastewater	Other Enterprise Fund - Solid Waste		
Assets:						
Current:						
Cash and investments	\$ 9,613,544	\$ 4,008,385	\$ 3,202,981	\$ 1,765,597	\$18,590,507	\$ 24,149,708
Receivables:						
Accounts	215,530	270,449	39,859	90,073	615,911	11,236
Taxes	-	-	35,201	87,679	122,880	-
Interest	108,232	43,337	-	326	151,895	-
Loans	302,971	-	-	-	302,971	-
Due from other funds	410,224	-	-	-	410,224	-
Due from other governments	-	-	-	-	-	-
Prepaid costs	250	-	-	-	250	208
Unamortized debt issuance costs	-	-	343,259	-	343,259	-
Restricted:						
Cash with fiscal agent	-	-	7,325,556	-	7,325,556	-
Total Current Assets	10,650,751	4,322,171	10,946,856	1,943,675	27,863,453	24,161,152
Noncurrent:						
Advances to other funds	6,285,195	1,928,823	-	-	8,214,018	-
Capital assets not being depreciated	3,776,802	7,546,453	-	-	11,323,255	-
Capital assets, net of depreciation	14,697,021	6,437,215	7,679,423	69,691	28,883,350	3,831,026
Total Noncurrent Assets	24,759,018	15,912,491	7,679,423	69,691	48,420,623	3,831,026
Total Assets	\$35,409,769	\$ 20,234,662	\$ 18,626,279	\$ 2,013,366	\$76,284,076	\$27,992,178

See Notes to Financial Statement

CITY OF REDONDO BEACH

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2007

	Business-Type Activities - Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Harbor Tidelands	Harbor Uplands	Wastewater	Other Enterprise Fund - Solid Waste		
Liabilities and Net Assets:						
Liabilities:						
Current:						
Accounts payable	\$ 264,542	\$ 167,963	\$ 311,673	\$ 201,603	\$ 945,781	\$ 1,084,562
Due to other funds	-	-	-	-	-	72,390
Unearned revenue	-	-	-	27,527	27,527	-
Deposits payable	29,048	200,000	-	-	229,048	-
Compensated absences payable	105,373	103,716	33,496	11,514	254,099	216,542
Claims and judgments payable	-	-	-	-	-	1,243,304
Total Current Liabilities	398,963	471,679	345,169	240,644	1,456,455	2,616,798
Noncurrent:						
Compensated absences payable	8,638	8,502	2,746	944	20,830	17,751
Claims and judgments payable	-	-	-	-	-	15,515,469
Lease payable	-	-	-	-	-	919
Other long-term debt	4,181,161	-	9,715,898	-	13,897,059	-
Total Noncurrent Liabilities	4,189,799	8,502	9,718,644	944	13,917,889	15,534,139
Total Liabilities	4,588,762	480,181	10,063,813	241,588	15,374,344	18,150,937
Net Assets:						
Invested in capital assets, net of related debt	17,553,968	13,983,668	6,532,108	69,691	38,139,435	3,830,107
Unrestricted	13,267,039	5,770,813	2,030,358	1,702,087	22,770,297	6,011,134
Total Net Assets	30,821,007	19,754,481	8,562,466	1,771,778	60,909,732	9,841,241
Total Liabilities and Net Assets	\$35,409,769	\$ 20,234,662	\$ 18,626,279	\$ 2,013,366	\$76,284,076	\$27,992,178

See Notes to Financial Statement

CITY OF REDONDO BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Business-Type Activities - Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Harbor Tidelands	Harbor Uplands	Wastewater	Other Enterprise Fund - Solid Waste		
Operating Revenues:						
Sales and service charges	\$ -	\$ -	\$ 1,842,479	\$ 3,481,133	\$ 5,323,612	\$ 14,958,603
Harbor rentals	4,401,745	2,380,042	-	-	6,781,787	-
Use of property	665,570	1,723,594	-	-	2,389,164	-
Miscellaneous	21,812	360	-	116,705	138,877	185,537
Total Operating Revenues	5,089,127	4,103,996	1,842,479	3,597,838	14,633,440	15,144,140
Operating Expenses:						
Personnel services	2,265,503	2,429,529	516,226	664,402	5,875,660	4,356,119
Contractual services	455,322	427,794	578,714	43,675	1,505,505	6,267,716
Administration and general	1,528,746	1,267,061	281,334	2,781,103	5,858,244	3,840,022
Depreciation	455,313	378,776	247,975	4,672	1,086,736	873,688
Total Operating Expenses	4,704,884	4,503,160	1,624,249	3,493,852	14,326,145	15,337,545
Operating Income (Loss)	384,243	(399,164)	218,230	103,986	307,295	(193,405)
Nonoperating Revenues (Expenses):						
Intergovernmental	-	-	-	68,841	68,841	-
Interest revenue	803,119	302,154	334,155	-	1,439,428	-
Interest expense	(197,957)	-	(487,600)	-	(685,557)	(6,955)
Loss on disposal of capital asset	-	-	(10,944)	-	(10,944)	(17,153)
Total Nonoperating Revenues (Expenses)	605,162	302,154	(164,389)	68,841	811,768	(24,108)

CITY OF REDONDO BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Business-Type Activities - Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Harbor Tidelands	Harbor Uplands	Wastewater	Other Enterprise Fund - Solid Waste		
Income (Loss) Before Transfers	989,405	(97,010)	53,841	172,827	1,119,063	(217,513)
Operating transfers in	-	-	-	-	-	1,242,346
Changes in Net Assets	989,405	(97,010)	53,841	172,827	1,119,063	1,024,833
Net Assets:						
Beginning of Year, as previously reported	29,831,602	19,851,491	7,882,287	1,598,951	59,164,331	8,816,408
Restatements	-	-	626,338	-	626,338	-
Beginning of Fiscal Year, as restated	29,831,602	19,851,491	8,508,625	1,598,951	59,790,669	8,816,408
End of Fiscal Year	\$30,821,007	\$19,754,481	\$ 8,562,466	\$ 1,771,778	\$ 60,909,732	\$ 9,841,241

CITY OF REDONDO BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2007

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds	
	Harbor Tidelands	Harbor Uplands	Wastewater	Other Enterprise Fund - Solid Waste		Totals
Cash Flows from Operating Activities:						
Cash received from customers and users	\$ 5,047,835	\$ 3,976,268	\$ 1,870,826	\$ 3,604,280	\$14,499,209	\$ 15,174,638
Cash paid to suppliers for goods and services	(1,871,741)	(1,578,108)	(878,161)	(2,813,847)	(7,141,857)	(8,959,518)
Cash paid to employees for services	(2,236,128)	(2,405,203)	(512,100)	(673,789)	(5,827,220)	(4,273,976)
Net Cash Provided (Used) by Operating Activities	939,966	(7,043)	480,565	116,644	1,530,132	1,941,144
Cash Flows from Non-Capital Financing Activities:						
Cash paid due to/from other funds	(172,609)	-	-	-	(172,609)	-
Cash received due to/from other funds	-	-	768	-	768	216,892
Advance to other funds	(305,558)	(93,771)	-	-	(399,329)	-
Subsidy from grants	-	-	-	68,814	68,814	-
Net Cash Provided (Used) by Non-Capital Financing Activities	(478,167)	(93,771)	768	68,814	(502,356)	1,459,238
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(37,980)	-	(238,457)	-	(276,437)	(1,436,243)
Principal paid on capital debt	(217,876)	-	(190,000)	-	(407,876)	(12,042)
Interest paid on capital debt	(197,957)	-	(472,513)	-	(670,470)	(6,955)
Proceeds from sale of capital assets	-	-	-	-	-	41,063
Net Cash Provided (Used) by Capital and Related Financing Activities	(453,813)	-	(900,970)	-	(1,354,783)	(1,414,177)
Cash Flows from Investing Activities:						
Loan collections	21,382	-	-	-	21,382	-
Interest received	784,959	287,858	334,155	-	1,406,972	-
Net Cash Provided (Used) by Investing Activities	806,341	287,858	334,155	-	1,428,354	-
Net Increase (Decrease) in Cash and Cash Equivalents	814,327	187,044	(85,482)	185,458	1,101,347	1,986,205
Cash and Cash Equivalents at Beginning of Year	8,799,217	3,821,341	10,614,019	1,580,139	24,814,716	22,163,503
Cash and Cash Equivalents at End of Year	\$ 9,613,544	\$ 4,008,385	\$10,528,537	\$ 1,765,597	\$25,916,063	\$ 24,149,708

See Notes to Financial Statement

CITY OF REDONDO BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2007

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds	
	Harbor Tidelands	Harbor Uplands	Wastewater	Other Enterprise Fund - Solid Waste		Totals
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 384,243	\$ (399,164)	\$ 218,230	\$ 103,986	\$ 307,295	\$ (193,405)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:						
Depreciation	455,313	378,776	247,975	4,672	1,086,736	873,688
(Increase) decrease in accounts receivable	25,585	(92,505)	(38,629)	21,339	(84,210)	30,706
(Increase) decrease in taxes receivable	-	-	66,976	(16,642)	50,334	-
(Increase) decrease in due from other governments	-	-	-	-	-	(208)
(Increase) decrease in prepaid expense	29,243	-	-	-	29,243	-
Increase (decrease) in accounts payable	83,084	(83,253)	(18,113)	10,931	(7,351)	553,012
Increase (decrease) in due to other governments	-	-	-	-	-	(5)
Increase (decrease) in deposits payable	-	200,000	-	-	200,000	-
Increase (decrease) in unearned revenue	(66,877)	(35,223)	-	1,745	(100,355)	-
Increase (decrease) in claims and judgments	-	-	-	-	-	595,213
Increase (decrease) in compensated absences	29,375	24,326	4,126	(9,387)	48,440	82,143
Total Adjustments	555,723	392,121	262,335	12,658	1,222,837	2,134,549
Net Cash Provided (Used) by Operating Activities	\$ 939,966	\$ (7,043)	\$ 480,565	\$ 116,644	\$ 1,530,132	\$ 1,941,144
Non-Cash Investing, Capital, and Financing Activities:						
Gain/(Loss) on disposition of capital assets	\$ -	\$ -	\$ (10,944)	\$ -	\$ (10,944)	\$ (17,153)
Amortization of unamortized debt issuance costs	-	-	12,713	-	12,713	-
Amortization of bond discount	-	-	2,374	-	2,374	-

See Notes to Financial Statement

CITY OF REDONDO BEACH

STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2007

	Agency Funds
Assets:	
Cash and investments	
Receivables (net of allowance for uncollectibles):	\$ 1,255,449
Accounts	
Taxes	19,818
Interest	65,817
Restricted assets:	1,088
Cash and investments	
Cash with fiscal agent	57,258,561
	<u>283,463</u>
Total Assets	<u>\$ 58,884,196</u>
Liabilities:	
Accounts payable	
Accrued liabilities	\$ 88,932
Deposits	57,303,959
Due to bondholders	919,211
Due to external parties	215,770
	<u>356,324</u>
Total Liabilities	<u>\$ 58,884,196</u>

See Notes to Financial Statement

NOTES TO FINANCIAL STATEMENTS



CITY OF REDONDO BEACH, CALIFORNIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1: Summary of Significant Accounting Policies

The basic financial statements of the City of Redondo Beach, California (City) have been prepared in conformity with generally accepted accounting principles (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 more significant of the City's accounting policies are described below:

a. Reporting Entity

The City was incorporated on April 29, 1892, under the laws of the State of California and enjoys all the rights and privileges applicable to a Charter City. It is governed by an elected Mayor and five-member council.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations, and data from these units is combined with data of the City. Each blended component unit has a June 30 year-end. The City had no discretely presented component units. The following entities are reported as blended component units:

The Redevelopment Agency of the City of Redondo Beach

The Redevelopment Agency of the City of Redondo Beach (Agency) was established on April 30, 1962, pursuant to the State of California Health and Safety Code, Section 33000. Its purpose is to prepare and carry out plans for the improvement, rehabilitation and development for blighted areas within the territorial limits of the City. The Agency has the same governing board as the City, which also performs all accounting and administrative functions for the Redevelopment Agency.

The Parking Authority of the City of Redondo Beach

The Parking Authority of the City of Redondo Beach (Parking Authority) was established on March 3, 1969, pursuant to the provisions of the Streets and Highway Code of the State of California. The principal purpose of the Parking Authority is to provide public off-street parking within the City. The Parking Authority serves all the citizens of the government and is governed by a board comprised of the government's elected council.

**City of Redondo Beach
Notes to Financial Statements (Continued)**

Note 1: Summary of Significant Accounting Policies (Continued)

The Redondo Beach Housing Authority

The Redondo Beach Housing Authority (Housing Authority) was formed on June 2, 1975, for the purpose of providing affordable, decent housing for lower income residents of the City. The Housing Authority operates the Fair Housing and Section 8 housing programs. The Housing Authority serves all the citizens of the government and is governed by a board comprised of the government's elected council.

The Redondo Beach Public Financing Authority

The Redondo Beach Public Financing Authority (Financing Authority), a joint powers authority, was formed on June 25, 1996, to provide financing for capital improvement projects. The Agency joined with the City to form the Financing Authority, which is accounted for as a component unit of the Agency. The Financing Authority operates rental property and issues bonds to provide funds to public capital improvements. The Financing Authority has the same governing board as the City, which also performs all accounting and administrative functions for the Financing Authority.

The Redevelopment Agency's financial statements, as well as financial information relating to the other agencies, can be obtained from the City of Redondo Beach's City Clerk's Office or Financial Services Department located at City Hall.

b. Government-Wide and Fund Financial Statements

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 with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental 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.

Government-Wide Financial Statements

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These basic 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 Assets. The Statement of Activities presents changes in net assets. 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. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Note 1: Summary of Significant Accounting Policies (Continued)

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 as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities and Changes in Net Assets, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The following interfund activities have been eliminated:

- Due to/from other funds
- Advances to/from other funds
- Transfers in/out

The City applies all applicable GASB pronouncements (including all National Council on Governmental Accounting (NCGA) Statements and Interpretations currently in effect), as well as the following pronouncements issued on or before November 30, 1989, to the business-type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds individually and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that have met the applicable criteria.

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 (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. 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 Redondo Beach
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Revenues are recorded when received in cash, except 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 tax, sales tax, franchise taxes, special assessments, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows for each major proprietary fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide 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 Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. 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. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting*, the City applies all GASB pronouncements currently in effect as well as Financial Accounting Standard Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Note 1: Summary of Significant Accounting Policies (Continued)

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Assets. 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 agency funds are accounted for using the accrual basis of accounting.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.
- The Other Intergovernmental Grants Fund accounts for federal, state and other governmental agencies grant funding that supplements local funding.
- The Redevelopment Agency Fund (Special Revenue) accounts for the accumulation of, and the payments of, redevelopment activities within the project areas and to account for the general redevelopment operation of the Redevelopment Agency of the City.
- The Capital Improvement Projects Fund account for capital improvements for the City.
- The Public Financing Authority (Debt Service) Fund accounts for the payment of interest and principal on tax allocation bonds and other debt issued to finance city and redevelopment activities.
- The Redevelopment Agency (Debt Service) Fund accounts for the accumulation of resources for, and the payment of, interest and principal on tax allocation bonds and other debt issued to finance redevelopment activities within the project areas.

The City reports the following major proprietary funds:

- The Harbor Tidelands Fund accounts for the operations of small boat harbor facilities available to the general public, including related pier activities. The use of this fund is restricted under the City Tideland Trust Agreement with the State of California.
- The Harbor Uplands Fund accounts for the operations of small boat harbor facilities available to the general public, including related pier activities. The use of this fund is subject only to the decisions of the City Council.
- The Wastewater Fund accounts for the capital facility charge, more commonly referred to as a sewer user fee. The capital facility charge is designed to reimburse the City's wastewater system for the capital costs to provide wastewater capacity to new system users. This charge is associated with the expansion of the system required over time to address increases in wastewater flow generated by new development.

**City of Redondo Beach
Notes to Financial Statements (Continued)**

Note 1: Summary of Significant Accounting Policies (Continued)

Additionally, the City reports the following fund types:

Agency Funds

- The Deposit Fund was established to account for miscellaneous customer deposits, such as building permits, signage posting, etc., as well as accounting for funds held for Section 125 employee benefits.
- The Assessment District 92-1 accounts for the receipt of assessments and the payment of principal and interest and bond administration costs on Bond. This fund is treated as an agency fund because there isn't any City liability for their repayment.

The Special Revenue Funds account for the proceeds collection from specific revenue sources or revenue received from third parties and the related expenditures.

The Internal Service Funds account for interdepartmental operations where it is the stated intent that costs of providing services to the departments of the City on a continuing basis be financed or recovered primarily by charges to the user departments. The City's Internal Service Funds are for vehicle replacement, building occupancy, information technology, self-insurance, printing and graphics, and Communications Equipment Replacement.

c. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes in which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

d. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities in which market quotations are readily available.

The City participates in an investment pool managed by the State of California, titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

**City of Redondo Beach
Notes to Financial Statements (Continued)**

Note 1: Summary of Significant Accounting Policies (Continued)

For purposes of reporting cash flows, the City considers each fund's share in the cash and investments pool to be cash and cash equivalents including cash and investments with fiscal agents.

e. Restricted Cash and Investments

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects. Cash and investments are also restricted for deposits held for others within the enterprise funds.

f. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

g. Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans)." Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances."

h. Capital Assets

Capital assets, which include land, buildings, improvements, equipment, furniture and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated.

City policy has set the capitalization thresholds for reporting capital assets at the following:

General Capital Assets	\$ 5,000
Infrastructure Capital Assets	25,000
Buildings, Parking Structures and Parking Lots	100,000

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

The City has chosen the Modified Approach for reporting of the Street Pavement Subsystem infrastructure assets and as a result no depreciation is recorded for that system. For all other assets, depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

<u>Asset</u>	<u>Years</u>
Buildings and Improvements	45
Equipment	5 - 20
Vehicles	4 - 20
Infrastructure	5 - 60

The Governmental Accounting Standards Board (GASB) issued Statement No. 34 requiring the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure in its Basic Financial Statements.

The City defines infrastructure as physical assets that allow the City to function. The assets include:

- Street system
- Site amenities, such as parking and landscaped areas, used by the City in the conduct of its business
- Underground utilities

Each major infrastructure network can be divided into subsystems. For example, the street system can be divided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, etc. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

**City of Redondo Beach
Notes to Financial Statements (Continued)**

Note 1: Summary of Significant Accounting Policies (Continued)

In June 2002, a visual survey of all pavement segments was conducted to assess the existing surface condition of each of the individual pavement segments. Upon completion of the study, a Pavement Quality Index (PQI) was calculated for each segment in the City's pavement network to reflect the overall pavement condition. Ratings ranged from 0 to 10. A PQI of 0 would correspond to badly deteriorated pavement with virtually no remaining life; a PQI of 10 would correspond to pavement with proper engineering design and construction at the beginning of its life cycle. During the year, the visual survey is updated to reflect the pavement's current condition.

The following conditions were defined:

<u>Condition</u>	<u>Rating</u>
Very Good	9.0 - 10.0
Good	7.0 - 8.9
Fair	5.0 - 6.9
Poor	0.0 - 4.9

In line with the Capital Improvement Program and as presented to City Council on December 17, 2002, City policy is to achieve an average rating of 8.0 for all streets by fiscal year 2007-2008. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds. For 2003, the City established the standard of 7.0; for 2005, 2006 and 2007, the City's street system was rated at a PQI of 7.8 on the average. For a detailed description of the Modified Approach, see the Required Supplementary Information Section of this report.

For all other infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City conducted a valuation of its infrastructure assets as of July 1, 2002. This valuation determined the original cost using one of the following methods:

1. Use of historical records where available.
2. Standard unit costs appropriate for the construction/acquisition date.
3. Present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date.

Accumulated depreciation is defined as the total depreciation from the date of construction/acquisition to the current date on a straight-line method using industry accepted life expectancies for each infrastructure subsystem. The book value is computed by deducting the accumulated depreciation from the original cost.

Interest accrued during capital asset construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

i. Interest Payable

In the government-wide financial statements, interest payable on long-term debt is recognized as the liability is incurred for governmental fund types and proprietary fund types.

In the fund financial statements, governmental fund types do not recognize interest payable, while proprietary fund types recognize the interest payable when the liability is incurred.

j. Unearned Revenue and Deferred Revenue

In the government-wide financial statements, unearned revenue is recognized for transactions in which revenue has not yet been earned. Typical transactions recorded as unearned revenues in the government-wide financial statements are long-term loans receivable and prepaid charges for services.

In the fund financial statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records deferred revenue for transactions in which revenues have not been earned, or in which funds are not available to meet current financial obligations. Typical transactions in which deferred revenue is recorded are grants received but not yet earned or available.

k. Compensated Absences Payable

Only the short-term liability for compensated absences (the amount due to employees for future absences, such as vacation and compensatory time, which are attributable to services already rendered) is reported as a current liability in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements; the long-term liability is reported in the government-wide financial statements. The short-term liability is the amount that will be liquidated with current financial resources and is expected to be paid during the next fiscal year. All of the liability for compensated absences applicable to proprietary funds is reported in those funds.

Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Employees may accrue from two to three times their annual accrual rate. Upon termination an employee will be paid for any unused accrued vacation pay. Sick leave is payable when an employee is unable to work because of illness. Unused sick leave is forfeited upon termination.

l. Claims and Judgments Payable

The short-term and long-term claims are reported as one liability in the Self-Insurance Program Internal Service Fund. The short-term liability, which will be liquidated with current financial resources, is the amount of settlement reached, but unpaid, related to claims and judgments entered.

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

m. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other long-term obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Fund Financial Statements

The fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

Bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount.

Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

n. Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributable to the acquisition, construction or improvement of the assets.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

o. Fund Balances - Reservations and Designations

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**City of Redondo Beach
Notes to Financial Statements (Continued)**

Note 1: Summary of Significant Accounting Policies (Continued)

p. Property Taxes

Under California law, property taxes are assessed and collected by the counties on up to 1% of assessed property value, plus other increases approved by the voters. Property taxes collected are pooled and then allocated to the cities based on complex formulas.

January 1	Lien Date
June 30	Levy Date
November 1 and February 1	Due Dates
December 10 and April 10	Collection Dates

Distribution Dates:

August 18, 2006	Unsecured taxes
November 20, 2006	Unsecured, redemptions, and SB813 taxes
December 20, 2006	Homeowners' exemption, secured, and SB813 taxes
January 19, 2007	Homeowners' exemption, secured, and SB813 taxes
February 20, 2007	Redemptions, secured, and SB813 taxes
March 20, 2007	Secured and SB813 taxes
April 20, 2007	Secured and SB813 taxes
May 18, 2007	Redemptions, homeowner's exemption, secured, and SB813 taxes
June 20, 2007	Homeowners' exemption, SB813 taxes
July 20, 2007	Secured and SB813 taxes
August 20, 2007	Secured, redemptions, unsecured, and SB813 taxes

q. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 2: Stewardship, Compliance and Accountability

a. Budgetary Information

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The Annual Budget serves from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. The City Council approves each year's budget prior to the beginning of the new fiscal year.
2. The City Council's policy is to adopt an annual line-item budget for the general, special revenue, debt service and capital projects funds.
3. Public hearings are conducted by the Council prior to budget adoption.
4. Supplemental appropriations, when required during the period, are also approved by the Council. Intradepartmental budget changes within the same fund are approved by the City Manager.
5. Expenditures may not exceed appropriations at the departmental level, which is the legal level of control.
6. GAAP serves as a budgetary basis of accounting.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general, special revenue, debt service and capital projects funds. Unexpended and unencumbered appropriations of these governmental funds automatically lapse at the end of the fiscal year. Encumbrances outstanding at year-end are reported as a reservation of fund balances. They do not constitute expenditures or estimated liabilities.

The Pier Parking Structure Rehabilitation Fund and Parking Authority did not have a legally adopted budget; therefore the schedules are not presented in the supplementary schedules.

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 2: Stewardship, Compliance and Accountability (Continued)

b. Excess of expenditures over appropriations in individual funds is as follows:

Fund	Appropriations	Expenditures	Excess
Major Funds:			
Other Intergovernmental Grants Fund:			
Housing and community development	\$ 99,088	\$ 118,305	\$ (19,217)
Public works	63,457	64,156	(699)
Redevelopment Agency - Debt Service:			
General government		37,379	(37,379)
Principal payment	140,000	327,462	(187,462)
Redevelopment Agency - Capital Projects Fund:			
General government	545,578	573,507	(27,929)

c. Deficit Fund Balance

The following funds had a deficit fund balance as of June 30, 2007:

Major Funds:	
Other Intergovernmental Grants	\$ (1,922,940)
Redevelopment Agency - Debt Service Fund	(15,903,201)
Non-Major Funds:	
Transit Fund	(9)
Local Transit	(341)
South Bay Youth Project	(32,469)
Workforce Investment Act	(62,752)
Community Development Block Grant	(1,472)

The deficit fund balances are expected to be recovered through grant and other revenues and inter-fund transfers.

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 3: Cash and Investments

As of June 30, 2007, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 63,086,293
Business-type activities	25,916,063
Fiduciary funds	<u>58,797,473</u>
Total Cash and Investments	<u>\$ 147,799,829</u>

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on monthly cash and investment balances. Interest Income from cash and investments with fiscal agents is credited directly to the related fund.

Deposits

At June 30, 2007, the carrying amount of the City's deposits was \$60,086,443 and the bank balance was \$60,263,366. The \$176,923 difference represents outstanding checks and other reconciling items. The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$100,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local government agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 3: Cash and Investments (Continued)

Investments

Under provisions of the City's investment policy, and in accordance with the California Government Code, the following investments are authorized:

- United States Treasury Bills, Notes and Bonds
- Obligations issued by the Federal Government
- Bankers Acceptances with a maturity of 180 days or less
- Time Deposits
- Negotiable Certificates of Deposit
- Commercial Paper with a maturity of 270 days or less
- Local Agency Investment Fund
- Medium-Term Notes (5-yr maturity or less) of domestic Corporations or Depository Institutions
- Mutual Funds
- Guaranteed Investment Contract not to exceed \$5 million annually

Investments Authorized by Debt Agreements

The City investment policy applies to all financial assets, investment activities and debt issues of the City (including funds which are invested by trustees appointed under debt trust indentures, with direction from the City Treasurer).

Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code, Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shared.

GASB Statement No. 31

The City adopted GASB Statement of No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 3: Cash and Investments (Continued)

Credit Risk

The City's investment policy limits investments in medium-term notes (MTN's) to those rated "AA" or higher by Standard and Poor's (S&P) or by Moody's. As of June 30, 2007, all MTN's were rated "AA" Moody's. As of June 30, 2007, the City's Federal Agency investments were rated Aaa/AAA by Moody's and S&P, respectively. All securities were investment grade and were legal under State and City law. Investments in U.S. government securities are not considered to have credit risk; therefore, their credit quality is not disclosed. As of June 30, 2007, the City's investments in external investment pools are unrated.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2007, none of the City's deposits or investments was exposed to custodial credit risk.

Concentration of Credit Risk

The City's investment policy imposes restrictions on the maximum percentage it can invest in a single type of investment. Investments in Federal Agencies have the implied guarantee of the United States government. While all the City's investments are in compliance with the City's investment policy, as of June 30, 2007, in accordance with GASB Statement No. 40, if a city has invested more than 5% of its total investments in any one issuer, they are exposed to concentration of credit risk.

The City has invested more than 5% of the total investment value with the following issuers:

Federal National Mortgage Association	\$ 7,982,269	9.10%
Federal Home Loan Mortgage Corp.	6,928,770	7.90%
Federal Home Loan Bank	27,763,800	31.65%
Rabobank International Investment Agreement	4,572,362	5.21%

Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 3: Cash and Investments (Continued)

Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy states that at least 50% of the City's portfolio shall mature in three years or less; and at least 25% in one year or less. The only exception to these maturity limits shall be the investment of the gross proceeds of tax-exempt bonds. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2007, the City had the following investments and remaining maturities:

Investment Type:	Investment Maturities				Fair Value
	6 months or less	6 months to 1 year	1 to 3 years	3 to 5 years	
External Investment Pools - Local Agency Investment Fund	\$ 28,714,730	\$	\$	\$	\$ 28,714,730
Federal Agencies - Federal National Mortgage Assoc.	1,986,560	990,000	3,978,430	1,027,279	7,982,269
Federal Home Loan Mortgage Corp.		1,963,120	2,986,010	1,979,640	6,928,770
Federal Home Loan Bank	5,974,690	3,959,390	13,828,460	4,001,260	27,763,800
Federal Farm Credit Bank			1,968,440	993,750	2,962,190
Corporate Bonds			3,936,790		3,936,790
Treasury Obligations - First American Treasury Obligation	1,870,610				1,870,610
AIM Pers CL Treasury	2,294,202				2,294,202
AIM Stic Treasury Portfolio	24,413				24,413
Investment Agreements - AIG Matched Fund Corp.	663,250				663,250
Rabobank International			4,572,362		4,572,362
Total Investments	\$ 41,528,455	\$6,912,510	\$ 31,270,492	\$ 8,001,929	\$ 87,713,386

**City of Redondo Beach
Notes to Financial Statements (Continued)**

Note 4: Receivables

The following is a summary of receivables net of allowances for uncollectible amounts at June 30, 2007:

	Government-Wide Statement of Net Assets		Fiduciary Funds Statement of Net Assets	Total
	Governmental Activities	Business- Type Activities		
Accounts receivable	\$ 740,642	\$ 615,911	\$ 19,818	\$ 1,376,371
Interest receivable	754,712	151,895	1,088	907,695
Taxes receivable	4,480,398	122,880	65,817	4,669,095
Loans receivable	6,715,973	302,971		7,018,944
Total Receivables	<u>\$ 12,691,725</u>	<u>\$ 1,193,657</u>	<u>\$ 86,723</u>	<u>\$ 13,972,105</u>

Fund Financial Statements

At June 30, 2007, the Fund Financial Statements show the following receivables:

a. Accounts Receivable

Accounts receivable consisted of amounts accrued in separate funds in the ordinary course of operations. The total amount of accounts receivable for each major fund and non-major fund in the aggregate as of June 30, 2007, was as follows:

Governmental Funds:		
General Fund		\$ 632,845
Public Financing Authority - Debt Service		24,347
Non-Major Funds		<u>72,214</u>
Total Governmental Funds		<u>729,406</u>
Proprietary Funds:		
Harbor Tidelands - Enterprise Fund		215,530
Harbor Uplands - Enterprise Fund		270,449
Wastewater Fund - Enterprise Fund		39,859
Non-Major Funds		90,073
Internal Service Funds		<u>11,236</u>
Total Proprietary Funds		<u>627,147</u>
Fiduciary Funds:		
Agency Funds		<u>19,818</u>
Total Fiduciary Funds		<u>19,818</u>
Total Accounts Receivable		<u>\$ 1,376,371</u>

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 4: Receivables (Continued)

b. Interest Receivable

Interest receivable consists of interest from investments pooled by the City and is distributed among the funds according to their ending cash balances. The interest receivable as of June 30, 2007, was as follows:

Governmental Funds:	
General Fund	\$ 570,395
Other Intergovernmental Grants - Special Revenue	1,347
Redevelopment Agency Fund - Special Revenue	76,433
Public Financing Authority - Debt Service	2,211
Non-Major Funds	104,326
Total Governmental Funds	<u>754,712</u>
Proprietary Funds:	
Harbor Tidelands - Enterprise Fund	108,232
Harbor Uplands - Enterprise Fund	43,337
Non-Major Funds	326
Total Proprietary Funds	<u>151,895</u>
Fiduciary Funds:	
Agency Funds	1,088
Total Interest Receivable	<u>\$ 907,695</u>

c. Taxes Receivable

At June 30, 2007, the City had the following taxes receivable:

Type of Taxes:	Governmental Funds			Non-Major Governmental Funds	Proprietary Funds		Fiduciary Net Assets	Total
	General Fund	Redevelopment Agency Fund - Special Revenue	Redevelopment Agency Fund - Debt Service		Solid Waste	Waste- Water	Agency Funds	
Property taxes	\$ 884,744	\$ 38,900	\$ 100,290	\$ 43,662	\$ 87,679	\$ 35,201	\$ 65,817	\$ 1,256,293
Sales taxes	2,158,678							2,158,678
Transient occupancy taxes	334,789							334,789
Utility users taxes	609,116							609,116
Transfer Tax	182,616							182,616
Gas Tax				113,169				113,169
Motor Vehicle License	13,402							13,402
Other tax	1,032							1,032
Total Taxes Receivable	<u>\$ 4,184,377</u>	<u>\$ 38,900</u>	<u>\$ 100,290</u>	<u>\$ 156,831</u>	<u>\$ 87,679</u>	<u>\$ 35,201</u>	<u>\$ 65,817</u>	<u>\$ 4,669,095</u>

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 4: Receivables (Continued)

d. Loans Receivable

At June 30, 2007, the City had the following loans receivable:

	Governmental Funds			Proprietary Fund	Total
	General Fund	Redevelopment Agency - Special Revenue Fund	Non-Major Governmental Funds	Harbor Tidelands - Enterprise Fund	
Home Improvement Program	\$	\$ 675,234	\$ 233,714	\$	\$ 908,948
Rental Rehab Program			271,683		271,683
Landlord Program			21,669		21,669
Senior Housing Program		5,502,632			5,502,632
Computer Loan Program	11,041				11,041
Harbor Area Business Loan				302,971	302,971
Total Loans Receivable	\$ 11,041	\$ 6,177,866	\$ 527,066	\$ 302,971	\$ 7,018,944

Home Rehabilitation Loans

At June 30, 2007, the City was owed, in its Redevelopment Agency Fund, \$675,234 for various home rehabilitation loans made by the City. The terms of repayment vary. Because the notes do not meet the City's availability criteria for revenue recognition, the City has deferred the revenue related to these loans. Revenue is recognized in the year of repayment. All loans are secured by trust deeds.

Housing Assistance Loans

At June 30, 2007, the City was owed, in its Community Development Block Grant -Special Revenue Fund, \$527,066 for various housing assistance loans made by the City. The terms of repayment vary. Because the notes do not meet the City's availability criteria for revenue recognition, the City has deferred the revenue related to these loans. Revenue is recognized in the year of repayment. All loans are secured by trust deeds.

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 4: Receivables (Continued)

Harbor Area Business Loans

At June 30, 2007, the City's Harbor Tidelands - Enterprise Fund was owed \$236,626 for repairs made on behalf of a harbor area business subsequent to the storms of 1988. The terms of the 28-year, \$488,871 contract called for interest at 1.6% per annum. Principal and accrued interest are payable annually.

At June 30, 2007, the City's Harbor Tidelands - Enterprise Fund was owed \$66,345 for repairs made on behalf of a harbor area business subsequent to the storms of 1988. The terms of the 27-year, \$104,844 contract called for interest at 4.7% per annum. Principal and accrued interest are payable annually.

Senior Housing Program

On September 1, 2004, the Agency loaned \$2,500,000 to Redondo Beach HP Seniors, LP, a senior housing complex. The loan term is for 55 years and bears interest at 3% per annum. Repayments will be made from residual receipts to the housing complex. The loan is secured by a leasehold interest trust deed. At June 30, 2007, the loan receivable, including accrued interest of \$212,500 and a corresponding fund balance reservation, was \$2,712,500.

On June 21, 1995, the Agency loaned \$2,200,000 to Corporate Fund for Housing (a California non-profit public benefit corporation), the McCandless senior housing complex. The loan term is for 45 years and bears interest at 2% per annum. Any portion of the Agency loan remaining unpaid upon the 45th anniversary of completion shall be forgiven. Repayments will be made from residual receipts to the housing complex. The loan is secured by the Agency Deed of Trust. At June 30, 2007, the loan receivable, including accrued interest of \$590,132 and a corresponding fund balance reservation was \$2,790,132.

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 5: Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2007, was as follows:

a. Due To/From Other Funds

Funds	Due from other funds (Receivable):					Total
	Governmental Funds			Proprietary Fund		
	General Fund	Redevelopment Agency - Special Revenue	Public Financing Authority	Non-Major Governmental Funds	Harbor Tidelands	
Due to other funds (Payable):						
Governmental Funds:						
General Fund	\$	\$ 5,772	\$ 25,854	\$ 19,281	\$	\$ 50,907
Other Intergovernmental Grants	2,069,174					2,069,174
RDA Special Revenue	108,607					108,607
Public Financing Authority						
RDA Debt Service		46,001	401,410		410,224	410,224
Non-Major Governmental Funds	1,181,467					1,181,467
Proprietary Funds:						
Internal Service Funds	72,390					72,390
Total Due To/From Other Funds	\$ 3,431,638	\$ 51,773	\$ 427,264	\$ 19,281	\$ 410,224	\$ 4,340,180

The General Fund has a due from other funds of \$2,069,174 from the Other Intergovernmental Grants Fund, \$1,181,467 from Non-Major Governmental Funds, and \$72,390 from Internal Service Funds for a temporary cash deficit.

The General Fund has a due from other funds of \$108,607 from Redevelopment Agency – Special Revenue Fund for a reimbursement to the City for expenditures made on Redevelopment Agency behalf. The RDA Special Revenue Fund also has a due from other funds of \$5,772 from the General Fund which pertains to the reimbursement of expenditures incurred on other fund behalf.

The Redevelopment Agency – Special Revenue Fund has a due from other funds of \$46,001 from the Redevelopment Agency Debt Service Fund for housing set-aside of tax increment receivable.

The Public Financing Authority has a due from other funds of \$401,410 which consists of debt service payments paid on the RDA's behalf. The Public Financing Authority also has a due from other funds of \$25,854 from the General Fund which relates to reimbursement of expenditures incurred on other fund behalf.

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 5: Interfund Receivables, Payables and Transfers (Continued)

The due to Harbor Tidelands of \$410,224 from the Public Financing Authority was a result of Kincaid's Restaurant rental income in excess of PFA obligations passed through to Harbor Tidelands.

Non-Major Governmental Funds have a due from other funds of \$19,281 from the General Fund which pertains to the reimbursement of expenditures incurred on other fund behalf.

b. Advances To/From Other Funds

	<u>Advances from other funds (Payable):</u>	
	<u>RDA Debt</u>	<u>Total</u>
<u>Advances to other funds (Receivable):</u>	<u>Service</u>	
Governmental Funds:		
Public Financing Authority	\$ 10,637,401	\$ 10,637,401
Proprietary Funds:		
Harbor Tidelands	6,285,195	6,285,195
Harbor Uplands	1,928,823	1,928,823
	<u>1,928,823</u>	<u>1,928,823</u>
Total Advances To/From Other Funds	<u>\$ 18,851,419</u>	<u>\$ 18,851,419</u>

During the current and previous fiscal years, the City of Redondo Beach has made loans to the Redevelopment Agency. These loans bear interest at rates up to 12% per annum depending upon when the loan was initiated. The City may demand payment of all or a portion of the principal balance at any time as funds become available; however, such demands are not anticipated with the next fiscal year. As of June 30, 2007, loans to and accrued unpaid interest owed on those loans were \$8,214,018.

During the current and previous fiscal year, the Public Financing Authority has made loans to the Redevelopment Agency for various bonds. The Redevelopment Agency's balances as of June 30, 2007, are \$1,226,837 for the 2000 Variable Rate Demand Bond, \$1,740,564 for the 2001 Pier Refinancing Bond, and \$7,670,000 for the 1996 Revenue Bond.

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 5: Interfund Receivables, Payables and Transfers (Continued)

c. Interfund Transfers

	Transfers In:			Proprietary Funds	Total
	Governmental Funds				
	Capital Improvement Projects	Public Financing Authority	Non-Major Governmental Funds	Internal Service Funds	
Transfers Out:					
<u>Governmental Funds:</u>					
General Fund	\$ 4,500,000	\$ -	\$ 967,327	\$ 1,242,346	\$ 6,709,673
Redevelopment Agency - Debt Service	-	555,097	-	-	555,097
Non-Major Governmental Funds	-	-	588,627	-	588,627
Total Interfund Transfers	<u>\$ 4,500,000</u>	<u>\$ 555,097</u>	<u>\$ 1,555,954</u>	<u>\$ 1,242,346</u>	<u>\$ 7,853,397</u>

The General Fund transferred out a total of \$6,709,673 to various funds consisting of \$91,434 in contributions to the South Bay Youth Project to fund youth project costs, \$662,565 for Street Landscaping and Lighting, \$4,500,000 to the Capital Improvement Projects Fund to fund capital improvement projects, \$274,246 to the Building Occupancy Internal Service Fund, \$968,100 to the Self-Insurance Internal Service Fund and \$213,328 to Workforce Investment Act to fund workforce related program costs.

The Redevelopment Agency – Debt Service Fund transferred \$555,097 to cover debt service payments.

Transfers were made within Non-major Governmental funds of \$588,627 consisted of Proposition A and Proposition C revenues to cover Transit Fund expenditures.

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 6: Capital Assets

a. Government-Wide Financial Statements

A summary of changes in Capital Assets at June 30, 2007, is as follows:

Primary Government

	Beginning Balance	Adjustments *	Adjusted Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Governmental Activities:							
Capital assets, not being depreciated:							
Infrastructure- streets	\$ 54,054,036	\$	\$ 54,054,036	\$	\$	\$	\$ 54,054,036
Land	16,522,947		16,522,947				16,522,947
Construction in progress	245,773		245,773	(78,551)	79,589		246,811
Work in progress	1,003,491		1,003,491				1,003,491
Total capital assets not being depreciated	<u>71,826,247</u>		<u>71,826,247</u>	<u>(78,551)</u>	<u>79,589</u>		<u>71,827,285</u>
Capital assets, being depreciated:							
Buildings and improvements	36,118,505		36,118,505	78,551	517,757		36,714,813
Furniture and equipment	5,843,415	7,905	5,851,320		1,065,576	(8,400)	6,908,496
Automotive equipment	7,948,207		7,948,207		2,712,019	(263,993)	10,396,233
Leased equipment	61,776		61,776				61,776
Infrastructure	63,766,226		63,766,226		254,595	(21,916)	63,998,905
Total capital assets being depreciated	<u>113,738,129</u>	<u>7,905</u>	<u>113,746,034</u>	<u>78,551</u>	<u>4,549,947</u>	<u>(294,309)</u>	<u>118,080,223</u>
Less accumulated depreciation							
Buildings and improvements	10,088,789		10,088,789		909,135		10,997,924
Furniture and equipment	3,786,364		3,786,364		479,990	(8,400)	4,257,954
Automotive equipment	5,164,770		5,164,770		823,820	(205,777)	5,782,813
Leased equipment	49,400		49,400		12,355		61,755
Infrastructure	31,765,546		31,765,546		1,894,854	(8,108)	33,652,292
Total accumulated depreciation	<u>50,854,869</u>		<u>50,854,869</u>		<u>4,120,154</u>	<u>(222,285)</u>	<u>54,752,738</u>
Net depreciable assets	<u>62,883,260</u>	<u>7,905</u>	<u>62,891,165</u>	<u>78,551</u>	<u>429,793</u>	<u>(72,024)</u>	<u>63,327,485</u>
Governmental activities Total capital assets, net	<u>\$ 134,709,507</u>	<u>\$ 7,905</u>	<u>\$ 134,717,412</u>	<u>\$</u>	<u>\$ 509,382</u>	<u>\$ (72,024)</u>	<u>\$ 135,154,770</u>

* Adjustments are to properly state beginning balances for furniture and equipment.

