

Comprehensive Annual Financial Report

City of Redondo Beach, California



For the year ending June 30, 2008

CITY OF REDONDO BEACH, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008

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

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2008

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December 16, 2008

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, 2008. 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 the 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 67,488 as of January 1, 2008, remaining relatively flat with 2007. The City remains a highly residential, non-industrial community. It is a highly-educated, upscale community where the median cost of a home is \$794,900.

Redondo Beach has significant concentrations of employment and retail activity in the northern industrial complex anchored by Northrop Grumann, 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 Grumann, 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 Mayor and City Council established an audit committee to enhance the City's communication with its independent accounting firm, ensuring increased involvement by the governing board in City's accounting processes.

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

Although Redondo Beach saw a healthy increase of 9.18% in real property assessed valuations for FY 2007-2008 and transient occupancy rates remained strong at 79%, the economic outlook for the region is showing signs of recession. In FY 2007-2008, sales tax revenue was less than projected in the FY 2007-2008 budget, a result of reduced consumer confidence and weaker consumer spending. Still, Redondo Beach continues to exceed the countywide average in total taxable retail sales, ranking 32 out of 88 cities. Another factor indicating a potential slowdown in the local economy is the slight increase in the Redondo Beach unemployment rate, which increased from 2.7% in 2006 to 2.9% in 2007.

Looking forward, financial market instability, the impact from the sub prime mortgage crisis, and organizations' lack of access to credit markets are negatively affecting National, State, and local economic performance. It is expected that sales tax revenue will further decline; real property inventory will heighten; and transient occupancy tax will possibly flatten.

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:

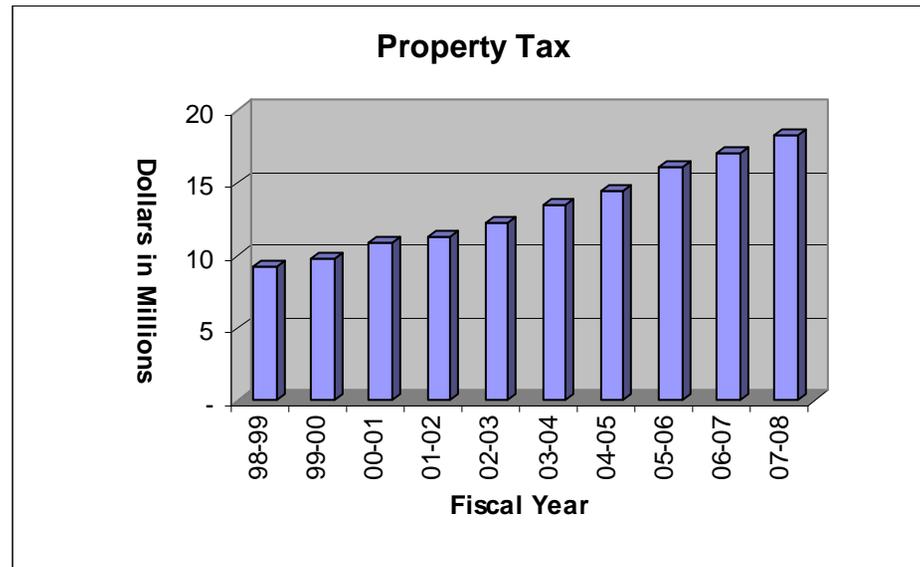
- Providing support to businesses in the Artesia / Inglewood area, helping them to capitalize on a new image and identity.
- Assisting the Riviera Village in the process of implementing physical improvements.
- Implementing the Harbor Area Vision and seeking major public and private reinvestment in the 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 revenues equal to 16.6% of the tax rate from the County of Los Angeles - Auditor/Controller's Office.