**City of Redondo Beach
Notes to Financial Statements (Continued)**

Note 6: Capital Assets (Continued)

	Beginning Balance	Adjustments*	Adjusted Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:						
Capital assets, not being depreciated						
Land	\$ 11,323,255	\$	\$ 11,323,255	\$	\$	\$ 11,323,255
Total Capital assets not being depreciated	<u>11,323,255</u>		<u>11,323,255</u>			<u>11,323,255</u>
Capital assets, being depreciated:						
Automotive equipment	376,774		376,774			376,774
Buildings and improvements	27,783,295		27,783,295	37,980		27,821,275
Equipment	648,679		648,679			648,679
Infrastructure	<u>20,229,224</u>	<u>626,338</u>	<u>20,855,562</u>	<u>238,457</u>	<u>(60,154)</u>	<u>21,033,865</u>
Total capital assets being depreciated	<u>49,037,972</u>	<u>626,338</u>	<u>49,664,310</u>	<u>276,437</u>	<u>(60,154)</u>	<u>49,880,593</u>
Less accumulated depreciation						
Automotive equipment	174,770		174,770	26,352		201,122
Building and improvements	10,976,405		10,976,405	604,999		11,581,404
Equipment	185,879		185,879	117,465		303,344
Infrastructure	<u>8,622,663</u>		<u>8,622,663</u>	<u>337,920</u>	<u>(49,210)</u>	<u>8,911,373</u>
Total accumulated depreciation	<u>19,959,717</u>		<u>19,959,717</u>	<u>1,086,736</u>	<u>(49,210)</u>	<u>20,997,243</u>
Net depreciable assets	<u>29,078,255</u>	<u>626,338</u>	<u>29,704,593</u>	<u>(810,299)</u>	<u>(10,944)</u>	<u>28,883,350</u>
Business-type activities						
Total capital assets, net	<u>\$ 40,401,510</u>	<u>\$ 626,338</u>	<u>\$ 41,027,848</u>	<u>\$ (810,299)</u>	<u>\$ (10,944)</u>	<u>\$ 40,206,605</u>

* Adjustments are to properly state beginning balances for infrastructure related to the Wastewater Fund.

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 6: Capital Assets (Continued)

Depreciation expense for governmental activities for the year ended June 30, 2007, departments/functions as follows:

Governmental Activities:	
General government	\$ 10,603
Public safety	161,062
Culture and leisure services	35,913
Public works	2,817,662
Housing and community development	221,226
Internal Service Funds:	
Vehicle Replacement	700,250
Building Occupancy	3,286
Information Technology	136,415
Printing and Graphics	19,325
Communications Equipment Replacement	<u>14,412</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,120,154</u>

Depreciation expense for business-type activities for the year ended June 30, 2007, was \$1,086,736.

Note 7: Compensated Absences Payable

The following is a summary of compensated absences payable transactions for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Classification	
					Amounts Due Within One Year	Amounts Due in More Than One Year
Governmental Activities:						
Compensated absences payable	\$ 2,114,270	\$ 1,739,824	\$ 1,716,727	\$ 2,137,367	\$ 1,975,427	\$ 161,940
Business-Type Activities:						
Compensated absences payable	<u>226,489</u>	<u>239,187</u>	<u>190,747</u>	<u>274,929</u>	<u>254,099</u>	<u>20,830</u>
Total compensated absences payable	<u>\$ 2,340,759</u>	<u>\$ 1,979,011</u>	<u>\$ 1,907,474</u>	<u>\$ 2,412,296</u>	<u>\$ 2,229,526</u>	<u>\$ 182,770</u>

The long-term portion of compensated absences payable has been accrued for the Governmental Activities on the Government-Wide Financial Statement. Also, compensated absences are generally liquidated by the general fund. There is no fixed payment schedule to pay these liabilities.

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 8: Long-Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Classification	
					Amounts Due Within One Year	Amounts Due in More Than One Year
Governmental Activities:						
PFA 1996 Revenue Bonds	\$ 8,965,000	\$	\$ 200,000	\$ 8,765,000	\$ 215,000	\$ 8,550,000
PFA 2000 Tax Allocation Bonds	3,085,000		75,000	3,010,000	80,000	2,930,000
PFA 2001 Refunding Revenue Bonds	2,500,000		120,000	2,380,000	120,000	2,260,000
South Bay Bank Loan	1,582,270		35,209	1,547,061		1,547,061
County deferral loans	12,371,127	476,292	327,462	12,519,957		12,519,957
Capital Leases	12,961		12,042	919	919	
Total governmental activities	\$ 28,516,358	\$ 476,292	\$ 769,713	\$ 28,222,937	\$ 415,919	\$ 27,807,018
Business-Type Activities:						
Wastewater Revenue Bond 2004, Series A	\$ 9,970,000	\$	\$ 190,000	\$ 9,780,000	\$ 195,000	\$ 9,585,000
Unamortized bond discount	(66,476)		(2,374)	(64,102)	(2,374)	(61,728)
Boating and Waterways						
Construction Loan 88-21-84	1,321,731		69,815	1,251,916	72,957	1,178,959
Boating and Waterways						
Construction Loan 89-21-147	3,077,306		148,061	2,929,245	154,724	2,774,521
Total business-type activities	\$ 14,302,561	\$	\$ 405,502	\$ 13,897,059	\$ 420,307	\$ 13,476,752

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 8: Long-Term Debt (Continued)

Public Financing Authority 1996 Revenue Bonds

The Authority issued revenue bonds dated July 1, 1996, totaling \$10,330,000. The purpose of the bonds was to provide funds to acquire 1996 Tax Allocation Bonds of the Agency, to finance certain redevelopment activities with respect to the South Bay Center Redevelopment Project Area and to provide new monies for certain public capital improvements within the City. Bonds in the amount of \$1,565,000 mature through July 1, 2006, and bear interest at the rate of 6.750% per annum. Bonds in the amount of \$2,950,000 mature through July 1, 2016, and bear interest at the rate of 7.00% per annum. Bonds in the amount of \$5,815,000 mature through July 1, 2026, and bear interest at the rate of 7.125% per annum. The bonds are subject to optional and mandatory early redemption provisions. The bonds are payable from and secured by a first lien on and pledge of the revenues. As of June 30, 2007, the balance outstanding was \$8,765,000.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2007, including interest are as follows:

	PFA 1996 Revenue Bonds	
	Principal	Interest
2007 - 2008	\$ 215,000	\$ 613,294
2008 - 2009	230,000	597,719
2009 - 2010	245,000	581,094
2010 - 2011	260,000	563,419
2011 - 2012	280,000	544,519
2012 - 2017	1,720,000	2,388,344
2017 - 2022	2,410,000	1,665,825
2022 - 2027	3,405,000	640,003
Total	<u>\$ 8,765,000</u>	<u>\$ 7,594,217</u>

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 8: Long-Term Debt (Continued)

Public Financing Authority 2000 Tax Allocation Bonds

The Authority issued variable rate demand tax allocation bonds dated December 1, 2000, totaling \$4,735,000. The variable rate is dependent on the prevailing financial market. The purpose of the bonds was to provide funds to finance redevelopment projects of the Agency including, but not limited to, the acquisition, construction, expansion, improvement or rehabilitation of real or personal property and public improvements within or of benefit to the Agency's Aviation High School Redevelopment Project Area. The interest on the bonds is payable at an adjustable interest rate. The interest is payable on the first day of each month commencing January 1, 2001. The bonds are subject to optional and mandatory early redemption provisions. The bonds are payable from and secured by a pledge of tax revenues. Principal is due annually beginning on July 1, 2001, in amounts ranging from \$90,000 to \$250,000. The bonds mature on July 1, 2030. As of June 30, 2007, the balance outstanding was \$3,010,000.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2007, including interest, are as follows:

	PFA 2000 Variable Rate Demand Tax Allocation Bonds	
	Principal	Interest
2007 - 2008	\$ 80,000	\$ 115,102
2008 - 2009	85,000	111,905
2009 - 2010	90,000	108,514
2010 - 2011	90,000	105,026
2011 - 2012	90,000	101,538
2012 - 2017	515,000	450,430
2017 - 2022	625,000	340,560
2022 - 2027	740,000	208,696
2027 - 2032	695,000	55,129
Totals	<u>\$ 3,010,000</u>	<u>\$ 1,596,900</u>

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 8: Long-Term Debt (Continued)

Public Financing Authority 2001 Refunding Revenue Bonds

The Authority issued refunding revenue bonds dated November 1, 2001, totaling \$2,965,000. The purpose of the bonds was to fund a loan by the Authority to the Agency pursuant to a loan agreement (Loan), dated November 1, 2001, by and between the Authority and the Agency. The proceeds of the Loan are used to provide funds to refinance certain redevelopment activities of the Agency within or of benefit to the Agency's Harbor Center Redevelopment Project Area (Project Area) and to refund the Agency's outstanding Tax Allocation and Revenue Bonds issued in 1993. As of June 30, 2007, the balance outstanding was \$2,380,000.

The interest on the bonds is payable at a fixed interest rate and then converts to an adjustable interest rate. Interest on the bonds during the initial interest period and from and after the conversion date is payable on each March 1 and September 1, commencing March 1, 2002, and after the initial interest period is payable on the first day of each month, commencing November 1, 2006. The bonds are payable from and secured by a pledge of tax revenues within the Project Area. Principal is due annually beginning on September 1, 2002, in amounts ranging from \$65,000 to \$195,000. The bonds mature on September 1, 2022. The bonds are subject to optional and mandatory early redemption provisions.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2007, including interest, are as follows:

	PFA 2001 Refunding Revenue Bonds	
	Principal	Interest
2007 - 2008	\$ 120,000	\$ 78,300
2008 - 2009	125,000	74,166
2009 - 2010	125,000	69,947
2010 - 2011	135,000	65,559
2011 - 2012	135,000	61,003
2012 - 2017	770,000	230,681
2017 - 2022	905,000	89,859
2022 - 2027	65,000	1,097
Totals	<u>\$ 2,380,000</u>	<u>\$ 670,612</u>

**City of Redondo Beach
Notes to Financial Statements (Continued)**

Note 8: Long-Term Debt (Continued)

South Bay Bank Loan

On April 21, 1999, the Authority entered into a \$1,750,000 loan agreement with South Bay Bank, which was amortized at an interest rate of 8.750%. In January 2003, the Authority refinanced the loan at a rate of 7%. Proceeds of the original loan were used to purchase the building on Redondo Beach Municipal Pier Deck, leased by Kincaid's Restaurant. As of June 30, 2007, the balance outstanding was \$1,547,061. There is no set amortization schedule for this loan.

County Deferral Loans

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
1983 Tax Increment Deferral	\$ 7,642,990	\$	\$ 327,462	\$ 7,315,528
1984 Tax Increment Deferral	4,728,137	476,292		5,204,429
Total	<u>\$ 12,371,127</u>	<u>\$ 476,292</u>	<u>\$ 327,462</u>	<u>\$ 12,519,957</u>

1983 Tax Increment Deferral

On November 15, 1983, the Agency and the County of Los Angeles (the County) entered into an agreement for reimbursement of tax increment funds. It was recognized that the South Bay Center Redevelopment Project Area needed to utilize a substantial portion of the annual tax increment in the early years to finance its redevelopment activities. Therefore, the County taxing entities agreed to defer receipt of tax increment reimbursement from the Agency. This deferral is debt of the Agency to be repaid only from the Agency's share of future tax increment. There is no fixed payment schedule to repay this loan. The balance outstanding at June 30, 2007, was \$7,315,528.

1984 Tax Increment Deferral

On February 14, 1984, the Agency and the County entered into an agreement for reimbursement of tax increment funds. It was recognized that the Aviation High School Redevelopment Project Area needed to utilize a substantial portion of the annual tax increment in the early years to finance its redevelopment activities. Therefore, the County taxing entities agreed to defer receipt of tax increment reimbursement from the Agency. This deferral is debt of the Agency to be repaid only from the Agency's share of future tax increment. There is no fixed payment schedule to repay this loan. The balance outstanding at June 30, 2007, was \$5,204,429.

**City of Redondo Beach
Notes to Financial Statements (Continued)**

Note 8: Long-Term Debt (Continued)

Capital Leases

The City has entered into various lease purchase agreements for equipment. These leases have been classified as capital leases in the amount of \$61,776. The related assets have been capitalized in the Government-Wide Financial Statements at the initial present value of the lease payments, with an imputed interest rate between 7.09% and 8.67% annually. The balance outstanding at June 30, 2007, was \$919.

The following is a schedule of future minimum lease payments under the capital lease, together with present value of the net minimum lease payments, as of June 30, 2007:

	Capital Lease	
	Principal	Interest
2007 - 2008	\$ 919	\$ 10
Totals	<u>\$ 919</u>	<u>\$ 10</u>

Wastewater Revenue Bonds, 2004, Series A

The City issued revenue bonds dated May 12, 2004, totaling \$10,335,000. The purpose of the bonds was to finance certain improvements and related facilities that constitute part of the Wastewater Enterprise. The serial bonds in the amount of \$5,230,000 mature through May 1, 2024, and bear a variable interest rate ranging from 2.50% to 5.00% per annum. Term bonds in the amount of \$5,105,000 mature through May 1, 2034, and bear interest at the rate of 5.00%. The serial bonds maturing on or after May 1, 2015, are subject to optional redemption provisions. The term bonds are subject to optional and mandatory redemption provisions. The bonds are payable solely from and secured by a pledge of and lien upon the net revenues of the Wastewater Enterprise. As of June 30, 2007, the balance outstanding was \$9,715,898, net of unamortized bond discount.

**City of Redondo Beach
Notes to Financial Statements (Continued)**

Note 8: Long-Term Debt (Continued)

	Wastewater Water Revenue Bonds, 2004, Series A	
	Principal	Interest
2007 - 2008	\$ 195,000	\$ 466,945
2008 - 2009	200,000	461,095
2009 - 2010	210,000	453,095
2010 - 2011	215,000	444,695
2011 - 2012	225,000	436,095
2012 - 2017	1,275,000	2,031,093
2017 - 2022	1,600,000	1,707,850
2022 - 2027	2,030,000	1,271,500
2027 - 2032	2,600,000	710,000
2032 - 2037	1,230,000	93,000
Totals	<u>\$ 9,780,000</u>	<u>\$ 8,075,368</u>

Boating and Waterways Construction Loan 88-21-84

On July 25, 1988, the City entered into a \$2,000,000 loan agreement with the California Department of Boating and Waterways (Contract No. 88-21-84). Proceeds of the loan were used to finance harbor dredging, storm recovery repairs and hazard-mitigation projects. The loan bears interest at 4.5%. As of June 30, 2007, the balance outstanding was \$1,251,916.

At June 30, 2007, the annual requirements to repay the outstanding indebtedness were as follows:

	Boating and Waterways Construction Loan 88-21-84	
	Principal	Interest
2007 - 2008	\$ 72,957	\$ 56,336
2008 - 2009	76,240	53,053
2009 - 2010	79,671	49,622
2010 - 2011	83,256	46,037
2011 - 2012	87,002	42,291
2012 - 2017	497,383	149,082
2017 - 2022	355,407	32,455
Total	<u>\$ 1,251,916</u>	<u>\$ 428,876</u>

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 8: Long-Term Debt (Continued)

Boating and Waterways Construction Loan 89-21-147

In 1989, the City entered into a \$4,500,000 construction loan agreement with the California Department of Boating and Waterways (Contract No. 89-21-147) at an interest rate of 4.5%. Proceeds of the loan were used to finance the City's cost-sharing obligations in connection with the Federal breakwater improvement program, storm repairs and hazard-mitigation projects. As of June 30, 2007, the balance outstanding was \$2,929,245.

At June 30, 2007, the annual requirements to repay the outstanding indebtedness were as follows:

	Boating and Waterways Construction Loan 89-21-147	
	<u>Principal</u>	<u>Interest</u>
2007 - 2008	\$ 154,724	\$ 131,816
2008 - 2009	161,687	124,853
2009 - 2010	168,962	11,578
2010 - 2011	176,566	109,974
2011 - 2012	184,511	102,029
2012 - 2017	1,054,831	377,869
2017 - 2022	<u>1,027,964</u>	<u>118,189</u>
Total	<u>\$ 2,929,245</u>	<u>\$ 976,308</u>

**City of Redondo Beach
Notes to Financial Statements (Continued)**

Note 9: Non-City Obligations

The following bond issues are not reported in the City's financial statements because these are special obligations payable solely from and secured by specific revenue sources described in the resolutions and official statements of the respective issues. Neither the faith and credit nor the taxing power of the City, the Redevelopment Agency, the State of California or any political subdivision thereof is pledged for payment of these bonds.

a. City of Redondo Beach Limited Obligation Improvement Bonds Assessment District No. 92-1 (Manhattan Beach Boulevard):

On March 31, 1993, the City issued \$1,147,000 of its Assessment District No. 92-1 Limited Obligation Bonds. The bonds are issued pursuant to the Improvement Bond Act of 1915. The bonds, dated March 2, 1993, are \$5,000 each. They mature on September 2, of each year starting in 1994. The bonds are issued to finance certain public improvements within the Assessment District. Property owners within the Assessment District are assessed an annual tax sufficient to meet annual bond debt service requirements. The outstanding balance at June 30, 2007, was \$120,000.

b. Redevelopment Agency of the City of Redondo Beach Residential Mortgage Revenue Refunding Bonds

	<u>Original Amount</u>	<u>Outstanding June 30, 2007</u>
1993 Series B	<u>\$ 5,315,000</u>	<u>\$ 415,000</u>

c. Multi-Family Housing Revenue Bonds/Notes Heritage Pointe Project

	<u>Original Amount</u>	<u>Outstanding June 30, 2007</u>
Series 2004A	<u>\$ 11,390,000</u>	<u>\$ 11,090,000</u>

d. Multi-Family Housing Revenue Refunding Bonds McCandless Senior Housing Project

	<u>Original Amount</u>	<u>Outstanding June 30, 2007</u>
Series 2000A	<u>\$ 8,740,000</u>	<u>\$ 6,890,000</u>

**City of Redondo Beach
Notes to Financial Statements (Continued)**

Note 10: Operating Leases

a. Computer Equipment Operating Leases

The City entered into various non-cancelable operating lease agreements with Dell Marketing, L.P. In fiscal year 2006-2007, the City had leased equipment that included 322 Dell computers (including 1 Server), 105 Dell Optiplex, and 62 printers. The terms of the leases range from ending September 1, 2007 to ending September 1, 2010, as follows:

<u>Year Ending June 30,</u>	<u>Minimum Rental Payments</u>
2008	\$ 350,682
2009	191,929
2010	<u>142,840</u>
Total	<u>\$ 685,451</u>

b. Harbor Enterprise Operating Leases

The Harbor Uplands Enterprise Fund of the City of Redondo Beach was created by ordinance of the City Council on July 11, 1960. Its purpose is to provide small boat harbor facilities to the general public.

The Harbor Enterprise Funds operate as landlord, assigning or leasing facilities and land area. Principal sources of income are from rental of land and facilities.

A major portion of the operating revenue of the Harbor Enterprise Funds arises from long-term leases of land, pier space, waterways and other facilities that require the lessees to make substantial investments in leasehold improvements. These leases are accounted for as operating leases. The total cost of the assets leased was \$10,406,895, less accumulated depreciation of \$704,490 for those assets giving a carrying amount of \$9,702,405 at June 30, 2007.

**City of Redondo Beach
Notes to Financial Statements (Continued)**

Note 10: Operating Lease (Continued)

The following is a schedule, by year, of minimum future lease rentals on non-cancelable operating leases as of June 30, 2007:

Year Ending June 30,	Minimum Future Lease Rentals
2008	\$ 2,924,021
2009	2,879,981
2010	2,805,641
2011	2,790,450
2012	2,790,450
2013 - 2017	13,774,880
2018 - 2022	12,529,538
2023 - 2027	10,384,892
2028 - 2032	7,131,152
2033 - 2037	7,181,095
2038 - 2042	7,129,095
2043 - 2047	4,537,095
2048 - 2052	4,018,695
2053 - 2057	4,018,695
2058 - 2062	3,137,700
Total	<u>\$ 88,033,380</u>

The above accounts do not include lease rentals based on a percentage of a lessee's gross revenues that may be received under the leases.

Note 11: Risk Management

The City is exposed to risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters; and currently reports all of its risk management activities in its Self-Insurance Program Internal Service Fund.

The City has adopted a self-insurance workers' compensation program, which is administered by a third-party agent, Colen & Lee. The self-insurance coverage for each claim is limited to \$250,000. Excess coverage of up to \$2,000,000 for each claim is provided by a private insurance company. As of June 30, 2007, the estimated claims payable for workers' compensation were \$14,297,984, which included claims incurred but not reported (IBNR) of \$5,058,234. The current year's portion of the claims was \$1,051,548.

**City of Redondo Beach
Notes to Financial Statements (Continued)**

Note 11: Risk Management (Continued)

For general liability claims, the City is also self-insured up to \$500,000 for each occurrence. The self-insurance program is administered by a third-party agent, Colen & Lee. Each claim in excess of the self-insured retention of up to \$10,000,000 is covered by the Independent Cities Risk Management Authority (ICRMA), an insurance pool, in which a consortium of cities has agreed to share risks and losses.

Effective July 17, 1990, the City became a member of the Independent Cities Risk Management Authority (ICRMA), a public entity risk pool currently operating as a common risk management and insurance program for 29 California cities. The City pays an annual premium to the pool for its excess general liability insurance coverage. The agreement for formation of the ICRMA provides that the pool will be self-sustaining through member premiums. The City continues to carry insurance from commercial companies for all other risks of loss, including coverage for property, earthquake and flood, automobile, physical damage and special events.