Although property tax revenues and real estate sales are showing signs of weakening, they remain strong in FY 2007-2008, with citywide assessed valuation increasing by \$970 million, or 9.18%, to \$11.53 billion. The City's assessed valuation is derived 84.3% from single-family residential properties, 11.4% from residential income properties, and the remaining 4.3% is derived from commercial and industrial properties. During FY 2007-2008, City property tax revenue increased by 6.56%, or \$1.12 million, to \$18.26 million. This increase reflected a positive trend in real estate appreciation driven by relatively low mortgage rates and a stable level of real estate exchange; however, the market is showing signs of contraction 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 assessed valuations and corresponding revenue growth moderate the positive impact of property tax revenue sources to the City's overall revenue stream.

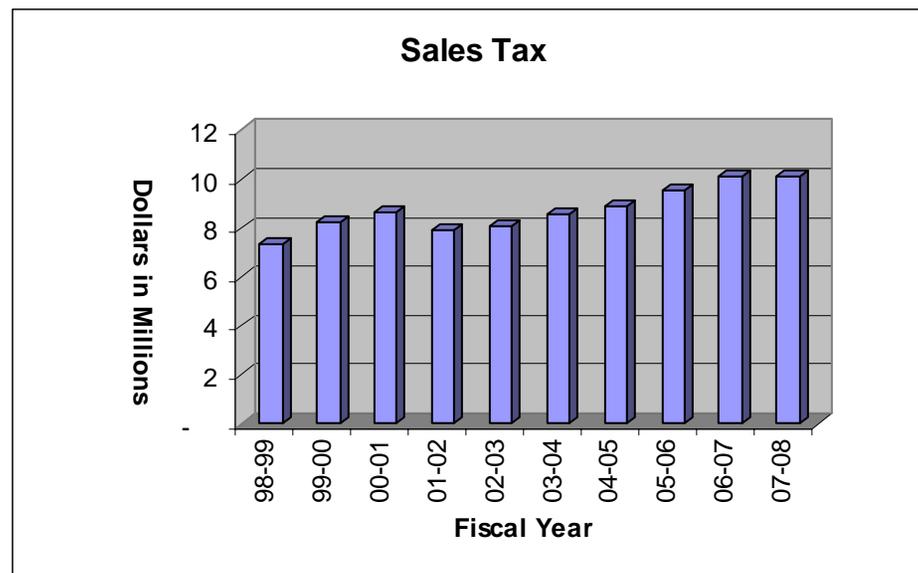


Sales Tax

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 \$8.07 million in FY 2002-2003 to \$10.10 million in FY 2007-2008, an increase of 25.15%. During FY 2007-2008, sales tax revenue reflected a reduction of \$28,496, or 0.28%, from FY 2006-2007. Components of sales tax revenue for this year consisted of \$7.44 million in local sales tax revenue and \$2.66 million in State "triple flip" sales tax in lieu from education relief augmentation funds. Twenty-five percent of the City's FY 2007-2008 traditional sales tax base is now committed by State legislative action to secure State deficit reduction bonds. Relatively flat local incomes, stagnant population growth, and rising unemployment have negatively impacted 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. Retail businesses are likely to realize a reduction in sales as the economy trends towards a recession, decreasing City sales tax revenue. 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.

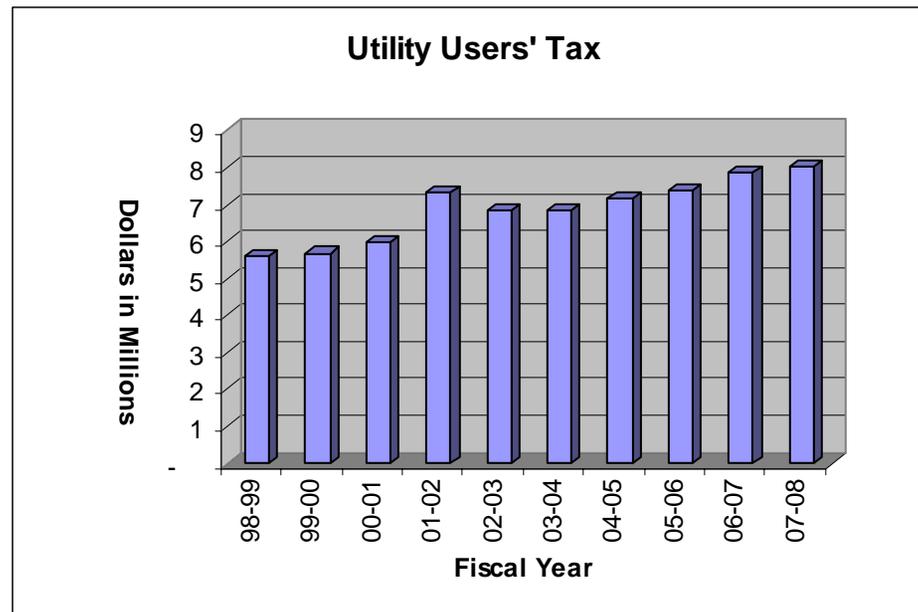


Utility Users' Tax

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 2007-2008 totaled \$8.02 million, reflecting a slight increase of \$140 thousand, or 1.78%. With 34%, or \$2.64 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 addressing these challenges by placing a measure on the March 2009 ballot to modernize the City's UUT ordinance, therefore, securing these important tax-based resources.



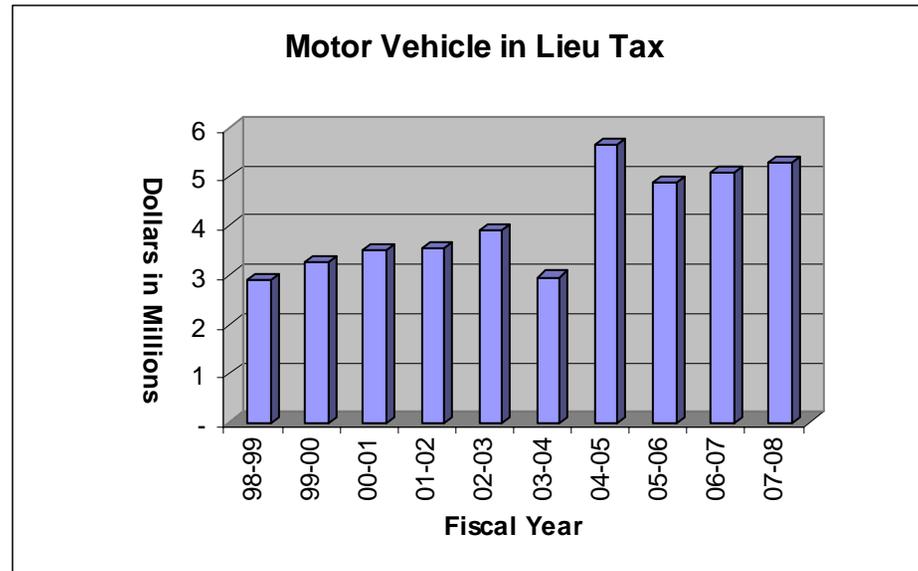
Motor Vehicle in Lieu Tax

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 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 2007-2008 was \$2.27 billion. State and county programs receive over 75% of these revenues. State administrative and other charges total \$426 million, and the remaining balance of \$136 million is allocated to cities based on population.

Since FY 1998-1999, 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 2007-2008, MVIL revenue totaled \$5.27 million, increasing \$190,000 from prior year and consisting of \$4.98 million of property tax in lieu of VLF revenue and \$294,000 in MVIL revenue.