As of June 30, 2007, the estimated claims payable for general liability were \$2,460,789, which included IBNR of \$906,150. The current year's portion was \$191,756. Governmental activities claims and judgments are generally liquidated by the general fund.

The estimated claims payable for workers' compensation and general liability is based on estimates provided by the third-party administrator, the City Attorney, the Risk Management staff and ICRMA's actuary.

Changes in the reported liability resulted from the following:

<u>Year Ended June 30,</u>	<u>Liability on July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Liability on June 30</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due in More Than One Year</u>
2005	\$ 12,356,893	\$ 2,868,369	\$ (397,657)	\$ 14,827,605	\$ 1,145,381	\$ 11,211,512
2006	14,827,605	3,737,861	(2,401,906)	16,163,560	1,122,622	13,529,673
2007	16,163,560	3,603,007	(3,007,794)	16,758,773	1,243,304	15,515,469

**City of Redondo Beach
Notes to Financial Statements (Continued)**

Note 11: Risk Management (Continued)

Condensed Financial Information of the ICRMA (latest available information)

Condensed audited balance sheet of ICRMA as of June 30, 2006:

	<u>Total</u>
Assets	<u>\$ 48,096,860</u>
Liabilities of member cities	\$ 29,211,352
Net assets	<u>18,885,508</u>
Total liabilities and net assets	<u>\$ 48,096,860</u>

Condensed audited statement of revenues, expenses and changes in retained earnings of ICRMA for the year ended June 30, 2006:

	<u>Total</u>
Revenues	\$ 19,920,010
Cost and expenses	<u>13,895,190</u>
Net income	6,024,820
Net assets - July 1, 2005	<u>12,860,688</u>
Net assets - June 30, 2006	<u>\$ 18,885,508</u>

Note 12: Employee Retirement Plans

a. Pension Plan

Plan Description - The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS 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 PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 12: Employee Retirement Plans (Continued)

Funding Policy - Active plan members are required by state statute to contribute a percentage of their annual covered salary. For fiscal year 2006-2007, the required percentages were 7% for miscellaneous employees and 9% for safety employees. The City employer makes the contributions required of City employees on their behalf and for their account, which amounted to \$2,715,783 for the year ended June 30, 2007. The City employer was required to contribute for fiscal year 2006-2007, at an actuarially determined rate of 11.577% and 31.003% of annual covered payroll for miscellaneous and safety employees, respectively.

Annual Pension Cost - For 2006-2007, the City's required annual pension cost and actual contribution were \$7,366,175 for PERS. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: a) 7.75% investment rate of return (net of administrative expenses), b) projected salary increases ranging from 3.25% to 14.45% for miscellaneous employees and from 3.25% to 13.15% for safety employees depending on age, service and type of employment, and c) 3.25% per year cost-of-living adjustments. Both a) and b) included an inflation component of 3%. The actuarial value of PERS' assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS' unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2007, was 22 years for miscellaneous and 32 years for safety employees for prior and current service unfunded liability.

Three-Year Trend Information for PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/05	\$ 5,254,286	100%	\$ -
6/30/06	3,906,140	100%	1,630,656
6/30/07	7,366,175	100%	

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 12: Employee Retirement Plans (Continued)

Schedule of Funding Progress for PERS
Most Current Available

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Liability (B-A) (C)	Funded Ratio (A/B) (D)	Covered Payroll (E)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E) (F)
Miscellaneous Employee Group						
6/30/2004	88,520,611	96,349,824	7,829,213	91.9%	17,291,504	45.3%
6/30/2005	93,409,153	103,005,616	9,596,463	90.7%	17,958,187	53.4%
6/30/2006	99,965,770	108,578,292	8,612,522	92.1%	18,128,139	47.5%
Safety Employee Group						
6/30/2004	152,283,951	182,393,308	30,109,357	83.5%	13,532,735	222.5%
6/30/2005	162,566,983	194,418,709	31,851,726	83.6%	13,213,747	241.0%
6/30/2006	173,773,778	206,971,506	33,197,728	84.0%	13,871,365	239.3%

b. Employee Health Insurance

In addition to the pension benefits described above, the City provides certain health insurance benefits, in accordance with memorandums of understanding, to retired employees. The City provides medical insurance for all employees who retire with a minimum of 20 years of full-time public agency service. The City shall pay the single retiree medical premium rate for qualified retirees for a medical insurance plan in which the retiree is enrolled from among those medical plans provided by the City. These contributions of the City for such medical premiums shall cease on the date the retiree becomes eligible to enroll in the Federal Medicare program and/or any Medicare supplemental plans. The City recognizes the cost of providing those benefits by recording the insurance premiums as expenditures. During the year ended June 30, 2007, the City paid \$380,471 in health insurance premiums for 92 retirees.

Note 13: Commitments and Contingencies

a. Lawsuits

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 13: Commitments and Contingencies (Continued)

b. Federal and State Grant Programs

The City participates in federal and state grant programs. These programs are audited by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act Amendments of 1996 and applicable state requirements. No cost disallowance is expected as a result of these audits; however, these programs are subject to further examination by the grantors. Expenditures that may be disallowed, if any, by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

c. Utility Users Tax Litigation

The City has recorded in its Agency Fund restricted cash and investments of \$57,258,561 which pertains to a court ordered payment relating to Utility Users Tax for previous years from Williams Power Company. This amount has also been recorded as an accrued liability in the Agency Fund as it is currently in litigation.

Note 14: Prior Period Adjustments

a. Governmental Funds:

General Fund:	
To recognize income and adjust donations for prior period	\$ 11,718
Redevelopment Agency - Special Revenue Fund:	
To set-up loan receivable pertaining to prior period	<u>2,735,424</u>
Total Governmental Funds	<u><u>\$ 2,747,142</u></u>

b. Proprietary Fund:

Wastewater Fund:	
To adjust prior years infrastructure capital assets	<u>\$ 626,338</u>
Total Proprietary Funds	<u><u>\$ 626,338</u></u>

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 14: Prior Period Adjustments (Continued)

c. Net Assets have been restated as follows:

Governmental Activities:	
To recognize income and adjust donations for prior period	\$ 11,718
To set-up loan receivable pertaining to prior period	2,735,424
To adjust prior period capital assets	<u>7,905</u>
	<u>\$ 2,755,047</u>
Business-Type Activities:	
To adjust prior period infrastructure capital assets	<u>\$ 626,338</u>

REQUIRED SUPPLEMENTAL INFORMATION



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF REDONDO BEACH

REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2007

Modified Approach for City Streets Infrastructure Capital Assets

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. GASB Statement No.34 defines infrastructure assets as "...long-lived capital assets that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets..." Major infrastructure systems include the street system, storm water system, sewer system and traffic control system. Each major infrastructure system can be divided into subsystems. For example, the street system can be divided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, etc. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City of Redondo Beach has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its Streets Pavement System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of: (1) an up-to-date inventory, (2) condition assessments, which summarize results using a measurement scale, and (3) estimated annual amounts budgeted to maintain and preserve an established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The City commissioned a physical assessment of the street conditions as of June 30, 2007. The study assisted the City by providing inspection data used to evaluate pavement condition. This helped to establish a City-defined target level of pavement performance, while optimizing the expenditure of limited fiscal resources. The entire pavement network within the city is composed of approximately 125 centerline miles of paved surfaces. The City's street system can be grouped by function class as follows: 22 centerline miles of arterial, 5 centerline miles of collector and 98 centerline miles of residential.

In June 2007, a visual survey of all pavement segments was conducted to assess the existing surface condition of each of the individual pavement segments. Upon completion of the study, a Pavement Quality Index (PQI) was calculated for each segment in the city's pavement network to reflect the overall pavement condition. Rating ranged from 0 and 10. A PQI of 0 would correspond to badly deteriorated pavement with virtually no remaining life; a PQI of 10 would correspond to pavement with proper engineering design and construction at the beginning of its life cycle. During the year, the visual survey is updated to reflect the pavement's current condition.

**City of Redondo Beach
Required Supplementary Information (Continued)**

The following conditions were defined:

<u>Condition</u>	<u>Rating</u>
Very Good	9.0 - 10.0
Good	7.0 - 8.9
Fair	5.0 - 6.9
Poor	0.0 - 4.9

In line with the Capital Improvement Program and as presented to City Council on December 2002, City policy is to achieve an average rating of 8.0 for all streets by fiscal year 2007-2008. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds.

The City established the standard of 7.0 for fiscal years 2003, 2004, 2005, and 2006. The condition assessments for the most recent years since implementation are as follows:

<u>Year</u>	<u>PQI rate</u>	<u>Condition</u>	<u>% of Streets</u>	<u>Year</u>	<u>PQI rate</u>	<u>Condition</u>	<u>% of Streets</u>
2004	8.0	Very Good	27%	2006	7.6	Very Good	19%
		Good	54%			Good	55%
		Fair	18%			Fair	13%
		Poor	1%			Poor	13%
2005	8.0	Very Good	37%	2007	7.7	Very Good	26%
		Good	40%			Good	51%
		Fair	18%			Fair	11%
		Poor	5%			Poor	12%

The City expended \$1,861,875 on street improvement projects for the fiscal year ended June 30, 2007. These capital improvement expenditures enhanced the condition of many streets and delayed deterioration on others. The expenditure required to maintain and improve the overall condition of the streets from July 1, 2005 through June 30, 2007, is a minimum of \$16,800,000.

**City of Redondo Beach
Required Supplementary Information (Continued)**

A schedule of budget versus actual for the most recent years since implementation, which preserved City streets at the current 7.7 rating is presented below:

<u>Fiscal Year</u>	<u>Final Budget</u>	<u>Funded by General Fund</u>	<u>Funded by Other Funds</u>	<u>Total Expenditures</u>
2003-2004	\$ 9,669,965	\$ 2,052,556	\$ 2,157,855	\$ 4,210,411
2004-2005	5,267,860	1,283,225	1,062,881	2,346,106
2005-2006	5,576,360	110,527	991,714	1,102,241
2006-2007	6,493,717	1,292,207	569,668	1,861,875

As of June 30, 2007, 35% of City streets were rated below the targeted average condition level of 8.0. However, as noted above, the City is judiciously investing in this infrastructure asset as part of the five-year Capital Improvement Program and will continue to rehabilitate and maintain its streets in order to achieve this goal.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES



SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS



NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUES FUNDS

Traffic Congestion Relief Fund - To account for monies originating from AB 2928, a fiscal year 2000-2001 state budget trailer bill for the transportation finance package. The funds are to be used for maintenance and rehabilitation projects.

State Gas Tax Fund - To account for the City's share of state gas tax allocations. Gasoline taxes must be used for maintenance and improvement of City streets.

Parks and Recreation Facilities Fund - To account for revenues assessed on the construction of new residential units. Revenue is used solely by the acquisition, improvement and expansion of public parks and recreational facilities.

Narcotic Seizure/Forfeiture Fund - To account for the City's portion of monies seized during assets and expenditures for related enforcement activities.

Transit Fund – To account for transportation activities of the City.

Proposition A Fund - To account for the operations of transit-related projects funded by voter-approved, one-half cent sales tax levied within Los Angeles County.

Proposition C Fund - To account for the operations of transit-related projects funded by voter-approved, one-half cent sales tax levied within Los Angeles County.

Local Transit Fund - To account for the operation and transportation services in the City and the Dial-A-Ride Program, which provides transportation to Redondo Beach and Hermosa Beach residents.

Air Quality Improvement Fund - To account for monies received from the South Coast Air Quality Management District, which are used to reduce air pollution from motor vehicles.

Storm Drain Fund - To account for the receipt of the storm drain impact fees and the related National Pollutant Discharge Elimination System implementation and enforcement costs.

Street Landscaping and Lighting District Fund - To account for the costs of establishing, improving and maintaining street landscaping and lighting in certain areas of the City. Costs of the projects are estimated and property owners are assessed their proportionate share.

South Bay Youth Project Fund - To account for the South Bay Youth Project grant revenues. These revenues finance various delinquency prevention programs, including counseling, crisis centers, parent education and positive alternative activities.

Workforce Investment Act Fund - To account for grant revenues and expenditures for various job training and work experience programs.

SPECIAL REVENUES FUNDS

Community Development Block Grant Fund - To account for Community Development Block Grant revenues and expenditures. Such revenues are restricted to the revitalization of low and moderate income areas within the City.

Disaster Recovery Fund - To account for monies received from agencies of the federal and state governments for disaster recovery assistance.

Housing Authority Fund - To account for revenues and expenditures relating to low-cost housing for individuals meeting criteria established by the U.S. Department of Housing and Urban Development (HUD).

Subdivision Park Trust - To account for revenues and expenditures relating to Quimby Fees.

CAPITAL PROJECTS FUND

Pier Parking Structure Rehabilitation Fund - To account for the costs to rehabilitate the publicly owned pier parking structure.

Redevelopment Agency (Capital Projects) Fund - To account for capital projects within the project areas.

DEBT SERVICE FUND

Parking Authority Fund - To account for the remaining funds from the matured revenue bonds originally issued to purchase land and finance construction of a public parking facility and for the cooperation agreement with the Redevelopment Agency in connection with the Aviation High School Redevelopment Project Area.

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CITY OF REDONDO BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

	Special Revenue Funds					
	Traffic Congestion Relief	State Gas Tax	Parks and Recreation Facilities	Narcotic Seizure/ Forfeiture	Transit Fund	Proposition A
Assets:						
Pooled cash and investments	\$ 822,113	\$ 873,117	\$ 593,885	\$ 701,472	\$ 111,723	\$ 1,527,186
Receivables:						
Accounts	-	-	-	-	290	-
Taxes	-	113,169	-	-	-	-
Interest	9,145	9,163	-	7,740	-	13,361
Loans	-	-	-	-	-	-
Due from other governments	-	-	-	-	342,060	-
Due from other funds	-	-	-	-	-	-
Total Assets	\$ 831,258	\$ 995,449	\$ 593,885	\$ 709,212	\$ 454,073	\$ 1,540,547
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ -	\$ 49,199	\$ 2,053	\$ 53,141	\$ 454,082	\$ -
Due to other funds	-	-	-	-	-	-
Deferred revenues	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
Total Liabilities	-	49,199	2,053	53,141	454,082	-
Fund Balances:						
Fund balances:						
Reserved:						
Reserved for encumbrances	-	156	310,700	20,946	-	-
Unreserved:						
Designated for continuing appropriations	250,000	74,500	281,132	147,211	-	-
Undesignated	581,258	871,594	-	487,914	(9)	1,540,547
Total Fund Balances	831,258	946,250	591,832	656,071	(9)	1,540,547
Total Liabilities and Fund Balances	\$ 831,258	\$ 995,449	\$ 593,885	\$ 709,212	\$ 454,073	\$ 1,540,547

CITY OF REDONDO BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

(Continued)

	Special Revenue Funds					
	Proposition C	Local Transit	Air Quality Improvement	Storm Drain	Street Landscaping and Lighting	South Bay Youth Project
Assets:						
Pooled cash and investments	\$ 2,676,233	\$ -	\$ 84,869	\$446,843	\$ 727,893	\$ -
Receivables:						
Accounts	-	-	-	-	27,753	-
Taxes	-	-	-	-	43,662	-
Interest	33,892	-	839	-	-	-
Loans	-	-	-	-	-	-
Due from other governments	-	-	20,952	-	-	-
Due from other funds	-	-	-	-	-	266,419
	-	-	-	-	-	-
Total Assets	\$ 2,710,125	\$ -	\$ 106,660	\$446,843	\$ 799,308	\$ 266,419
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 227,373	\$ 341	\$ 3,258	\$ -	\$ 170,663	\$ 54,752
Due to other funds	-	-	-	-	603,232	185,654
Deferred revenues	-	-	-	-	-	58,482
Due to other governments	-	-	-	-	-	-
	-	-	-	-	-	-
Total Liabilities	227,373	341	3,258	-	773,895	298,888
Fund Balances:						
Fund balances:						
Reserved:						
Reserved for encumbrances	625,233	-	-	-	10,231	620
Unreserved:						
Designated for continuing appropriations	911,811	-	-	291,493	-	-
Undesignated	945,708	(341)	103,402	155,350	15,182	(33,089)
	-	-	-	-	-	-
Total Fund Balances	2,482,752	(341)	103,402	446,843	25,413	(32,469)
Total Liabilities and Fund Balances	\$ 2,710,125	\$ -	\$ 106,660	\$446,843	\$ 799,308	\$ 266,419

CITY OF REDONDO BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Special Revenue Funds				
	Workforce Investment Act	Community Development Block Grant	Disaster Recovery	Housing Authority	Subdivision Park Trust
Assets:					
Pooled cash and investments	\$ 78,390	\$ -	\$ 114,904	\$ 1,065,203	\$ 908,916
Receivables:					
Accounts	-	-	-	-	-
Taxes	-	-	-	-	-
Interest	-	-	-	4,126	-
Loans	-	527,066	-	-	-
Due from other governments	200,586	64,719	-	-	-
Due from other funds	-	-	-	19,281	-
Total Assets	\$ 278,976	\$ 591,785	\$ 114,904	\$ 1,088,610	\$ 908,916
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 2,843	\$ 40,954	\$ -	\$ 456,985	\$ 61,204
Due to other funds	276,133	25,234	-	-	-
Deferred revenues	62,752	527,069	-	-	-
Due to other governments	-	-	-	-	-
Total Liabilities	341,728	593,257	-	456,985	61,204
Fund Balances:					
Fund balances:					
Reserved:					
Reserved for encumbrances	620	9,266	-	-	35,166
Unreserved:					
Designated for continuing appropriations	-	-	-	-	541,119
Undesignated	(63,372)	(10,738)	114,904	631,625	271,427
Total Fund Balances	(62,752)	(1,472)	114,904	631,625	847,712
Total Liabilities and Fund Balances	\$ 278,976	\$ 591,785	\$ 114,904	\$ 1,088,610	\$ 908,916

CITY OF REDONDO BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

	Capital Projects Funds		Debt Service Fund	Total Governmental Funds
	Pier Parking Structure Rehabilitation	Redevelopment Agency	Parking Authority	
Assets:				
Pooled cash and investments	\$ 699	\$ 1,618,307	\$ 5,028	\$ 12,356,781
Receivables:				
Accounts	-	44,171	-	72,214
Taxes	-	-	-	156,831
Interest	8	26,052	-	104,326
Loans	-	-	-	527,066
Due from other governments	-	534	-	895,270
Due from other funds	-	-	-	19,281
Total Assets	\$ 707	\$ 1,689,064	\$ 5,028	\$ 14,131,769
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,576,848
Due to other funds	-	91,214	-	1,181,467
Deferred revenues	-	15,380	-	663,683
Due to other governments	-	1,661	-	1,661
Total Liabilities	-	108,255	-	3,423,659
Fund Balances:				
Fund balances:				
Reserved:				
Reserved for encumbrances	-	-	-	1,012,938
Unreserved:				
Designated for continuing appropriations	-	1,580,809	-	4,078,075
Undesignated	707	-	5,028	5,617,097
Total Fund Balances	707	1,580,809	5,028	10,708,110
Total Liabilities and Fund Balances	\$ 707	\$ 1,689,064	\$ 5,028	\$ 14,131,769

CITY OF REDONDO BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	Special Revenue Funds					
	Traffic Congestion Relief	State Gas Tax	Parks and Recreation Facilities	Narcotic Seizure/ Forfeiture	Transit Fund	Proposition A
Revenues:						
Taxes	\$ -	\$ -	\$ 76,751	\$ -	\$ -	\$ -
Intergovernmental	494,067	1,205,597	-	185,456	1,419,665	1,077,680
Charges for services	-	-	-	-	307,298	-
Use of money and property	32,750	42,407	-	31,542	-	40,491
Miscellaneous	-	-	-	-	11,927	-
Total Revenues	526,817	1,248,004	76,751	216,998	1,738,890	1,118,171
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	41,192	-	-
Housing and community development	-	-	-	-	2,327,526	-
Public works	-	1,236,430	-	-	-	-
Capital outlay	-	-	10,605	82,952	-	-
Total Expenditures	-	1,236,430	10,605	124,144	2,327,526	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	526,817	11,574	66,146	92,854	(588,636)	1,118,171
Other Financing Sources (Uses):						
Transfers in	-	-	-	-	588,627	-
Transfers out	-	-	-	-	-	(338,627)
Total Other Financing Sources (Uses)	-	-	-	-	588,627	(338,627)
Net Change in Fund Balances	526,817	11,574	66,146	92,854	(9)	779,544
Fund Balances, Beginning of Year	304,441	934,676	525,686	563,217	-	761,003
Fund Balances, End of Year	\$ 831,258	\$ 946,250	\$591,832	\$ 656,071	\$ (9)	\$1,540,547

CITY OF REDONDO BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

(Continued)

	Special Revenue Funds					
	Proposition C	Local Transit	Air Quality Improvement	Storm Drain	Street Landscaping and Lighting	South Bay Youth Project
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	896,906	-	101,853	-	-	723,294
Charges for services	-	-	-	68,601	1,529,361	-
Use of money and property	143,554	-	6,710	-	1,732	-
Miscellaneous	-	-	-	-	32,921	-
Total Revenues	1,040,460	-	108,563	68,601	1,564,014	723,294
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Housing and community development	-	-	43,978	-	-	873,210
Public works	-	-	-	-	2,145,989	-
Capital outlay	627,445	341	201,938	11,197	-	-
Total Expenditures	627,445	341	245,916	11,197	2,145,989	873,210
Excess (Deficiency) of Revenues Over (Under) Expenditures	413,015	(341)	(137,353)	57,404	(581,975)	(149,916)
Other Financing Sources (Uses):						
Transfers in	-	-	-	-	662,565	91,434
Transfers out	(250,000)	-	-	-	-	-
Total Other Financing Sources (Uses)	(250,000)	-	-	-	662,565	91,434
Net Change in Fund Balances	163,015	(341)	(137,353)	57,404	80,590	(58,482)
Fund Balances, Beginning of Year	2,319,737	-	240,755	389,439	(55,177)	26,013
Fund Balances, End of Year	\$2,482,752	\$ (341)	\$ 103,402	\$ 446,843	\$ 25,413	\$ (32,469)