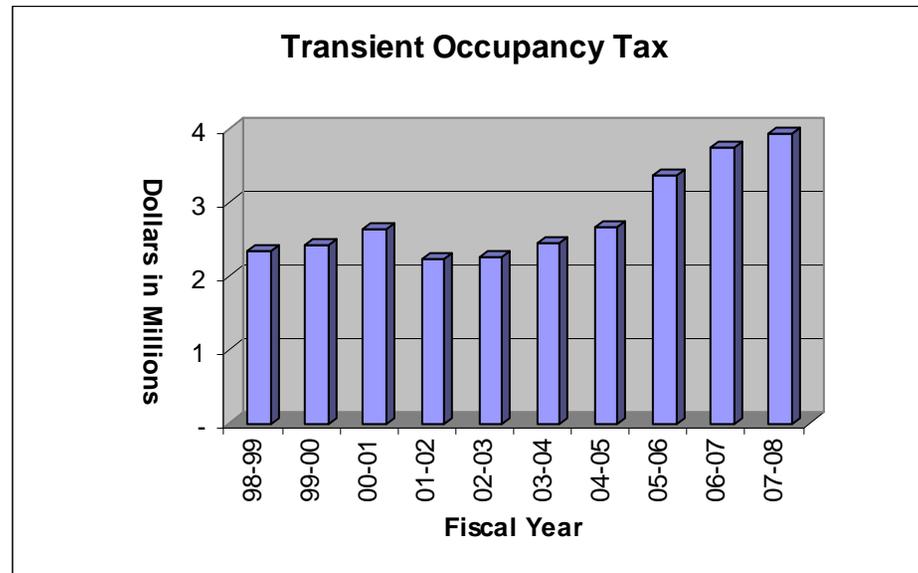


Transient Occupancy Tax

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. The tax is applied to the customer's lodging bill at a rate of 12%, which increased 2% in July 2005, and substantially enhanced revenues. 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 5.2%, or \$194,170, from FY 2006-2007 to FY 2007-2008. 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 79%. The slowing economy may begin to impact hotel room rates and occupancy, especially from the business traveler segment of the market, though this may be offset by more local leisure travel and stronger international visitor demand.



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 2007-2008 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 our long-range replacement program will protect the City’s valuable assets for future generations. Meanwhile, the City continues to invest in a number of significant projects:

Street Resurfacing

- *Residential Street Rehabilitation* - In FY 2007-2008, the City awarded a contract for \$1,280,000 for its multi-year residential street rehabilitation program. In addition, the City spent \$118,000 to improve curb ramps throughout the City. For FY 2008-2009, the City budgeted an additional \$700,000 to continue the residential resurfacing project.
- *Arterial Street Resurfacing* - In FY 2007-2008, the City spent over \$1.6 million resurfacing City arterials. For FY 2008-2009, the City budget includes over \$2.4 million for additional arterial resurfacing.
- *North Redondo Beach Bike Path* – The City completed construction of the \$1.4 million project in June 2008. The project includes 1 mile of bike path, 16 feet in width, in the north section of the City. It includes the installation of flashing LED crossing lights and various traffic signs/stripping.
- *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 project landscaping component is under construction and will be completed in FY 2008-2009.

Storm Drain System Improvements

- *Water Quality Improvements* - The City began 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 harbor. The Task Force completed an extensive list of short and long-term action recommendations, with several items considered in the City’s Capital Improvement Program. The FY 2007-2008 budget included \$175,000 to implement three of the Task Force’s recommendations.
- *Storm Drain Line Replacement* – In FY 2007-2008, the City initiated a plan for storm drain improvements and replacements, spending \$30,000. The FY 2008-2009 budget includes approximately \$2.4 million for additional storm drain improvements and replacement.

Sewer Improvements

- *Sewer Line Replacement* - In FY 2007-2008, 3,940 linear feet of sewer line and 15 manholes were replaced. Also during the period, the video inspection of the City’s 112 miles of sewer line was completed. The results of the inspection will guide future sewer improvement projects. The fiscal year 2008-2009 budget includes \$4.7 million for sewer facility improvements.