CITY OF REDONDO BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	Special Revenue Funds				
	Workforce Investment Act	Community Development Block Grant	Disaster Recovery	Housing Authority	Subdivision Park Trust
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	446,424	653,144	-	4,941,770	472,901
Charges for services	-	-	-	-	-
Use of money and property	-	-	-	20,498	2,805
Miscellaneous	-	-	108,330	66,509	-
Total Revenues	446,424	653,144	108,330	5,028,777	475,706
Expenditures:					
Current:					
General government	-	-	37,402	-	-
Public safety	-	-	-	-	-
Housing and community development	784,707	652,860	-	5,005,186	-
Public works	-	-	-	-	-
Capital outlay	-	284	6,169	-	62,149
Total Expenditures	784,707	653,144	43,571	5,005,186	62,149
Excess (Deficiency) of Revenues Over (Under) Expenditures	(338,283)	-	64,759	23,591	413,557
Other Financing Sources (Uses):					
Transfers in	213,328	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	213,328	-	-	-	-
Net Change in Fund Balances	(124,955)	-	64,759	23,591	413,557
Fund Balances, Beginning of Year	62,203	(1,472)	50,145	608,034	434,155
Fund Balances, End of Year	\$ (62,752)	\$ (1,472)	\$114,904	\$ 631,625	\$ 847,712

CITY OF REDONDO BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	Capital Projects Funds		Debt Service Fund	Total Governmental Funds
	Pier Parking Structure Rehabilitation	Redevelopment Agency	Parking Authority	
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 76,751
Intergovernmental	-	-	-	12,618,757
Charges for services	-	-	-	1,905,260
Use of money and property	36	391,000	7	713,532
Miscellaneous	-	-	-	219,687
Total Revenues	36	391,000	7	15,533,987
Expenditures:				
Current:				
General government	-	573,507	-	610,909
Public safety	-	-	-	41,192
Housing and community development	-	-	-	9,687,467
Public works	-	-	-	3,382,419
Capital outlay	-	-	-	1,003,080
Total Expenditures	-	573,507	-	14,725,067
Excess (Deficiency) of Revenues Over (Under) Expenditures	36	(182,507)	7	808,920
Other Financing Sources (Uses):				
Transfers in	-	-	-	1,555,954
Transfers out	-	-	-	(588,627)
Total Other Financing Sources (Uses)	-	-	-	967,327
Net Change in Fund Balances	36	(182,507)	7	1,776,247
Fund Balances, Beginning of Year	671	1,763,316	5,021	8,931,863
Fund Balances, End of Year	\$ 707	\$ 1,580,809	\$ 5,028	\$ 10,708,110

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 TRAFFIC CONGESTION RELIEF
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 304,441	\$ 304,441	\$ 304,441	\$ -
Resources (Inflows):				
Intergovernmental	280,000	494,067	494,067	-
Use of money and property	-	-	32,750	32,750
Amounts Available for Appropriation	584,441	798,508	831,258	32,750
Charges to Appropriation (Outflow):				
Capital outlay	250,000	250,000	-	250,000
Total Charges to Appropriations	250,000	250,000	-	250,000
Budgetary Fund Balance, June 30	\$ 334,441	\$ 548,508	\$ 831,258	\$ 282,750

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 STATE GAS TAX
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 934,676	\$ 934,676	\$ 934,676	\$ -
Resources (Inflows):				
Intergovernmental	1,215,160	1,243,091	1,205,597	(37,494)
Use of money and property	6,300	6,300	42,407	36,107
Amounts Available for Appropriation	2,156,136	2,184,067	2,182,680	(1,387)
Charges to Appropriation (Outflow):				
Public works	1,315,354	1,433,246	1,236,430	196,816
Total Charges to Appropriations	1,315,354	1,433,246	1,236,430	196,816
Budgetary Fund Balance, June 30	\$ 840,782	\$ 750,821	\$ 946,250	\$ 195,429

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 PARKS AND RECREATION FACILITIES
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 525,686	\$ 525,686	\$ 525,686	\$ -
Resources (Inflows):				
Taxes	100,000	87,000	76,751	(10,249)
Amounts Available for Appropriation	625,686	612,686	602,437	(10,249)
Charges to Appropriation (Outflow):				
Capital outlay	260,000	634,160	10,605	623,555
Total Charges to Appropriations	260,000	634,160	10,605	623,555
Budgetary Fund Balance, June 30	\$ 365,686	\$ (21,474)	\$ 591,832	\$ 613,306

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 NARCOTIC SEIZURE/FORFEITURE
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 563,217	\$ 563,217	\$ 563,217	\$ -
Resources (Inflows):				
Intergovernmental	50,000	51,033	185,456	134,423
Use of money and property	7,800	7,800	31,542	23,742
Amounts Available for Appropriation	621,017	622,050	780,215	158,165
Charges to Appropriation (Outflow):				
Public safety	64,890	91,301	41,192	50,109
Capital outlay	201,000	201,000	82,952	118,048
Total Charges to Appropriations	265,890	292,301	124,144	168,157
Budgetary Fund Balance, June 30	\$ 355,127	\$ 329,749	\$ 656,071	\$ 326,322

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 TRANSIT FUND
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	1,092,830	1,327,953	1,419,665	91,712
Charges for services	356,860	264,000	307,298	43,298
Miscellaneous	1,500	11,500	11,927	427
Transfers from other funds	1,006,610	1,006,610	588,627	(417,983)
Amounts Available for Appropriation	2,457,800	2,610,063	2,327,517	(282,546)
Charges to Appropriation (Outflow):				
Housing and community development	2,457,800	2,578,956	2,327,526	251,430
Total Charges to Appropriations	2,457,800	2,578,956	2,327,526	251,430
Budgetary Fund Balance, June 30	\$ -	\$ 31,107	\$ (9)	\$ (31,116)

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION A
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 761,003	\$ 761,003	\$ 761,003	\$ -
Resources (Inflows):				
Intergovernmental	1,041,656	1,041,656	1,077,680	36,024
Use of money and property	13,803	14,769	40,491	25,722
Amounts Available for Appropriation	1,816,462	1,817,428	1,879,174	61,746
Charges to Appropriation (Outflow):				
Transfers to other funds	756,610	756,610	338,627	417,983
Total Charges to Appropriations	756,610	756,610	338,627	417,983
Budgetary Fund Balance, June 30	\$ 1,059,852	\$ 1,060,818	\$ 1,540,547	\$ 479,729

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION C
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,319,737	\$ 2,319,737	\$ 2,319,737	\$ -
Resources (Inflows):				
Intergovernmental	865,324	865,324	896,906	31,582
Use of money and property	40,125	42,934	143,554	100,620
Amounts Available for Appropriation	3,225,186	3,227,995	3,360,197	132,202
Charges to Appropriation (Outflow):				
Capital outlay	665,000	2,427,295	627,445	1,799,850
Transfers to other funds	250,000	250,000	250,000	-
Total Charges to Appropriations	915,000	2,677,295	877,445	1,799,850
Budgetary Fund Balance, June 30	\$ 2,310,186	\$ 550,700	\$ 2,482,752	\$ 1,932,052

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE

LOCAL TRANSIT

YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	139,216	139,216	-	(139,216)
Amounts Available for Appropriation	139,216	139,216	-	(139,216)
Charges to appropriation (outflow):				
Capital outlay	130,000	130,000	341	129,659
Total Charges to Appropriations	130,000	130,000	341	129,659
Budgetary Fund Balance, June 30	\$ 9,216	\$ 9,216	\$ (341)	\$ (9,557)

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 AIR QUALITY IMPROVEMENT
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 240,755	\$ 240,755	\$ 240,755	\$ -
Resources (Inflows):				
Intergovernmental	70,000	70,000	101,853	31,853
Use of money and property	4,900	5,243	6,710	1,467
Amounts Available for Appropriation	315,655	315,998	349,318	33,320
Charges to Appropriation (Outflow):				
Housing and community development	37,155	42,155	43,978	(1,823)
Capital outlay	-	201,938	201,938	-
Total Charges to Appropriations	37,155	244,093	245,916	(1,823)
Budgetary Fund Balance, June 30	\$ 278,500	\$ 71,905	\$ 103,402	\$ 31,497

CITY OF REDONDO BEACH

BUDGET COMPARISON SCHEDULE

STORM DRAIN

YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 389,439	\$ 389,439	\$ 389,439	\$ -
Resources (Inflows):				
Charges for services	150,000	65,000	68,601	3,601
Amounts available for appropriation	539,439	454,439	458,040	3,601
Charges to Appropriation (Outflow):				
Capital Outlay	92,600	390,187	11,197	378,990
Total Charges to Appropriations	92,600	390,187	11,197	378,990
Budgetary Fund Balance, June 30	\$ 446,839	\$ 64,252	\$ 446,843	\$ 382,591

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 STREET LANDSCAPING AND LIGHTING
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (55,177)	\$ (55,177)	\$ (55,177)	\$ -
Resources (Inflows):				
Charges for services	1,512,150	1,512,150	1,529,361	17,211
Use of money and property	-	-	1,732	1,732
Miscellaneous	-	24,590	32,921	8,331
Transfers from other funds	200,000	662,565	662,565	-
Amounts Available for Appropriation	1,656,973	2,144,128	2,171,402	27,274
Charges to Appropriation (Outflow):				
Public works	2,098,444	2,255,305	2,145,989	109,316
Total Charges to Appropriations	2,098,444	2,255,305	2,145,989	109,316
Budgetary Fund Balance, June 30	\$ (441,471)	\$ (111,177)	\$ 25,413	\$ 136,590

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 SOUTH BAY YOUTH PROJECT
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 26,013	\$ 26,013	\$ 26,013	\$ -
Resources (Inflows):				
Intergovernmental	799,817	823,435	723,294	(100,141)
Transfers from other funds	91,434	91,434	91,434	-
Amounts Available for Appropriation	917,264	940,882	840,741	(100,141)
Charges to Appropriation (Outflow):				
Housing and community development	947,063	931,809	873,210	58,599
Total Charges to Appropriations	947,063	931,809	873,210	58,599
Budgetary Fund Balance, June 30	\$ (29,799)	\$ 9,073	\$ (32,469)	\$ (41,542)

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 WORKFORCE INVESTMENT ACT
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 62,203	\$ 62,203	\$ 62,203	\$ -
Resources (Inflows):				
Intergovernmental	900,000	790,237	446,424	(343,813)
Transfers from other funds	86,285	213,328	213,328	-
Amounts Available for Appropriation	1,048,488	1,065,768	721,955	(343,813)
Charges to Appropriation (Outflow):				
Housing and community development	909,210	895,995	784,707	111,288
Capital Outlay	1,100	1,100	-	1,100
Total Charges to Appropriations	910,310	897,095	784,707	112,388
Budgetary Fund Balance, June 30	\$ 138,178	\$ 168,673	\$ (62,752)	\$ (231,425)

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 COMMUNITY DEVELOPMENT BLOCK GRANT
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (1,472)	\$ (1,472)	\$ (1,472)	\$ -
Resources (Inflows):				
Intergovernmental	447,681	949,571	653,144	(296,427)
Amounts Available for Appropriation	446,209	948,099	651,672	(296,427)
Charges to Appropriation (Outflow):				
Housing and community development	701,531	988,664	652,860	335,804
Capital outlay	65,000	299,910	284	299,626
Total Charges to Appropriations	766,531	1,288,574	653,144	635,430
Budgetary Fund Balance, June 30	\$ (320,322)	\$ (340,475)	\$ (1,472)	\$ 339,003

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
DISASTER RECOVERY
YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 50,145	\$ 50,145	\$ 50,145	\$ -
Resources (inflows):				
Miscellaneous	-	-	108,330	108,330
Amounts available for appropriation	50,145	50,145	158,475	108,330
Charges to appropriation (outflow):				
General government	-	-	37,402	(37,402)
Capital outlay	-	4,976	6,169	(1,193)
	-	4,976	43,571	(38,595)
Budgetary fund balance, June 30	\$ 50,145	\$ 45,169	\$ 114,904	\$ 69,735

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 HOUSING AUTHORITY
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 608,034	\$ 608,034	\$ 608,034	\$ -
Resources (inflows):				
Intergovernmental	5,013,239	5,013,239	4,941,770	(71,469)
Use of money and property	-	-	20,498	20,498
Miscellaneous	-	-	66,509	66,509
Amounts available for appropriation	5,621,273	5,621,273	5,636,811	15,538
Charges to appropriation (outflow):				
Housing and community development	5,147,267	5,147,267	5,005,186	142,081
	5,147,267	5,147,267	5,005,186	142,081
Budgetary fund balance, June 30	\$ 474,006	\$ 474,006	\$ 631,625	\$ 157,619

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE
SUBDIVISION PARK TRUST
YEAR ENDED JUNE 30, 2007**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 434,155	\$ 434,155	\$ 434,155	\$ -
Resources (inflows):				
Intergovernmental	350,000	390,000	472,901	82,901
Use of money and property	-	-	2,805	2,805
Amounts available for appropriation	784,155	824,155	909,861	85,706
Charges to appropriation (outflow):				
Capital outlay	533,530	637,490	62,149	575,341
	533,530	637,490	62,149	575,341
Budgetary fund balance, June 30	\$ 250,625	\$ 186,665	\$ 847,712	\$ 661,047

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 CAPITAL IMPROVEMENT PROJECTS
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 7,882,362	\$ 7,882,362	\$ 7,882,362	\$ -
Resources (Inflows):				
Miscellaneous	153,000	153,000	75,601	(77,399)
Transfers from other funds	1,000,000	4,500,000	4,500,000	-
Amounts Available for Appropriation	9,035,362	12,535,362	12,457,963	(77,399)
Charges to Appropriation (Outflow):				
Public works	93,627	181,424	122,152	59,272
Capital outlay	1,906,000	4,222,463	1,717,651	2,504,812
Total Charges to Appropriations	1,999,627	4,403,887	1,839,803	2,564,084
Budgetary Fund Balance, June 30	\$ 7,035,735	\$ 8,131,475	\$10,618,160	\$ 2,486,685

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 REDEVELOPMENT AGENCY - CAPITAL PROJECTS
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,763,316	\$ 1,763,316	\$ 1,763,316	\$ -
Resources (Inflows):				
Use of money and property	353,127	353,127	391,000	37,873
Miscellaneous	16,230	16,230	-	(16,230)
Transfers from other funds	52,690	52,690	-	(52,690)
Amounts Available for Appropriation	2,185,363	2,185,363	2,154,316	(31,047)
Charges to Appropriation (Outflow):				
General government	545,578	545,578	573,507	(27,929)
Total Charges to Appropriations	545,578	545,578	573,507	(27,929)
Budgetary Fund Balance, June 30	\$ 1,639,785	\$ 1,639,785	\$ 1,580,809	\$ (58,976)

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 PUBLIC FINANCING AUTHORITY
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$12,943,388	\$12,943,388	\$ 12,943,388	\$ -
Resources (Inflows):				
Use of money and property	1,243,180	1,243,180	778,671	(464,509)
Transfers from other funds	733,000	733,000	555,097	(177,903)
Amounts Available for Appropriation	14,919,568	14,919,568	14,277,156	(642,412)
Charges to Appropriation (Outflow):				
Housing and community development	343,217	343,217	315,141	28,076
Debt service:				
Principal	470,332	470,332	430,209	40,123
Interest and fiscal charges	941,522	941,522	950,055	(8,533)
Transfers to other funds	650	650	-	650
Total Charges to Appropriations	1,755,721	1,755,721	1,695,405	60,316
Budgetary Fund Balance, June 30	\$13,163,847	\$13,163,847	\$ 12,581,751	\$ (582,096)

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 REDEVELOPMENT AGENCY - DEBT SERVICE
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$(16,658,333)	\$(16,658,333)	\$(16,658,333)	\$ -
Resources (Inflows):				
Taxes	1,546,780	1,546,780	1,869,518	322,738
Use of money and property	49,154	49,154	78,089	28,935
Other debts issued	208,170	208,170	476,292	268,122
Transfers from other funds	836,500	836,500	-	(836,500)
Amounts Available for Appropriation	(14,017,729)	(14,017,729)	(14,234,434)	(216,705)
Charges to Appropriation (Outflow):				
General government	-	-	37,379	(37,379)
Debt service:				
Principal	140,000	140,000	327,462	(187,462)
Interest and fiscal charges	1,005,320	1,005,320	748,829	256,491
Transfers to other funds	1,621,540	1,621,540	555,097	1,066,443
Total Charges to Appropriations	2,766,860	2,766,860	1,668,767	1,098,093
Budgetary Fund Balance, June 30	\$(16,784,589)	\$(16,784,589)	\$(15,903,201)	\$ 881,388

INTERNAL SERVICE FUNDS



INTERNAL SERVICE FUNDS

Vehicle Replacement Fund - To account for the cost of maintaining and replacing City vehicles. Such costs are billed to City departments at a rate that provides the future acquisition and operating costs of City vehicles.

Building Occupancy Fund - To account for the cost of maintaining and improving City buildings. Such costs are billed to City departments at a rate that provides for the annual maintenance and improvement costs.

Information Technology Fund - To account for the cost of maintaining and replacing City computer and telecommunications equipment. Such costs are billed to City departments at a rate that provides for the annual maintenance and replacement costs.

Self-Insurance Program Fund - To account for the costs of providing liability, workers' compensation and unemployment insurance to all City departments. Such costs are billed to City departments at a rate that provides for the annual insurance costs.

Printing and Graphics Fund - To account for the costs of providing printing and graphics services to all City departments. Such costs are billed to City departments at a rate that provides for the annual printing costs.

Communications Equipment Replacement Fund - To account for the cost of maintaining and replacing various City communication equipment, primarily for Public Safety. Such costs are billed to the City's designated departments at a rate that provides for the annual maintenance and replacement costs.

CITY OF REDONDO BEACH
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 JUNE 30, 2007

Governmental Activities - Internal Service Funds

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Printing and Graphics	Communications Equipment Replacement	Total
Assets:							
Current:							
Cash and investments	\$4,010,080	\$274,246	\$ 750,887	\$18,219,460	\$ 74,431	\$ 820,604	\$24,149,708
Receivables (net of allowance for uncollectibles):							
Accounts	11,236	-	-	-	-	-	11,236
Due from other governments	-	-	-	208	-	-	208
Total Current Assets	4,021,316	274,246	750,887	18,219,668	74,431	820,604	24,161,152
Noncurrent:							
Capital assets, net of depreciation	3,272,198	29,918	321,868	-	17,774	189,268	3,831,026
Total Noncurrent Assets	3,272,198	29,918	321,868	-	17,774	189,268	3,831,026
Total Assets	\$7,293,514	\$304,164	\$1,072,755	\$18,219,668	\$ 92,205	\$1,009,872	\$27,992,178
Liabilities and Fund Equity:							
Liabilities:							
Current:							
Accounts payable	\$ 146,273	\$123,178	\$ 272,420	\$ 426,368	\$ 11,931	\$ 104,392	\$ 1,084,562
Due to other funds	-	72,390	-	-	-	-	72,390
Compensated absences payable	12,360	59,480	50,562	9,830	14,839	69,471	216,542
Claims and judgments payable	-	-	-	1,243,304	-	-	1,243,304
Total Current Liabilities	158,633	255,048	322,982	1,679,502	26,770	173,863	2,616,798
Long-Term:							
Compensated absences payable	1,013	4,876	4,145	806	1,216	5,695	17,751
Claims and judgments payable	-	-	-	15,515,469	-	-	15,515,469
Lease payable	-	-	-	-	919	-	919
Total Long-Term Liabilities:	1,013	4,876	4,145	15,516,275	2,135	5,695	15,534,139
Total Liabilities	159,646	259,924	327,127	17,195,777	28,905	179,558	18,150,937
Net Assets:							
Invested in capital assets, net of related debts	3,272,198	29,918	321,868	-	16,855	189,268	3,830,107
Unrestricted	3,861,670	14,322	423,760	1,023,891	46,445	641,046	6,011,134
Total Net Assets	7,133,868	44,240	745,628	1,023,891	63,300	830,314	9,841,241
Total Liabilities and Net Assets	\$ 7,293,514	\$ 304,164	\$ 1,072,755	\$ 18,219,668	\$ 92,205	\$ 1,009,872	\$ 27,992,178

CITY OF REDONDO BEACH

COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2007

	Governmental Activities - Internal Service Funds						Totals
	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Printing and Graphics	Communications Equipment Replacement	
Operating Revenues:							
Sales and service charges	\$2,691,366	\$2,424,818	\$2,569,498	\$ 4,622,091	\$ 319,865	\$2,330,965	\$14,958,603
Miscellaneous	65,192	-	1,531	117,765	-	1,049	185,537
Total Operating Revenues	2,756,558	2,424,818	2,571,029	4,739,856	319,865	2,332,014	15,144,140
Operating Expenses:							
Personnel services	386,418	1,117,135	741,726	151,390	167,217	1,792,233	4,356,119
Contractual services	3,700	108,134	1,468,338	4,671,383	13,199	2,962	6,267,716
Administration and general	1,082,920	1,490,923	711,799	29,726	153,702	370,952	3,840,022
Depreciation	700,250	3,286	136,415	-	19,325	14,412	873,688
Total Operating Expenses	2,173,288	2,719,478	3,058,278	4,852,499	353,443	2,180,559	15,337,545
Operating Income (Loss)	583,270	(294,660)	(487,249)	(112,643)	(33,578)	151,455	(193,405)
Non-Operating Revenues (Expenses):							
Loss on disposal of capital assets	(17,153)	-	-	-	-	-	(17,153)
Interest expense	-	-	-	-	(6,955)	-	(6,955)
Total Non-Operating Revenues (Expenses)	(17,153)	-	-	-	(6,955)	-	(24,108)
Income Before Contributions and Transfers	566,117	(294,660)	(487,249)	(112,643)	(40,533)	151,455	(217,513)
Transfers in	-	274,246	-	968,100	-	-	1,242,346
Change in Net Assets	566,117	(20,414)	(487,249)	855,457	(40,533)	151,455	1,024,833
Net Assets:							
Beginning of Year	6,567,751	64,654	1,232,877	168,434	103,833	678,859	8,816,408
Change in Net Assets	566,117	(20,414)	(487,249)	855,457	(40,533)	151,455	1,024,833
End of Fiscal Year	\$7,133,868	\$ 44,240	\$ 745,628	\$ 1,023,891	\$ 63,300	\$ 830,314	\$ 9,841,241

CITY OF REDONDO BEACH

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2007

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Printing and Graphics	Communications Equipment Replacement	Totals
Cash Flows from Operating Activities:							
Cash received from customers and users	\$ 2,787,264	\$2,424,818	\$ 2,571,029	\$ 4,739,648	\$ 319,865	\$ 2,332,014	\$ 15,174,638
Cash paid to suppliers for good and services	(1,027,441)	(1,577,519)	(2,088,636)	(3,829,765)	(166,635)	(269,522)	(8,959,518)
Cash paid to employees for services	(383,345)	(1,111,968)	(736,163)	(157,821)	(167,612)	(1,717,067)	(4,273,976)
Net Cash Provided (Used) by Operating Activities	1,376,478	(264,669)	(253,770)	752,062	(14,382)	345,425	1,941,144
Cash Flows from Non-Capital Financing Activities:							
Cash transfers in	-	274,246	-	968,100	-	-	1,242,346
Cash received due to/from other funds	-	72,390	-	144,502	-	-	216,892
Net Cash Provided (Used) by Non-Capital Financing Activities	-	346,636	-	1,112,602	-	-	1,459,238
Cash Flows from Capital and Related Financing Activities:							
Acquisition and construction of capital assets	(1,165,759)	-	(177,015)	-	-	(93,469)	(1,436,243)
Principal paid on capital debt	-	-	-	-	(12,042)	-	(12,042)
Interest paid on debt	-	-	-	-	(6,955)	-	(6,955)
Sales of capital assets	41,063	-	-	-	-	-	41,063
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,124,696)	-	(177,015)	-	(18,997)	(93,469)	(1,414,177)
Net Increase (Decrease) in Cash and Cash Equivalents	251,782	81,967	(430,785)	1,864,664	(33,379)	251,956	1,986,205
Cash and Cash Equivalents at Beginning of Year	3,758,298	192,279	1,181,672	16,354,796	107,810	568,648	22,163,503
Cash and Cash Equivalents at End of Year	\$ 4,010,080	\$ 274,246	\$ 750,887	\$18,219,460	\$ 74,431	\$ 820,604	\$24,149,708

CITY OF REDONDO BEACH

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2007

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Printing and Graphics	Communications Equipment Replacement	Totals
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:							
Operating income (loss)	\$ 583,270	\$ (294,660)	\$ (487,249)	\$ (112,643)	\$ (33,578)	\$ 151,455	\$ (193,405)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:							
Depreciation	700,250	3,286	136,415	-	19,325	14,412	873,688
(Increase) decrease in accounts receivable	30,706	-	-	-	-	-	30,706
(Increase) decrease in deposits receivable	-	-	-	-	-	-	-
(Increase) decrease in due from other governments	-	-	-	(208)	-	-	(208)
(Increase) decrease in prepaid expense	-	-	-	-	-	-	-
Increase (decrease) in accounts payable	59,184	21,538	91,501	276,131	266	104,392	553,012
Increase (decrease) in due to other governments	(5)	-	-	-	-	-	(5)
Increase (decrease) in deposits payable	-	-	-	-	-	-	-
Increase (decrease) in deferred revenue	-	-	-	-	-	-	-
Increase (decrease) in claims and judgments	-	-	-	595,213	-	-	595,213
Increase (decrease) in compensated absences	3,073	5,167	5,563	(6,431)	(395)	75,166	82,143
Total Adjustments	793,208	29,991	233,479	864,705	19,196	193,970	2,134,549
Net Cash Provided (Used) by Operating Activities	\$ 1,376,478	\$ (264,669)	\$ (253,770)	\$ 752,062	\$ (14,382)	\$ 345,425	\$ 1,941,144
Non-Cash Investing, Capital, and Financing Activities:							
Gain/(Loss) on disposition of capital assets	\$ (17,153)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (17,153)

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FUDUCIARY FUNDS



FIDUCIARY FUNDS

AGENCY FUNDS

The agency funds are used to account for assets held by the City as an agent. Agency funds include the following:

Deposits Fund - To account for monies received and disbursed by the City in its capacity as an agent, including refundable deposits and payroll.

Assessment District 92-1 Fund - To account for monies held for debt service transactions of the Manhattan Beach Boulevard Assessment District (District 92-1) Bonds for which the City is not obligated.

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CITY OF REDONDO BEACH

COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2007

Assets:	<u>Deposits</u>	<u>Assessment District 92-1</u>	<u>Totals</u>
Cash and investments	\$ 1,255,449	\$ -	\$ 1,255,449
Receivables (net of allowance for uncollectibles):			
Accounts	19,818	-	19,818
Taxes	-	65,817	65,817
Interest	1,088	-	1,088
Restricted assets:			
Cash and investments	57,258,561	-	57,258,561
Cash with fiscal agent	-	283,463	283,463
Total Assets	<u>\$ 58,534,916</u>	<u>\$ 349,280</u>	<u>\$ 58,884,196</u>
Liabilities:			
Accounts payable	\$ 88,932	\$ -	\$ 88,932
Accrued liabilities	57,303,959	-	57,303,959
Deposits	831,773	87,438	919,211
Due to bondholders	-	215,770	215,770
Due to external parties	310,252	46,072	356,324
Total Liabilities	<u>\$ 58,534,916</u>	<u>\$ 349,280</u>	<u>\$ 58,884,196</u>

CITY OF REDONDO BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2007

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
<u>Deposits</u>				
Assets:				
Cash and investments	\$ 1,073,426	\$ 4,215,179	\$ 4,033,156	\$ 1,255,449
Receivables (net of allowance for uncollectibles):				
Accounts	-	484,635	464,817	19,818
Interest	739	1,088	739	1,088
Restricted assets:				
Cash and investments	-	57,258,561	-	57,258,561
Total Assets	<u>\$ 1,074,165</u>	<u>\$ 61,959,463</u>	<u>\$ 4,498,712</u>	<u>\$ 58,534,916</u>
Liabilities:				
Accounts payable	\$ 140,838	\$ 2,537,030	\$ 2,588,936	\$ 88,932
Accrued liabilities	62,086	60,280,940	3,039,067	57,303,959
Deposits	871,241	1,438,227	1,477,695	831,773
Due to external parties	-	310,252	-	310,252
Total Liabilities	<u>\$ 1,074,165</u>	<u>\$ 64,566,449</u>	<u>\$ 7,105,698</u>	<u>\$ 58,534,916</u>
<u>Assessment District 92-1</u>				
Assets:				
Cash and investments	\$ -	\$ 222,249	\$ 222,249	\$ -
Receivables (net of allowance for uncollectibles):				
Taxes	64,293	65,817	64,293	65,817
Restricted assets:				
Cash with fiscal agent	226,026	179,807	122,370	283,463
Total Assets	<u>\$ 290,319</u>	<u>\$ 467,873</u>	<u>\$ 408,912</u>	<u>\$ 349,280</u>
Liabilities:				
Accounts payable	\$ -	\$ 176,177	\$ 176,177	\$ -
Deposits	74,549	513,945	501,056	87,438
Due to bondholders	215,770	-	-	215,770
Due to external parties	-	46,072	-	46,072
Total Liabilities	<u>\$ 290,319</u>	<u>\$ 736,194</u>	<u>\$ 677,233</u>	<u>\$ 349,280</u>

CITY OF REDONDO BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2007

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
<u>Total</u>				
Assets:				
Cash and investments	\$ 1,073,426	\$ 4,215,179	\$ 4,033,156	\$ 1,255,449
Receivables (net of allowance for uncollectibles):				
Accounts	-	484,635	464,817	19,818
Interest	739	1,088	739	1,088
Taxes	64,293	65,817	64,293	65,817
Restricted assets:				
Cash and investments	-	57,258,561	-	57,258,561
Cash with fiscal agent	226,026	179,807	122,370	283,463
Total Assets	<u>\$ 1,364,484</u>	<u>\$ 62,205,087</u>	<u>\$ 4,685,375</u>	<u>\$ 58,884,196</u>
Liabilities:				
Accounts payable	\$ 140,838	\$ 2,537,030	\$ 2,588,936	\$ 88,932
Accrued liabilities	62,086	60,280,940	3,039,067	57,303,959
Deposits	945,790	1,952,172	1,978,751	919,211
Due to bondholders	215,770	-	-	215,770
Due to external parties	-	356,324	-	356,324
Total Liabilities	<u>\$ 1,364,484</u>	<u>\$ 65,126,466</u>	<u>\$ 7,606,754</u>	<u>\$ 58,884,196</u>

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STATISTICAL SECTION



CITY OF REDONDO BEACH

Statistical Section
(Not covered by Independent Auditor's Report)

June 30, 2007

Overview of the Five Categories Presented in the City's Statistical Section

<u>Contents</u>	<u>Page</u>
<i>Financial Trends</i> Presented are schedules containing trend information to assist in the reader's understanding of how the City's financial performance has changed over time.	150
<i>Revenue Capacity</i> Presented are schedules to assist the reader's assessment of the factors affecting the City's ability to generate revenue through property taxes.	155
<i>Debt Capacity</i> Presented are schedules to assist the reader's understanding of the City's current level of outstanding debt and its ability to issue additional debt in the future.	159
<i>Demographic and Economic Information</i> Presented are schedules to assist the reader's understanding of the socioeconomic environment within which the City operates and to help make comparisons over time and with other governments.	163
<i>Operating & Other Information</i> Presented are schedules to assist the reader's understanding of how the City's financial information relates to the services provided by the City and the activities it performs.	165

CITY OF REDONDO BEACH

NET ASSETS BY COMPONENT

Last Five Fiscal Years

(accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 132,056,720	\$ 131,553,186	\$ 131,738,853	\$131,382,820	\$ 135,153,851
Restricted	24,444,604	18,585,387	32,636,751	29,022,856	34,504,525
Unrestricted	1,138,486	(3,642,292)	(22,641,897)	(15,492,009)	(16,364,199)
Total governmental activities net assets	<u>157,639,810</u>	<u>146,496,281</u>	<u>141,733,707</u>	<u>144,913,667</u>	<u>153,294,177</u>
Business-type activities:					
Invested in capital assets, net of related debt	28,749,590	25,572,316	39,409,701	39,151,202	38,139,435
Restricted	190,050	-	-	-	-
Unrestricted	17,787,346	30,464,219	19,380,216	20,013,129	22,770,297
Total business-type activities net assets	<u>46,726,986</u>	<u>56,036,535</u>	<u>58,789,917</u>	<u>59,164,331</u>	<u>60,909,732</u>
Primary government:					
Invested in capital assets, net of related debt	160,806,310	157,125,502	171,148,554	170,534,022	173,293,286
Restricted	24,634,654	18,585,387	32,636,751	29,022,856	34,504,525
Unrestricted	18,925,832	26,821,927	(3,261,681)	4,521,120	6,406,098
Total primary government net assets	<u>\$ 204,366,796</u>	<u>\$ 202,532,816</u>	<u>\$ 200,523,624</u>	<u>\$204,077,998</u>	<u>\$ 214,203,909</u>

NOTE: The City of Redondo Beach has elected to present five years of data since the implementation of GASB 34 in fiscal year 2002/2003.

Source: City of Redondo Beach Comprehensive Annual Financial Report, Government-Wide Financial Statements

CITY OF REDONDO BEACH

CHANGES IN NET ASSETS
Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Government activities:					
General government					
Public Safety	\$ 8,246,966	\$ 8,182,895	\$ 10,427,561	\$ 10,638,910	\$ 10,019,467
Housing and community development	28,238,180	28,889,848	32,490,257	35,772,948	38,269,521
Cultural and leisure services	12,290,418	11,746,765	11,797,139	11,749,944	12,194,088
Public works	7,693,999	7,673,578	8,204,892	8,812,584	9,499,827
Interest on long-term debt	17,324,480	14,478,369	14,212,509	12,936,637	14,986,259
Total governmental activities expenses	<u>2,246,326</u>	<u>1,377,259</u>	<u>1,956,707</u>	<u>2,122,317</u>	<u>1,696,368</u>
Business-type activities:	<u>76,040,369</u>	<u>72,348,714</u>	<u>79,089,065</u>	<u>82,033,340</u>	<u>86,665,530</u>
Harbor Tidelands	4,193,713	4,474,733	5,142,991	4,447,965	4,902,841
Harbor Uplands	3,945,726	4,682,845	4,071,680	4,466,239	4,503,160
Solid Waste	-	2,901,712	3,001,525	3,225,121	3,493,852
Wastewater	-	886,466	1,350,156	2,686,646	2,122,793
Total business-type activities expenses	<u>8,139,439</u>	<u>12,945,756</u>	<u>13,566,352</u>	<u>14,825,971</u>	<u>15,022,646</u>
Total primary government expenses	<u>84,179,808</u>	<u>85,294,470</u>	<u>92,655,417</u>	<u>96,859,311</u>	<u>101,688,176</u>
Program Revenues					
Governmental activities:					
Charges for Services:					
General government	705,541	176,191	218,476	4,732,359	6,434,951
Public Safety	1,099,904	1,226,777	1,357,045	1,353,696	1,290,081
Housing and community development	4,288,421	5,233,846	5,091,922	5,425,840	4,989,531
Cultural and leisure services	1,444,730	1,462,232	1,743,838	1,864,303	1,842,631
Public works	4,230,641	1,746,110	1,866,308	1,879,095	1,771,922
Operating grants and contributions	12,610,308	13,548,374	14,385,755	11,403,631	12,366,720
Capital grants and contributions	953,264	507,063	715,672	2,856,548	4,916,505
Total governmental activities program revenues	<u>25,332,809</u>	<u>23,900,593</u>	<u>25,379,016</u>	<u>29,515,472</u>	<u>33,612,341</u>
Business-type activities:					
Charges for services:					
Harbor Tidelands	4,561,567	4,938,355	4,976,742	4,797,346	5,067,315
Harbor Uplands	3,590,837	3,554,528	3,526,424	3,858,007	4,103,636
Solid Waste	-	2,464,184	2,462,684	3,184,481	3,481,133
Wastewater	-	236,675	2,487,868	2,135,108	1,842,479
Operating grants and contributions	1,105	36,362	49,717	73,035	68,841
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	<u>8,153,509</u>	<u>11,230,104</u>	<u>13,503,435</u>	<u>14,047,977</u>	<u>14,563,404</u>
Total primary government program revenues	<u>33,486,318</u>	<u>35,130,697</u>	<u>38,882,451</u>	<u>43,563,449</u>	<u>48,175,745</u>
Net (expense)/revenue					
Governmental activities	(50,707,560)	(48,448,121)	(53,710,049)	(52,517,868)	(53,053,189)
Business-type activities	14,070	(1,715,652)	(62,917)	(777,994)	(459,242)
Total primary government net expense	<u>(50,693,490)</u>	<u>(50,163,773)</u>	<u>(53,772,966)</u>	<u>(53,295,862)</u>	<u>(53,512,431)</u>

CITY OF REDONDO BEACH

CHANGES IN NET ASSETS

Last Five Fiscal Years

(accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
General Revenues and Other Changes in Net Assets					
Governmental Activities					
Taxes					
Property taxes, levied for general purpose	16,751,767	18,058,184	19,524,448	25,617,618	27,136,137
Transient occupancy taxes	2,257,526	2,439,439	2,648,323	3,354,138	3,738,839
Sales taxes	8,073,176	8,544,764	9,408,574	9,906,235	10,205,436
Franchise taxes	1,321,287	1,842,050	1,761,441	1,767,452	1,685,711
Business licenses taxes	1,278,607	1,302,614	1,323,345	1,376,117	1,289,608
Utility users taxes	6,835,864	6,841,854	7,184,530	7,398,984	7,878,429
Motor vehicle in lieu	3,897,644	2,959,364	5,653,644	453,645	429,612
Investment earnings	3,719,297	1,729,697	2,595,528	3,349,037	4,687,909
Other revenues	926,203	1,248,023	1,980,160	1,340,746	1,626,971
Loss on disposal of capital assets	(121,086)	(12,125)	-	-	-
Transfers	429,460	(5,308,676)	473,040	-	-
Total governmental activities	<u>45,369,745</u>	<u>39,645,188</u>	<u>52,553,033</u>	<u>54,563,972</u>	<u>58,678,652</u>
Business-type activities:					
Investment earnings	770,111	295,611	810,422	839,082	1,439,428
Loss on disposal of capital assets	(18,048)	-	-	-	-
Other revenues	369,246	760,920	1,032,553	204,761	138,877
Transfers	(429,460)	5,308,676	(473,040)	-	-
Total business-type activities	<u>691,849</u>	<u>6,365,207</u>	<u>1,369,935</u>	<u>1,043,843</u>	<u>1,578,305</u>
Total primary government	<u>46,061,594</u>	<u>46,010,395</u>	<u>53,922,968</u>	<u>55,607,815</u>	<u>60,256,957</u>
Change in Net Assets					
Governmental activities	(5,337,815)	(8,802,933)	(1,157,016)	2,046,104	5,625,463
Business-type activities	705,919	4,649,555	1,307,018	265,849	1,119,063
Totally primary government	<u>\$ (4,631,896)</u>	<u>\$ (4,153,378)</u>	<u>\$ 150,002</u>	<u>\$ 2,311,953</u>	<u>\$ 6,744,526</u>

NOTE: The City of Redondo Beach has elected to present five years of data since the implementation of GASB 34 in fiscal year 2002/2003.

Source: City of Redondo Beach Comprehensive Annual Financial Report, Government-Wide Financial Statements

CITY OF REDONDO BEACH

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Five Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
General fund					
Reserved	\$ 1,118,553	\$ 532,612	\$ 1,229,239	\$ 759,733	\$ 781,710
Unreserved:					
Designated	11,802,290	11,942,979	9,144,315	9,383,713	10,143,013
Undesignated	(83,439)	3,692	1,028,448	2,680,196	214,115
Total general fund	<u>12,837,404</u>	<u>12,479,283</u>	<u>11,402,002</u>	<u>12,823,642</u>	<u>11,138,838</u>
All other governmental funds					
Reserved	9,649,967	5,770,495	3,156,012	7,519,312	21,109,217
Unreserved, reported in:					
Special revenue funds	5,486,190	5,089,794	5,941,612	4,485,135	8,108,628
Capital projects funds	630	2,284,886	2,085,674	1,763,987	1,581,516
Debt service funds	4,779	4,822	4,819	5,021	5,028
Designated	15,002,782	11,152,797	5,233,040	8,320,867	9,274,372
Undesignated	-	110,440	2,566,316	(2,290,313)	(12,738,943)
Total all other governmental funds	<u>\$ 30,144,348</u>	<u>\$ 24,413,234</u>	<u>\$ 18,987,473</u>	<u>\$ 19,804,009</u>	<u>\$ 27,339,818</u>

NOTE: The City of Redondo Beach has elected to present five years of data since the implementation of GASB 34 in fiscal year 2002/2003.

Source: City of Redondo Beach Comprehensive Annual Financial Report, Governmental Fund Financial Statements

CITY OF REDONDO BEACH

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Five Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Revenues:					
Taxes	\$ 35,772,421	\$ 39,678,946	\$ 47,416,940	\$ 49,809,201	\$ 52,569,593
Interdepartmental	-	-	-	4,298,260	6,314,753
Licenses and permits	1,241,136	1,513,226	1,713,598	2,006,686	1,660,339
Intergovernmental	15,566,321	16,208,575	13,322,228	14,196,236	15,771,721
Charges for services	7,870,593	7,193,850	7,738,642	8,673,373	7,627,197
Use of money and property	6,638,379	2,178,640	3,834,831	3,458,204	5,228,621
Fines and forfeitures	1,612,480	1,069,909	942,598	889,437	1,117,196
Other revenues	1,551,978	784,325	697,856	760,816	787,722
Total Revenues	<u>70,253,308</u>	<u>68,627,471</u>	<u>75,666,693</u>	<u>84,092,213</u>	<u>91,077,142</u>
Expenditures:					
Current:					
General government	7,858,215	8,134,136	10,291,155	10,531,849	9,878,387
Public safety	27,905,212	28,548,022	31,357,941	35,109,834	38,254,942
Housing and community development	12,272,712	11,753,095	11,134,350	11,341,953	11,960,230
Cultural and leisure services	6,892,592	7,565,264	7,446,505	8,658,356	9,120,765
Public works	9,429,422	11,866,239	7,404,995	9,409,898	10,218,116
Capital outlay	7,987,598	1,884,946	10,024,176	3,356,314	5,318,230
Debt service:					
Principal	394,798	395,046	420,069	1,984,826	757,671
Interest	2,232,047	1,389,640	1,958,332	2,130,871	1,698,884
Debt issuance costs	21,157	-	-	-	-
Total Expenditures	<u>74,993,753</u>	<u>71,536,388</u>	<u>80,037,523</u>	<u>82,523,901</u>	<u>87,207,225</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,740,445)</u>	<u>(2,908,917)</u>	<u>(4,370,830)</u>	<u>1,568,312</u>	<u>3,869,917</u>
Other Financing Sources (Uses):					
Transfers in	5,277,409	3,548,964	3,194,254	3,296,665	6,611,051
Transfers out	(6,077,949)	(4,194,424)	(6,007,674)	(4,496,995)	(7,853,397)
Other debts issued	450,140	655,879	926,685	736,338	476,292
Total Other Financing Sources (Uses)	<u>(350,400)</u>	<u>10,419</u>	<u>(1,886,735)</u>	<u>(463,992)</u>	<u>(766,054)</u>
Net Change in Fund Balances	<u>\$ (5,090,845)</u>	<u>\$ (2,898,498)</u>	<u>\$ (6,257,565)</u>	<u>\$ 1,104,320</u>	<u>\$ 3,103,863</u>
Debt service as a percentage of noncapital expenditures	4.11%	2.63%	3.52%	5.48%	3.09%

NOTE: The City of Redondo Beach has elected to present five years of data since the implementation of GASB 34 in fiscal year 2002/2003.