Facility Improvements

- *City Facility Improvements* - In FY 2007-2008, the City spent approximately \$230,000 to repair and replace the exterior slate on the Main Library. During this period, the City also spent \$35,000 to increase ADA parking around the Veteran’s Park Senior Center. A new \$40,000 HVAC system was also installed at the Franklin School site.
- *Park Improvements* – In FY 2007-2008, the City completed \$322,000 of renovations to the Beverly and General Eaton Parkettes. In addition, the Anderson Park Master Plan was completed. The FY 2008-2009 budget includes \$401,000 to implement phase 1 of the Master Plan.
- *Major Public Facilities Priority List* – In February 2007, the City Council adopted the Major Public Facilities Priority List. The List prioritizes major public facility needs, including existing facilities replacement, especially those outside of the five year planning horizon in the 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 August 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 \$25 million in LAIF, on average. The yield provided by LAIF over the past year has decreased in line with the overall decline 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 decrease in market interest rates experienced during fiscal year 2007-2008 inhibited investment opportunities that served to improve the overall investment yield on the portfolio. As of June 30, 2008, the City’s idle funds were invested as follows:

Investment	Market Value*	% of Portfolio	Yield to Maturity
Federal Agency Issues - Coupon	\$ 18,160,850	27.2%	4.17%
LAIF	32,000,000	47.8%	2.86%
Corporate Medium-Term Notes	16,719,492	25.0%	4.82%
Total Investments/Averages	\$ 66,880,342	100.0%	3.71%
Average Term of Investments			2.12 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, 2008. The amount, \$244,725, represented less than 4/10ths 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 2007-2008 the City issued \$5 million in TRAN, maturing on June 30, generating additional interest income of \$178,588.

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 2007-2008, 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, 2008, the City recorded the following:

Workers' Compensation Claim

Claims payable totaled \$14,842,812, representing an increase of \$544,827, or 3.81% from prior period. This increase is attributable to an increase in reserves and IBNR over a one-year period.

Liability Claims

Claims payable totaled \$ 2,598,637, representing an increase of \$138,120, or 5.61%, from prior period. This increase is attributable to an increase in estimated reserves.

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 2007-2008, 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. The rate for safety employees in fiscal year 2007-2008 was 32.210%, up from 31.105% in 2006-2007, with the miscellaneous employees' rate increasing from 11.577% to 11.610%. Rates are projected to increase from 2007-2008 levels for the 2008-2009 and 2009-2010 fiscal years.

The total contribution paid by the City toward retirement benefits was \$10.1 million, which includes the employer and employer-paid member contributions, along with prior-period adjustments determined by CalPERS. Approximately 81.2%, or \$8.2 million, was charged to the General Fund. The anticipated total contribution, excluding prior-period CalPERS adjustments, for fiscal year 2008-2009 is estimated to be approximately \$9.8 million.

Aside from contributing to CalPERS, the City also contributes to Social Security. The fiscal year 2007-2008 total cost for Social Security and Medicare coverage was \$1.8 million, of which \$1.2 million, or 66.6%, 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, 2008, the City was providing benefits to an average of 97 participants at an annualized cost of \$477,933.

AWARDS

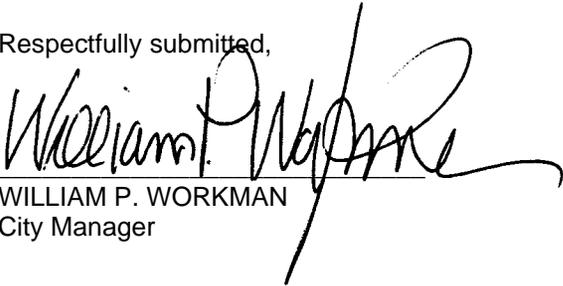
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Redondo Beach for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2007. In order to be awarded a Certificate of Achievement, a government 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 2007-2008, the City will again apply to the GFOA for the Certificate for Excellence in Financial Reporting. We believe that our current comprehensive annual financial report continues to meet the criteria to receive this certificate, 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, 2007

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.