Source: City of Redondo Beach Comprehensive Annual Financial Report, Government-Wide Financial Statements

City of Redondo Beach

Assessed Value and Estimated Actual Value of Taxable Property

Last Eight Fiscal Years *

Fiscal Year Ended June 30	City				Redevelopment				Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Exemptions	Taxable Assessed Value	
2000	\$ 5,262,052,616	\$ 331,387,664	\$ (45,294,211)	\$ 5,548,146,069	\$ 219,585,657	\$ 59,626,162	\$ -	\$ 279,211,819	0.193%
2001	5,897,945,763	312,563,883	(43,819,866)	6,166,689,780	241,493,805	54,167,424	(313,342)	295,347,887	0.191%
2002	6,385,716,954	324,592,746	(37,669,872)	6,672,639,828	246,801,085	57,023,707	(319,608)	303,505,184	0.198%
2003	6,828,949,516	359,752,562	(55,603,784)	7,133,098,294	253,875,110	56,736,856	(325,999)	310,285,967	0.225%
2004	7,506,186,983	361,472,965	(60,856,425)	7,806,803,523	253,975,182	66,824,277	(332,518)	320,466,941	0.222%
2005	7,919,761,315	349,465,981	(43,088,228)	8,226,139,068	277,594,347	59,467,281	-	337,061,628	0.228%
2006	8,791,344,602	347,996,542	(69,771,516)	9,069,569,628	272,239,842	58,002,148	(537,132)	329,704,858	0.273%
2007	9,681,892,573	375,435,811	(47,879,656)	10,009,448,728	347,940,107	55,919,195	(547,874)	403,311,428	0.261%

NOTES: * The City of Redondo Beach has elected to present only eight years of data for this schedule. Collection of data prior to fiscal year 1999/2000 was not accessible.

In 1978 the voters of the State of California passed Proposition 13 which limited property 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 increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price 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: HdL Coren & Cone, Los Angeles County Auditor-Controller/Tax Division 2006-07 Combined Tax Rolls

City of Redondo Beach

**Direct and Overlapping Property Tax Rates
(Rate per \$100 of taxable value)**

Last Ten Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
City basic rate	0.16617	0.16617	0.16617	0.16617	0.16617	0.16617	0.16617	0.16617	0.16617	0.16617
Redevelopment agency	1.01268	1.01230	1.01209	1.01167	1.00990	1.00861	1.00755	1.00697	1.00604	1.00541
Overlapping Rates:										
Los Angeles County	0.00158	0.00145	0.00142	0.00131	0.00113	0.00103	0.00099	0.00092	0.00080	0.00066
Flood Control	0.00220	0.00195	0.00176	0.00156	0.00107	0.00088	0.00047	0.00024	0.00005	0.00005
Metropolitan Water District	0.00890	0.00890	0.00890	0.00880	0.00770	0.00670	0.00610	0.00580	0.00520	0.00470
Community College	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01903	0.01656	0.01838	0.03570
Unified School District	0.00000	0.00000	0.00000	0.00000	0.02370	0.00446	0.00866	0.02765	0.03336	0.02970
Total Direct Rate	0.22777	0.22406	0.22351	0.18529	0.18449	0.18385	0.18360	0.18176	0.18234	0.21166

Notes: General fund tax rates are representative and based upon the direct and overlapping rates for the largest general fund tax rate area (TRA) by net taxable value.

Total Direct Rate is the weighted average of all individual direct rates applied by the City of Redondo Beach.

RDA rate is based on the largest RDA tax rate area(TRA) and includes only rate(s) from indebtedness adopted prior to 1969 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.

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

Source: HdL Coren & Cone, Los Angeles County Assessor 2006/2007 Tax Rate Table

CITY OF REDONDO BEACH

PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

Taxpayer	2007		1998	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
TRW Inc.	\$213,285,574	2.05%	\$301,824,605	5.71%
Northrop Grumman Space & Mission	201,846,450	1.94%	-	
South Bay Center LLC	184,560,727	1.77%	-	
HPT IHG 2 Properties Trust	49,480,200	0.48%	-	
MKEG P LLC	34,680,000	0.33%	-	
Portofino Partners	33,648,449	0.32%	24,781,037	0.47%
Target Corporation	33,096,499	0.32%	-	
Harbor Cove Limited	30,992,475	0.30%	-	
Avalon California Value LLC	25,194,933	0.24%	-	
Haagen Redondo LLC	24,660,566	0.24%	-	
Galleria At South Bay	-		136,120,488	2.57%
Holiday Inns Inc.	-		26,750,742	0.51%
Telogy Inc.	-		18,437,773	0.35%
Redondo Shores LLC	-		16,055,310	0.30%
Space Technology Lab Inc.	-		15,790,000	0.30%
South Bay Associates	-		15,309,770	0.29%
Electro Rent Corporation	-		14,310,530	0.27%
Allen H. Ginsburg Trust	-		13,866,882	0.26%
	<u>\$831,445,873</u>	<u>7.98%</u>	<u>\$583,247,137</u>	<u>11.03%</u>

NOTE: The amounts shown above include assessed value date for both the City and the Redevelopment Agency.

CITY OF REDONDO BEACH

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years *	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 11,524,351	\$ 11,169,883	96.92%	\$ -	\$ 11,169,883	96.92%
1999	11,859,905	11,482,994	96.82%	-	11,482,994	96.82%
2000	12,493,704	12,079,105	96.68%	-	12,079,105	96.68%
2001	13,470,937	13,044,194	96.83%	-	13,044,194	96.83%
2002	14,444,954	14,001,063	96.93%	458,721	14,459,784	100.10%
2003	15,320,666	14,886,490	97.17%	477,197	15,363,687	100.28%
2004	16,229,288	15,968,858	98.40%	506,977	16,475,835	101.52%
2005	19,327,612	18,856,789	97.56%	459,220	19,316,009	99.94%
2006	19,954,589	19,442,404	97.43%	455,758	19,898,162	99.72%
2007	21,893,557	21,130,547	96.51%	477,535	21,608,082	98.70%

NOTE: * Data prior to fiscal year 2001/2002 was not accessible from the County of Los Angeles Auditor-Controller.

Source: County of Los Angeles Auditor-Controller

CITY OF REDONDO BEACH

RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-type Activities			Total Primary Government	Percentage of Personal Income *	Per Capita
	Tax Allocation Bonds	Revenue Bonds	Refunding Revenue Bonds	Loans	Capital Leases	Wastewater Revenue Bonds	Construction Loans	Capital Leases			
1998	\$ 3,125,000	\$ 10,165,000	\$ -	\$ 8,060,175	\$ 80,549	\$ -	\$ 5,812,661	\$ 14,263	\$ 27,257,648	10.75%	\$ 415
1999	3,000,000	10,045,000	-	10,621,474	35,362	-	5,656,522	69,305	29,427,663	11.15%	441
2000	2,865,000	9,920,000	-	10,965,311	9,675	-	5,491,933	49,017	29,300,936	10.50%	433
2001	7,545,000	9,785,000	-	11,358,367	4,047	-	5,332,062	34,837	34,059,313	11.56%	527
2002	4,570,000	9,640,000	2,965,000	11,754,103	57,068	-	5,157,329	19,495	34,162,995	11.31%	540
2003	4,480,000	9,485,000	2,840,000	12,179,445	50,105	-	4,994,952	2,896	34,032,398	10.93%	511
2004	4,385,000	9,325,000	2,730,000	12,805,278	36,364	10,263,776	4,607,531	-	44,152,949	13.42%	664
2005	4,285,000	9,150,000	2,615,000	13,701,886	26,295	10,086,150	4,399,037	-	44,263,368	-	657
2006	3,085,000	8,965,000	2,500,000	13,953,397	12,961	9,903,524	4,399,037	-	42,818,919	-	638
2007	3,010,000	8,765,000	2,380,000	14,067,018	919	9,715,898	4,181,161	-	42,119,996	-	624

NOTES: * Personal income data was not available from the California Department of Finance subsequent to fiscal year 2003/2004. Percentages reflected are calculated using personal income of the County of Los Angeles.

Source: Note 8 of the Notes to Financial Statements
California Department of Finance

CITY OF REDONDO BEACH

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2007

City Assessed Valuation		\$ 10,412,760,156	
Redevelopment Agency Incremental Valuation		590,620,180	
Total Assessed Valuation		<u>\$ 9,822,139,976</u>	

	Percentage Applicable	Outstanding Debt 6/30/07	Estimated Share of Overlapping Debt
Direct Debt:			
Redondo Beach South Bay Deferral Loans	100%	\$ 12,371,127	\$ 12,371,127
Redondo Beach Capital Leases	100%	919	919
Redondo Beach South Bay Bank Loan	100%	1,582,270	1,582,270
Redondo Beach Unified School District 2000 Ser A	100%	10,815,000	10,815,000
Redondo Beach Unified School District 2000 Ser B	100%	5,500,000	5,500,000
Redondo Beach Unified School District 2000 Ser C	100%	8,635,000	8,635,000
Redondo Beach Unified School District 2000 Ser D	100%	9,745,000	9,745,000
Redondo Beach Unified School District 2000 Ser E	100%	<u>14,810,000</u>	<u>14,810,000</u>
Total direct debt		<u>\$ 63,459,316</u>	<u>\$ 63,459,316</u>
Overlapping Debt:			
L.A. County Flood Control Storm Drain D.S. #4	1.237%	\$ 370,000	\$ 4,577
* West Basin Mwd 1111	1.339%	165,681,509	2,218,860
El Camino CCS DS 2002 S-2003A	15.154%	11,030,000	1,671,532
El Camino CCD DS 2005 REF BONDS	15.154%	32,002,525	4,849,795
El Camino CCD DS 2002 SER 2006B	15.154%	<u>150,000,000</u>	<u>22,731,621</u>
Total overlapping debt		<u>\$ 359,084,034</u>	<u>\$ 31,476,385</u>
Total direct and overlapping debt			<u>\$ 94,935,701</u>

NOTE: * This fund is a portion of a larger agency and is responsible for debt in areas outside the city.

Source: HdL Coren & Cone, Los Angeles County Assessor and Auditor Combined 2006/2007 Lien Date Tax Rolls

CITY OF REDONDO BEACH

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	\$ 10,412,760,156
Debt Limit (15% of assessed value)	1,561,914,023
Debt applicable to limit	<u>-</u>
Legal debt margin	<u>\$ 1,561,914,023</u>

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$ 793,141,778	\$ 818,632,106	\$ 874,103,683	\$ 968,970,186	\$ 1,046,421,752	\$ 1,116,507,639	\$ 1,219,090,570	\$ 1,284,480,104	\$ 1,409,891,173	\$ 1,561,914,023
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	793,141,778	818,632,106	874,103,683	968,970,186	1,046,421,752	1,116,507,639	1,219,090,570	1,284,480,104	1,409,891,173	1,561,914,023
Total net debt applicable to the limit as a percentage of debt limit	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>

Source: County of Los Angeles Auditor-Controller

CITY OF REDONDO BEACH

PLEDGED-REVENUE COVERAGE
Last Four Fiscal Years

Fiscal Year Ended June 30,	Wastewater Revenue Bonds					Coverage
	Wastewater Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2004	\$ 5,919,446	\$ 664,166	\$ 5,255,280	\$ -	\$ -	0%
2005*	2,258,072	723,265	1,534,806	180,000	462,798	2.39
2006*	1,739,414	783,193	956,221	185,000	478,063	1.44
2007	1,609,643	798,094	811,549	190,000	472,513	1.22

NOTE: * Calculation of coverage was revised to reflect the proper coverage calculation under the bond covenant. The Redondo Beach Public Financing Authority issued the Wastewater System Financing Project Revenue Bonds in fiscal year 2003/2004.

CITY OF REDONDO BEACH

DEMOGRAPHIC AND ECONOMIC STATISTICS
June 30, 2007

Calendar Year	Population	Personal Income * (in millions)	Per Capita Personal Income *	Unemployment Rate **
1998	65,755	\$ 253,516	\$ 38,555	5.8%
1999	66,786	263,987	39,527	5.1%
2000	67,638	279,050	41,256	5.1%
2001	64,658	294,508	45,549	5.2%
2002	63,261	302,123	47,758	6.7%
2003	66,545	311,285	46,778	6.9%
2004	66,545	329,048	49,447	6.3%
2005	67,325	-	-	5.0%
2006	67,112	-	-	4.4%
2007	67,495	-	-	4.7%

NOTES: * Personal income data was not available from the California Department of Finance subsequent to fiscal year 2003/2004. Per Capita Personal Income is based on the County of Los Angeles. Statistics not available subsequent to fiscal year 2003/2004. ** Unemployment rate is based on the metropolitan area of Los Angeles-Long Beach-Santa Ana, CA.

Source: California Department of Finance, Demographic Research Unit
California Department of Finance, Economic Research Unit
U.S. Department of Labor

CITY OF REDONDO BEACH

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2007		1998 *
	Employees	Percentage of Total City Employment	Employees
Northrop Grumman (TRW)	5,422	15.59%	5,402
Redondo Beach Unified School District	1,100	3.16%	-
Beach Cities Health District	620	1.78%	-
City of Redondo Beach	496	1.43%	453
Nordstrom, Inc.	429	1.23%	455
Crown Plaza (Holiday Inn)	339	0.97%	250
Macy's (Robinson's May)	288	0.83%	345
The Cheesecake Factory	261	0.75%	-
D H L Global Forwarding	244	0.70%	-
United States Post Office	233	0.67%	240
Web Service Company	-	0.00%	350
Douglas Furniture of California, Inc.	-	0.00%	308
Imperial Bank	-	0.00%	253
South Bay Adult School	-	0.00%	230

NOTES: * Total City employment data was not available for fiscal year 1997/1998.

Source: City of Redondo Beach

CITY OF REDONDO BEACH

**FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years**

Function	Full-time Employees									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government	53	56	56	64.5	60	60	59	56	56	59
Public Safety										
Police										
Officers	105	105	106	109	109	108	107	105	105	105
Civilians	53	53	54	57	57	57	58	57	57	58
Fire										
Firefighters and Officers	68	68	68	68	68	69	68	65	65	64
Civilians	5	5	5	6	5	5	6	5	5	6
Public Works	42	42	42	88	88	108	105	102	102	104
Cultural and Leisure Services	67	69	69	50	50	63	61	59	58	57
Housing & Community Development	41	39	40	46	44	45	44	33	33	34
Harbor, Business, & Transit	19	22	22	4.5	4	4	5	7	7	9
TOTAL	<u>453</u>	<u>459</u>	<u>462</u>	<u>493</u>	<u>485</u>	<u>519</u>	<u>513</u>	<u>489</u>	<u>488</u>	<u>496</u>

Source: City of Redondo Beach

CITY OF REDONDO BEACH

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Police										
Physical arrests	4,242	4,159	3,863	3,719	3,135	2,955	3,235	3,229	3,402	- *
Traffic citations issued	12,929	12,086	11,264	12,270	12,070	9,774	7,419	7,532	9,683	- *
Fire										
Number of runs - rescues	3,022	3,041	3,211	3,151	3,445	3,212	3,351	3,386	3,551	- *
Number of runs - structures & other	1,063	1,205	1,642	1,777	1,261	1,173	1,075	868	1,087	- *
Public Works										
Street rehabilitation (miles)	- *	2.2	-	3.2	9.3	17.1	17.8	13.3	3.2	3.7
Culture and Leisure Services										
Library										
Number of items borrowed	741,604	742,410	714,408	733,184	798,022	830,950	845,496	845,569	852,750	844,947
Number of visitors	448,490	468,111	449,907	435,826	441,974	454,114	436,714	438,310	439,060	445,056
Recreation and Community Services										
Admissions - Seaside Lagoon	Closed	86,720	100,941	99,236	98,352	101,584	81,487	86,562	90,966	82,071
Number of facility rentals - Seaside Lagoon	Closed	466	445	444	506	468	558	579	409	382
Housing & Community Development										
Number of permits issued	3,425	4,287	4,534	4,575	3,508	3,871	4,591	4,544	3,763	3,951
Number of plan checks issued	1,380	1,598	1,568	889	1,133	2,848	1,950	1,667	1,566	1,296
Number of inspections	9,952	9,290	15,659	16,680	14,131	14,161	16,817	20,236	19,378	19,916
Number of real estate reports	1,361	1,349	1,273	1,240	1,308	1,367	1,370	1,342	1,051	883
Number of bus boardings - Transit	- *	- *	- *	- *	90,746	98,934	94,087	70,458	169,519	298,206
Revenue miles - Transit	- *	- *	- *	- *	179,926	183,491	172,358	122,814	232,692	416,435

NOTE: * Data not available.

Source: City of Redondo Beach - Financial Services Department

CITY OF REDONDO BEACH

CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-station	1	1	1	1	1	1	1	1	1	1
Fire Stations	2	3	3	3	3	3	3	3	3	3
Public Works										
Streets (miles)	127	127	127	127	127	127	127	127	127	127
Streetlights	5117	5117	5117	5117	5117	5120	5120	1892 *	1892*	1892*
Street Traffic Controllers	84	84	84	84	84	84	84	84	84	84
Sanitary sewers (miles)	150	150	150	150	150	150	150	150	112	112
Culture and Leisure Services										
Parks	15	15	15	15	15	15	15	15	15	15
Parkettes	13	13	13	13	13	13	13	13	13	13
Total Park Acreage	93.06	93.06	93.06	93.06	93.06	143.26	143.26	143.26	143.3	143.26
Boat Slips	1509	1509	1509	1509	1509	1509	1509	1509	1509	1509
Harbor acreage:										
Total water area (exclusive of the pier)	107	107	107	107	107	107	107	107	107	107
Total land area	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5
Libraries	2	2	2	2	2	2	2	2	2	2
Community Centers	5	5	5	5	5	5	5	5	5	5

NOTE: * Methodology modification in fiscal year 2004/2005 to reflect city-owned street lights only.

Source: City of Redondo Beach

**City of Redondo Beach
Certification of Continuing Disclosure
Redondo Beach Public Financing Authority 1996 Revenue Bonds
(South Bay Center Redevelopment Project)
June 30, 2007**

This Certification of Continuing Disclosure is provided by the Redevelopment Agency of the City of Redondo Beach and the Redondo Beach Public Financing Authority through US Bank, as Dissemination Agent pursuant to a Continuing Disclosure Certificate dated July 30, 1996 executed and delivered by the Redevelopment Agency and the Public Financing Authority and the Dissemination Agent in connection with the issuance of \$10,330,000 Revenue Bonds, South Bay Center Redevelopment Project Bonds ("the Bonds"). The Bonds were issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of the Act, and an Indenture of Trust dated as of July 1, 1996 between the Financing Authority and US Bank. The proceeds of the Bonds were issued to provide funds to (i) acquire the Redevelopment Agency's South Bay Center Redevelopment Project 1996 Tax Allocation Bonds in order to finance certain redevelopment activities with respect to the South Bay Center Redevelopment Project of the Redevelopment Agency, and (ii) to provide new moneys for public capital improvements financeable by the Financing Authority under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code.

This Certification is made pursuant to the requirements of Section 3(a) of the Continuing Disclosure Certificate with respect to the 2006-07 fiscal year.

The Redevelopment Agency and the Public Financing Authority hereby report the following:

1. The audited financial statements of the Redevelopment Agency and the Public Financing Authority for the fiscal year ended June 30, 2007 comprise the book in which this report is included. As such, they contain the amount of all Redevelopment Agency debt outstanding secured by a pledge of tax revenues.
2. During the fiscal year ended June 30, 2007, neither the Redevelopment Agency nor the Public Financing Authority has issued any parity or subordinate debt.
3. During the fiscal year ended June 30, 2007, neither the Redevelopment Agency nor the Public Financing Authority has given or caused to be given notice of the occurrence of any of the following events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions or events affecting the tax-exempt status of the security;
 - g. Modifications to rights of security holders;
 - h. Bond calls;
 - i. Defeasances;
 - j. Release, substitution, or sale of property securing repayment of the securities; or
 - k. Rating changes.
4. The South Bay Center Redevelopment Plan stipulates the Project Area will not receive more than a cumulative limit of \$65,000,000 in gross tax increment over its life. According to the records of the Los Angeles County Auditor Controller, as of June 30, 2007 the Agency had been apportioned \$33,530,000 in gross tax increment.

By projecting the current tax increment levels using only a two percent inflationary growth rate, the tax increment limit is reached in the 22nd year of the bond issue repayment period.

City of Redondo Beach
Redondo Beach Redevelopment Agency
South Bay Center Redevelopment Project
Historical Project Area Valuations
June 30, 2007

	Base Year 1983-84	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Secured *											
Land	\$ 9,772,776	\$ 28,693,338	\$ 19,866,964	\$ 20,235,089	\$ 20,644,626	\$ 21,057,511	\$ 26,361,887	\$ 26,567,906	\$ 26,977,212	\$ 27,424,247	\$ 51,658,838
Impts	16,977,265	138,861,474	142,947,954	145,564,611	163,181,451	166,968,861	167,560,188	159,503,456	162,122,684	164,634,061	178,831,940
Pers Prop	-	413,470	374,001	422,955	423,564	385,673	396,224	597,793	572,459	1,617	1,514
Exemptions	-	-	-	-	-	-	-	-	-	-	-
Total Secured	26,750,041	167,968,282	163,188,919	166,222,655	184,249,641	188,412,045	194,318,299	186,669,155	189,672,355	192,059,925	230,492,292
Unsecured											
Land	-	-	-	-	-	-	-	-	-	-	-
Impts	3,023,006	10,194,053	14,184,525	11,364,512	13,993,159	11,511,489	12,123,607	13,074,302	12,287,632	12,261,701	11,408,416
Pers Prop	1,848,954	9,741,936	9,830,690	10,204,833	10,676,604	13,198,111	14,215,089	13,786,344	13,128,156	13,217,135	12,577,271
Exemptions	-	-	-	-	-	-	-	-	-	-	-
Total Unsecured	4,871,960	19,935,989	24,015,215	21,569,345	24,669,763	24,709,600	26,338,696	26,860,646	25,415,788	25,478,836	23,985,687
GRAND TOTAL	31,622,001	187,904,271	187,204,134	187,792,000	208,919,404	213,121,645	220,656,995	213,529,801	215,088,143	217,538,761	254,477,979
Incremental Value:		156,282,270	155,582,133	156,169,999	177,297,403	181,499,644	189,034,994	181,907,800	183,466,142	185,916,760	222,855,978
Incremental Value Change:		11,636,227	(700,137)	587,866	21,127,404	4,202,241	7,535,350	(7,127,194)	1,558,342	2,450,618	36,939,218
% Change:		8.04%	-0.45%	0.38%	13.53%	2.37%	4.15%	-3.77%	0.86%	1.34%	19.87%

NOTE: Secured values include state assessed non-unitary utility property.

Source: HdL Coren & Cone

City of Redondo Beach
Redondo Beach Redevelopment Agency
South Bay Center Redevelopment Project
Revenue vs. Levy Analysis
June 30, 2007

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Original Charge Secured Value	\$ 167,968,282	\$ 163,188,919	\$ 166,222,655	\$ 184,249,641	\$ 188,412,045	\$ 194,318,299	\$ 186,669,155	\$ 189,672,355	\$ 192,059,925	\$ 230,492,292
Adjustments to Original Charge	(3,019,843)	(1,393,785)	(608,600)	(1,694,392)	(2,895,608)	(5,284,757)	-	-	50,417,882	-
Base Year Secured Value	<u>(26,750,041)</u>	<u>(26,750,040)</u>	<u>(26,750,040)</u>							
Incremental Secured Value	138,198,398	135,045,093	138,864,014	155,805,208	158,766,396	162,283,501	159,919,114	162,922,314	215,727,767	203,742,252
Tax Rate	<u>0.0101268</u>	<u>0.0101230</u>	<u>0.0101209</u>	<u>0.0101167</u>	<u>0.0100990</u>	<u>0.0100861</u>	<u>0.0100755</u>	<u>0.0100697</u>	<u>0.0100604</u>	<u>0.0100542</u>
Adjusted Levy	1,399,509	1,367,067	1,405,425	1,576,228	1,603,383	1,636,814	1,611,271	1,640,576	2,170,316	2,048,455
Unitary Revenue	<u>32,284</u>	<u>32,649</u>	<u>32,405</u>	<u>30,921</u>	<u>31,743</u>	<u>30,672</u>	<u>29,747</u>	<u>31,324</u>	<u>27,782</u>	<u>27,587</u>
Total Secured/Unitary Levy	<u>1,431,793</u>	<u>1,399,716</u>	<u>1,437,830</u>	<u>1,607,149</u>	<u>1,635,126</u>	<u>1,667,487</u>	<u>1,641,018</u>	<u>1,671,899</u>	<u>2,198,098</u>	<u>2,076,043</u>
Original Charge Unsecured Value	19,935,989	24,015,215	21,569,345	24,669,763	24,709,600	26,338,696	26,860,646	25,415,788	25,478,836	23,985,683
Adjustments to Original Charge	4,455,945	1,095,889	3,338,312	(121,215)	15,159,459	329,075	77,266,839	2,878,283	200,319	848,749
Base Year Unsecured Value	<u>(4,871,960)</u>	<u>(4,871,959)</u>	<u>(4,871,959)</u>							
Incremental Unsecured Value	19,519,974	20,239,144	20,035,697	19,676,588	34,997,099	21,795,811	99,255,525	23,422,111	20,807,196	19,962,473
Tax Rate	<u>0.0101250</u>	<u>0.0101268</u>	<u>0.0101230</u>	<u>0.0101209</u>	<u>0.0101167</u>	<u>0.0100990</u>	<u>0.0100861</u>	<u>0.0100755</u>	<u>0.0100697</u>	<u>0.0100604</u>
Unsecured Adjusted Levy	<u>197,639</u>	<u>204,958</u>	<u>202,822</u>	<u>199,144</u>	<u>354,054</u>	<u>220,116</u>	<u>1,001,105</u>	<u>235,990</u>	<u>209,522</u>	<u>200,831</u>
Net Total Revenue	<u>1,629,431</u>	<u>1,604,674</u>	<u>1,640,652</u>	<u>1,806,294</u>	<u>1,989,180</u>	<u>1,887,603</u>	<u>2,642,124</u>	<u>1,907,890</u>	<u>2,407,620</u>	<u>2,276,874</u>
Remittance to Agency										
Secured/Unitary Remitted	1,432,133	1,399,681	1,443,608	1,606,406	1,634,614	1,666,575	1,640,962	1,667,891	2,197,703	2,075,997
Unsecured Remitted	192,376	198,255	203,739	195,626	346,157	215,664	220,615	230,164	207,367	183,272
HOX Payments	-	-	-	1	(71)	-	-	-	-	-
Total Remittance to Agency:	<u>1,624,509</u>	<u>1,597,937</u>	<u>1,647,347</u>	<u>1,802,034</u>	<u>1,980,700</u>	<u>1,882,239</u>	<u>1,861,577</u>	<u>1,898,055</u>	<u>2,405,070</u>	<u>2,259,268</u>
% of Collection to Levy	99.70%	99.58%	100.41%	99.76%	99.57%	99.72%	70.46%	99.48%	99.89%	99.23%
Grand Total Revenue:										
Secured and Unsecured Revenue	1,624,509	1,597,937	1,647,347	1,802,034	1,980,700	1,882,239	1,861,577	1,898,055	2,405,070	2,259,268
SB 813 Supplemental Payments	(839)	234	(11)	(51,655)	(4,777)	(14,273)	-	-	(17,379)	117,362
Redemptions/Open Roll Corrections	19,097	14,245	6,918	3,582	(44,345)	(41,247)	4,262	2,225	(5,534)	4,532
Taxpayer Refunds	(67,676)	(4,733)	(6,286)	(3,563)	4,059	(16,469)	(60,249)	(42)	(23,253)	5
Deferral Payments/Adjustments	-	-	-	-	-	-	-	129,927	(46,423)	(355,390)
Total Paid to Agency:	<u>1,575,091</u>	<u>1,607,683</u>	<u>1,647,968</u>	<u>1,750,398</u>	<u>1,935,637</u>	<u>1,810,249</u>	<u>1,805,590</u>	<u>2,030,165</u>	<u>2,312,481</u>	<u>2,025,778</u>
SB 2557 Charges (1)	(36,006)	(32,784)	(32,466)	(35,351)	(35,433)	(34,894)	(34,524)	(31,324)	(28,308)	(29,423)
Housing Set Aside	(315,018)	(321,537)	(329,594)	(350,080)	(387,127)	(362,050)	(354,655)	(406,033)	(517,064)	(405,156)
Tax Sharing Payments	(752,685)	(675,608)	(444,012)	(756,957)	(623,314)	(773,832)	(772,023)	(813,388)	(1,011,111)	(716,814)
Negative Balance from Prior Year	<u>(22,006)</u>	<u>-</u>	<u>(222)</u>	<u>-</u>						
Net Grand Total Revenue:	<u>\$ 449,376</u>	<u>\$ 577,754</u>	<u>\$ 841,674</u>	<u>\$ 608,010</u>	<u>\$ 889,762</u>	<u>\$ 639,473</u>	<u>\$ 644,388</u>	<u>\$ 779,420</u>	<u>\$ 755,998</u>	<u>\$ 874,385</u>

Source: HdL Coren & Cone

City of Redondo Beach
Redondo Beach Redevelopment Agency
South Bay Center Redevelopment Project
Top Ten Taxable Property Owners
June 30, 2007

	Secured			Unsecured			Total		Use Code
	Value	Parcels	Percent of Secured Actual Value	Value	Parcels	Percent of Unsecured Actual Value	Value	Percent of Total Value	
1. South Bay Center LLC	\$ 184,560,727	3	90.59%	\$ -	0	0.00%	\$ 184,560,727	82.82%	Commercial
2. Home Depot USA	18,490,641	1	9.08%	1,850,377	1	9.68%	20,341,018	9.13%	Commercial
3. South Bay Associates	12,741,460	5	6.25%	-	0	0.00%	12,741,460	5.72%	Commercial
4. MDS Realty I LLC	10,608,000	1	5.21%	-	0	0.00%	10,608,000	4.76%	Commercial
5. Walgreen Company	4,079,748	7	2.00%	-	0	0.00%	4,079,748	1.83%	Commercial
6. American Multi-Cinema Inc.	-	0	0.00%	3,396,035	2	17.77%	3,396,035	1.52%	Unsecured
7. Nordstrom Inc.	-	0	0.00%	2,681,889	1	14.03%	2,681,889	1.20%	Unsecured
8. Victoria's Secret Stores LLC	-	0	0.00%	896,702	1	4.69%	896,702	0.40%	Unsecured
9. GAP Inc & Subs	-	0	0.00%	876,453	3	4.59%	876,453	0.39%	Unsecured
10. Mervyns LLC	-	0	0.00%	773,907	1	4.05%	773,907	0.35%	Unsecured
	<u>\$230,480,576</u>	17	113.12%	<u>\$10,475,363</u>	9	54.81%	<u>\$240,955,939</u>	108.12%	
Project Area Incremental Value:	<u>\$203,742,251</u>			<u>\$19,113,727</u>			<u>\$222,855,978</u>		

Source: HdL Coren & Cone

City of Redondo Beach
Redondo Beach Redevelopment Agency
South Bay Center Redevelopment Project
Recent Appeals History

<u>Owner</u>	<u>APN</u>	<u>Appeal Type</u>	<u>Appeal Status</u>	<u>Original Value</u>	<u>Updated or Owner's Opinion Value</u>	<u>Proposed Change</u>	<u>Proposed % Change</u>
Currently Pending Appeals							
May Department Stores (2005-06)	4082-018-004	Overvalued Construction	Pending	25,520,000	9,800,000	(15,720,000)	-61.60%
Federated Department Stores (2006-07)	4082-018-004	Overvalued Purchase	Pending	25,520,000	7,427,470	(18,092,530)	-70.90%
Nordstrom Incorporated (2006-07)	4082-018-005	Overvalued Purchase	Pending	20,660,058	8,000,000	(12,660,058)	-61.28%
Nordstrom Incorporated (2006-07)	4082-018-010	Overvalued Purchase	Pending	138,380,669	126,000,000	(12,380,669)	-8.95%

Most Recently Resolved Appeals Among Owners with Pending Appeals

None				-	-	-	0.00%
				-	-	-	0.00%
				-	-	-	0.00%
				-	-	-	0.00%
				-	-	-	0.00%

Source: HdL Coren & Cone

City of Redondo Beach
Certification of Continuing Disclosure
Redondo Beach Public Financing Authority 2001 Refunding Revenue Bonds
(Harbor Center Redevelopment Project)
June 30, 2007

This Certification of Continuing Disclosure is provided by the Redevelopment Agency of the City of Redondo Beach and the Redondo Beach Public Financing Authority through US Bank, as Dissemination Agent pursuant to a Continuing Disclosure Certificate dated October 29, 2001 executed and delivered by the Redevelopment Agency and the Public Financing Authority and the Dissemination Agent in connection with the issuance of \$2,965,500 Refunding Revenue Bonds, Redondo Pier Reconstruction Refinancing Project Bonds ("the Bonds"). The Bonds were issued pursuant to an Indenture of Trust dated as of November 1, 2001 between the Financing Authority and US Bank. The proceeds of the Bonds were issued to fund a loan by the Public Financing Authority to the Redevelopment Agency pursuant to a loan agreement dated as of November 1, 2001. The proceeds of the loan were to provide funds to (i) provide funds to refinance certain redevelopment activities of the Agency within or of benefit to the Harbor Center Redevelopment Project Area and, in particular, to refund the Redevelopment Agency's outstanding Tax Allocation and Revenue Bonds issued in 1993, and (ii) pay costs of issuance of the Bonds.

This Certification is made pursuant to the requirements of Section 3(a) of the Continuing Disclosure Certificate with respect to the 2006-07 fiscal year.

The Redevelopment Agency and the Public Financing Authority hereby report the following:

1. The audited financial statements of the Redevelopment Agency and the Public Financing Authority, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, for the fiscal year ended June 30, 2007 comprise the book in which this report is included. As such, they contain the amount of all Redevelopment Agency debt outstanding secured by a pledge of tax revenues.
2. During the fiscal year ended June 30, 2007, neither the Redevelopment Agency nor the Public Financing Authority has given or caused to be given notice of the occurrence of any of the following events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions or events affecting the tax-exempt status of the security;
 - g. Modifications to rights of security holders;
 - h. Contingent or unscheduled bond calls;
 - i. Defeasances;
 - j. Resale, substitution, or sale of property securing repayment of the securities; or
 - k. Rating changes

City of Redondo Beach
Redondo Beach Redevelopment Agency
Harbor Center Redevelopment Project Area
Historical Project Area Valuations
June 30, 2007

	Base Year 1991-92	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<i>Secured *</i>											
Land	\$ 1,762,312	\$ 11,437,699	\$ 11,437,699	\$ 11,437,699	\$ 12,524,632	\$ 12,775,124	\$ 13,030,625	\$ 13,291,236	\$ 13,539,383	\$ 15,760,494	\$ 17,414,372
Impts	911,370	15,778,686	16,075,675	16,356,339	18,639,194	19,011,977	19,392,215	19,780,058	20,149,351	31,833,956	37,955,766
Pers Prop	6,660	-	-	-	-	-	-	-	-	-	-
Exemptions	-	-	-	-	-	-	-	-	-	-	-
Total Secured	2,680,342	27,216,385	27,513,374	27,794,038	31,163,826	31,787,101	32,422,840	33,071,294	33,688,734	47,594,450	55,370,138
<i>Unsecured</i>											
Land	-	-	-	-	-	-	-	-	-	-	-
Impts	69,280	40,069	-	12,782	660,316	854,727	972,053	1,009,249	1,182,097	1,407,295	1,524,897
Pers Prop	57,280	89,960	180,534	94,584	3,104,179	4,226,265	4,169,949	3,492,740	3,532,307	3,765,198	4,551,493
Exemptions	-	-	-	-	-	-	-	-	-	-	-
Total Unsecured	126,560	130,029	180,534	107,366	3,764,495	5,080,992	5,142,002	4,501,989	4,714,404	5,172,493	6,076,390
GRAND TOTAL	\$ 2,806,902	\$ 27,346,414	\$ 27,693,908	\$ 27,901,404	\$ 34,928,321	\$ 36,868,093	\$ 37,564,842	\$ 37,573,283	\$ 38,403,138	\$ 52,766,943	\$ 61,446,528
							Incremental Value				
							\$ 34,757,940				
							\$ 34,766,381				
							\$ 35,596,236				
							\$ 49,960,041				
							\$ 58,639,626				

NOTE: * Secured values include state assessed non-unitary utility property.

Source: HdL Coren & Cone

Redondo Beach Redevelopment Agency
Harbor Center Redevelopment Project
TOP TEN TAXABLE PROPERTY OWNERS
June 30, 2007

	Secured			Unsecured			Total		Use Code
	Value	Parcels	% Secured Assessed Value	Value	Parcels	% Unsecured Assessed Value	Value	% Total Assessed Value	
1. HPT IHG 2 Properties Trust	\$49,480,200	1	89.36%	\$ -	0	0.00%	\$49,480,200	80.53%	Commercial
2. Redondo Beach Hotel Associates	5,889,938	1	10.64%	-	0	0.00%	5,889,938	9.59%	Commercial
3. Intercontinental Hotel Group	-	0	0.00%	5,139,826	1	84.59%	5,139,826	8.36%	Unsecured
4. Muscle Improvement Inc.	-	0	0.00%	355,205	7	5.85%	355,205	0.58%	Unsecured
5. Out Sell Consulting Inc.	-	0	0.00%	223,245	1	3.67%	223,245	0.36%	Unsecured
6. Pawnee Leasing Corporation	-	0	0.00%	104,251	1	1.72%	104,251	0.17%	Unsecured
7. Lodgenet Entertainment Corp.	-	0	0.00%	68,233	1	1.12%	68,233	0.11%	Unsecured
8. Financial Pacific Leasing LLC	-	0	0.00%	67,175	1	1.11%	67,175	0.11%	Unsecured
9. Avantage Group Inc.	-	0	0.00%	42,000	1	0.69%	42,000	0.07%	Unsecured
10. Standard Parking Corporation	-	0	0.00%	25,917	2	0.43%	25,917	0.04%	Unsecured
	\$55,370,138	2	100.00%	\$6,025,852	15	99.17%	\$61,395,990	99.92%	
Project Area Assessed Value:	<u>\$55,370,138</u>			<u>\$6,076,390</u>			<u>\$61,446,528</u>		

Source: HdL Coren & Cone

City of Redondo Beach
Certification of Continuing Disclosure
Redondo Beach Public Financing Authority 2004 Series A Revenue Bonds
(Wastewater System Financing Project)
June 30, 2007

This Certification of Continuing Disclosure is provided by the City of Redondo Beach ("the City") and the Redondo Beach Public Financing Authority through US Bank, as Dissemination Agent pursuant to a Continuing Disclosure Certificate dated May 27, 2004 executed and delivered by the City of Redondo Beach and the Public Financing Authority and the Dissemination Agent in connection with the issuance of \$10,335,000 Series A Revenue Bonds, City of Redondo Beach Wastewater System Financing Project Bonds ("the Bonds"). The Bonds were issued pursuant to an Indenture of Trust dated as of May 1, 2004 between the Financing Authority and US Bank. The proceeds of the Bonds were issued to provide funds to (a) finance the Improvements and related facilities which constitute part of the Wastewater Enterprise of the City, (b) fund capitalized interest on the Bonds through November 1, 2004, (c) fund a reserve fund for the Bonds, and (d) pay the cost of issuance for the Bonds.

This Certification is made pursuant to the requirements of Section 3(a) of the Continuing Disclosure Certificate with respect to the 2006-07 fiscal year.

The City and the Public Financing Authority hereby report the following:

1. The audited financial statements of the City, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, for the fiscal year ended June 30, 2007 comprise the book in which this report is included.
2. During the fiscal year ended June 30, 2007, neither the City nor the Public Financing Authority has given or caused to be given notice of the occurrence of any of the following events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions or events affecting the tax-exempt status of the security;
 - g. Modifications to rights of security holders;
 - h. Contingent or unscheduled bond calls;
 - i. Defeasances;
 - j. Resale, substitution, or sale of property securing repayment of the securities; or
 - k. Rating changes

CITY OF REDONDO BEACH

SEWER RATES PER MONTH
Last Four Fiscal Years

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Use Classification				
Each single family dwelling unit	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
Each unit in a 2-3 unit condo structure	5.00	5.00	5.00	5.00
Each unit in a 2-3 unit apartment structure	3.89	3.89	3.89	3.89
Each unit in a 4 or more unit condo structure	3.89	3.89	3.89	3.89
Each unit in a 4 or more unit apartment structure	2.68	2.68	2.68	2.68
Commercial/Industrial/Institutional parcels	.043 *	.043 *	.043 *	.043 *

NOTE: The Redondo Beach Public Financing Authority issued the Wastewater System Financing Project Revenue Bonds in fiscal year 2003/2004.

* Per 100 cubic feet of average monthly water usage. 100 cubic feet of water is equal to 748 gallons, average monthly water usage is established based on the latest actual annual water usage record available to the City. On an annual basis, the city will recalculate the monthly charge by using the latest available annual water usage record of each non-residential user at the same \$.043 per 100 cubic feet rate to set a new monthly rate. Any water proven to be used for boilers, cooling towers or similar devices that will not be discharged into the sewer system may be deducted from the annual water usage record for rate calculation purposes.

Source: City of Redondo Beach

CITY OF REDONDO BEACH

SEWER CONNECTIONS BY TYPE OF CUSTOMER
Last Four Fiscal Years

Type of Customer	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Residential	13,039	13,211	13,211	13,211
Industrial	78	74	74	74
Commercial	575	510	510	510
Institutional	71	64	64	64
Mixed use	44	44	44	44
Total	<u>13,807</u>	<u>13,903</u>	<u>13,903</u>	<u>13,903</u>

NOTE: The Redondo Beach Public Financing Authority issued the Wastewater System Financing Project Revenue Bonds in fiscal year 2003/2004.

Source: City of Redondo Beach