Clive S. Cox

President

Jeffrey R. Emery

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

Gwendolyn Parker
Harbor, Business and Transit Director

Chris Benson
Information Technology Director

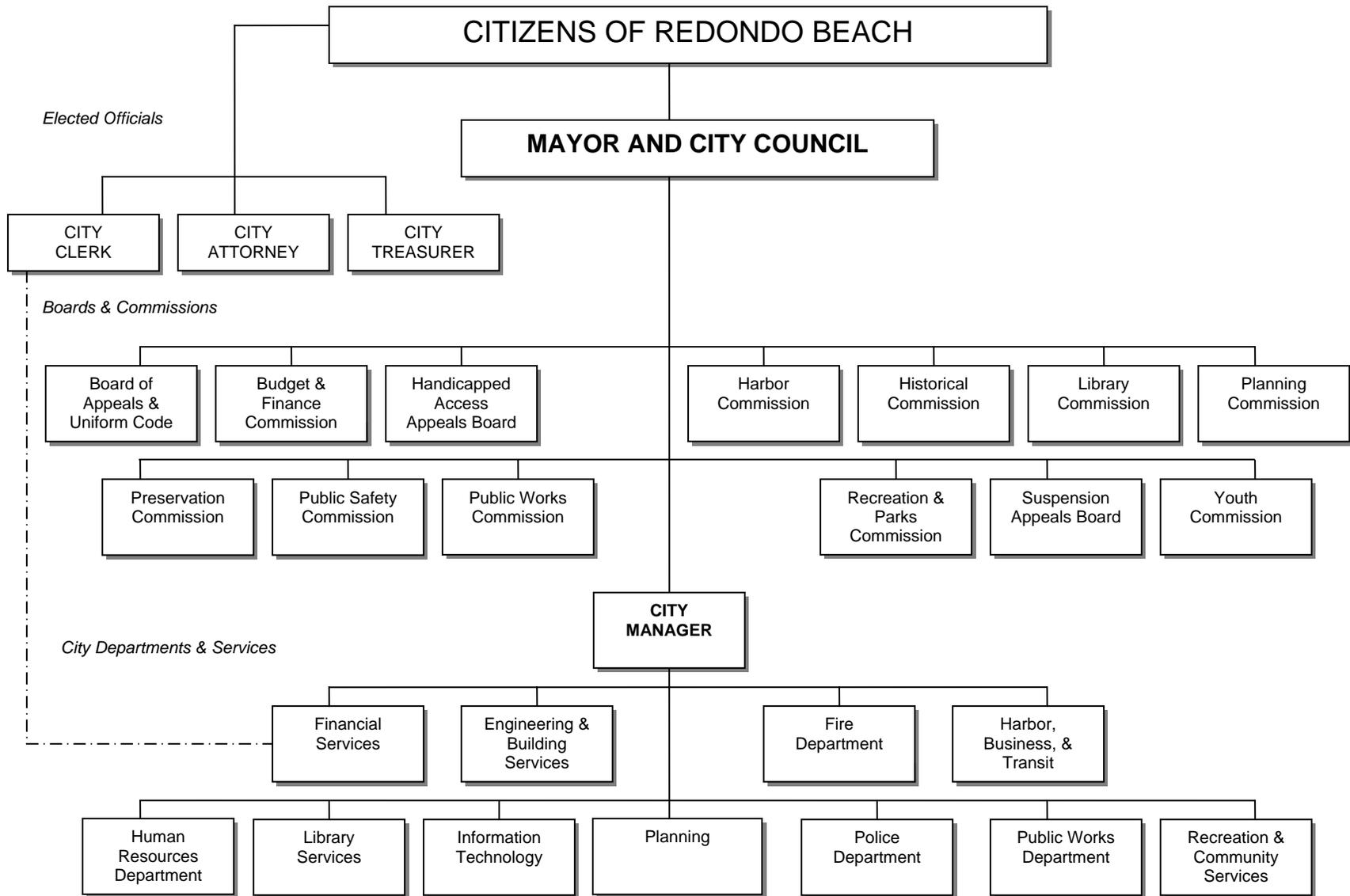
Randy Berler
Planning Director

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 2007-2008

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, 2008, 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, 2008, 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 December 8, 2008, 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

December 8, 2008

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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, 2008. 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, 2008 by \$216.8 million - assets for governmental activities exceeded liabilities by \$154.6 million and assets for business-type activities exceeded liabilities by \$62.2 million.

Changes in Net Assets - The City's net assets increased \$2.8 million in fiscal year 2007-2008. Net assets of governmental activities increased \$1.3 million, while net assets of business-type activities increased \$1.3 million.

- ♦ *Fund Highlights*

Governmental Funds - At the close of fiscal year 2007-2008, the City's total governmental funds reported a fund balance of \$43.3 million, an increase of \$4.8 million from the prior year. Highlighted below are this year's six major funds included in this grouping.

General Fund - The fund balance of the General fund on June 30, 2008 was \$12.6 million, an increase of \$1.5 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, 2008 was (\$1.8) million, an increase of \$100,000 from the prior year.

Special Revenue - Redevelopment Agency Fund - The fund balance of the Special Revenue - Redevelopment Agency fund on June 30, 2008 was \$11.5 million, an increase of \$300,000 from the prior year.

Capital Projects – Capital Improvement Projects Fund - The fund balance of the Capital Projects – Capital Improvement Projects Fund on June 30, 2008, was \$14.1 million, an increase of \$3.5 million from the prior year.

Debt Service – Public Financing Authority Fund - The fund balance of the Debt Service – Public Financing Authority fund on June 30, 2008 was \$12.6 million, remaining relatively flat from fiscal year 2006-2007.

Debt Service - Redevelopment Agency Fund - The fund balance of the Debt Service - Redevelopment Agency fund on June 30, 2008 was a negative \$16.6 million, increasing the negative fund balance by \$700,000 when compared to 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 26 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 six major funds are: General Fund, Special Revenue – Other Intergovernmental Grants Fund, Special Revenue – Redevelopment Agency Fund, Capital Projects – Capital Improvement Projects Fund, Debt Service - Public Financing Authority Fund, and Debt Service - Redevelopment Agency Fund. 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	
	2007-2008	2006-2007	2007-2008	2006-2007	2007-2008	2006-2007
Current and Other Assets	\$ 71,601,562	\$ 71,149,453	\$ 36,746,638	\$ 36,077,471	\$ 108,348,200	\$ 107,226,924
Capital Assets, net depre	134,588,982	135,154,770	40,212,474	40,206,605	174,801,456	175,361,375
Total assets	<u>206,190,544</u>	<u>206,304,223</u>	<u>76,959,112</u>	<u>76,284,076</u>	<u>283,149,656</u>	<u>282,588,299</u>
Long-Term Liabilities						
Outstanding	46,829,653	47,119,077	13,582,592	14,171,988	60,412,245	61,291,065
Other Liabilities	4,737,830	5,928,315	1,181,665	1,202,356	5,919,495	7,130,671
Total Liabilities	<u>51,567,483</u>	<u>53,047,392</u>	<u>14,764,257</u>	<u>15,374,344</u>	<u>66,331,740</u>	<u>68,421,736</u>
Investments in Capital						
Net of Related Debt	134,543,764	135,153,851	36,923,208	38,139,435	171,466,972	173,293,286
Restricted	34,884,364	34,467,200	-	-	34,884,364	34,467,200
Unrestricted	(14,805,067)	(16,364,220)	25,271,647	22,770,297	10,466,580	6,406,077
Total Net Assets	<u>\$ 154,623,061</u>	<u>\$ 153,256,831</u>	<u>\$ 62,194,855</u>	<u>\$ 60,909,732</u>	<u>\$ 216,817,916</u>	<u>\$ 214,166,563</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 \$216.8 million at the close of fiscal year ending June 30, 2008.

The largest portion of the City's total net assets (87.0%) 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 (13.0%) 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 2007-2008 total net assets increased by \$2.8 million, or 1.3%, from the prior year. The governmental activities net assets increased \$1.5 million, or 1.0%, while the business-type activities net assets increased \$1.3 million, or 2.1%.

The increase in net assets of governmental activities of \$1.3 million was due to a decrease in total assets of \$113,679 and a decrease in liabilities of \$1.6 million. Within total assets, the increase in current and other assets was attributable to increases in revenues. Significant increases to revenues were mainly due to housing and community development related operating grants and contributions. Additionally, net assets were enhanced by property taxes and claims settlements. The offset to these revenues were increases in public safety, which were primarily driven by increased personnel costs; increases in housing and community development expenditures due to the housing Section 8 voucher program; street maintenance projects; and transit related contracts and professional services. The decrease in total liabilities was attributable to other liabilities, primarily accounts payable, due to reduced spending and the timing of payments to vendors. Outstanding liabilities decreased mainly due to the reduction in compensated absences payable to employees. Business-type activities showed a 2.1% increase in net assets primarily due to charges for services for fiscal year 2007-2008.

City of Redondo Beach's Changes in Net Assets
Fiscal Year Ended June 30, 2008 and 2007

	Governmental Activities		Business-Type Activities		Total	
	2007-2008	2006-2007	2007-2008	2006-2007	2007-2008	2006-2007
Revenues:						
Program revenues:						
Charges for services	\$ 16,443,203	\$ 16,329,116	\$ 15,070,853	\$ 14,494,563	\$ 31,514,056	\$ 30,823,679
Operating grants and contributions	14,480,137	12,366,720	70,150	68,841	14,550,287	12,435,561
Capital grants and contributions	4,863,545	4,916,505	-	-	4,863,545	4,916,505
Total program revenues	<u>35,786,885</u>	<u>33,612,341</u>	<u>15,141,003</u>	<u>14,563,404</u>	<u>50,927,888</u>	<u>48,175,745</u>
General revenues:						
Property taxes	27,311,112	27,136,137	-	-	27,311,112	27,136,137
Sales taxes	9,635,626	10,205,436	-	-	9,635,626	10,205,436
Utilities users taxes	8,018,564	7,878,429	-	-	8,018,564	7,878,429
Motor vehicle license	293,685	429,612	-	-	293,685	429,612
Transient occupancy taxes	3,933,009	3,738,839	-	-	3,933,009	3,738,839
Franchise taxes	1,807,308	1,685,711	-	-	1,807,308	1,685,711
Business license taxes	1,385,726	1,289,608	-	-	1,385,726	1,289,608
Use of money and property ¹	4,264,527	4,687,909	1,329,922	1,439,428	5,594,449	6,127,337
Other revenues	443,706	1,626,971	141,621	138,877	585,327	1,765,848
Gain on sale of capital asset	34,735	-	-	-	34,735	-
Transfers	(146,710)	-	146,710	-	-	-
Total general revenues	<u>56,981,288</u>	<u>58,678,652</u>	<u>1,618,253</u>	<u>1,578,305</u>	<u>58,599,541</u>	<u>60,256,957</u>
Total revenue	<u>92,768,173</u>	<u>92,290,993</u>	<u>16,759,256</u>	<u>16,141,709</u>	<u>109,527,429</u>	<u>108,432,702</u>
Expenses:						
General government	10,234,450	10,019,467	-	-	10,234,450	10,019,467
Public safety	40,835,961	38,269,521	-	-	40,835,961	38,269,521
Public works	13,601,505	14,986,259	-	-	13,601,505	14,986,259
Cultural and leisure services	10,143,340	9,499,827	-	-	10,143,340	9,499,827
Housing and community development	14,063,015	12,194,088	-	-	14,063,015	12,194,088
Interest on long-term debt	2,419,799	1,696,368	-	-	2,419,799	1,696,368
Harbor Tidelands	-	-	5,075,571	4,902,841	5,075,571	4,902,841
Harbor Uplands	-	-	5,416,019	4,503,160	5,416,019	4,503,160
Solid Waste	-	-	3,129,337	3,493,852	3,129,337	3,493,852
Wastewater	-	-	1,853,206	2,122,793	1,853,206	2,122,793
Total expenses	<u>91,298,070</u>	<u>86,665,530</u>	<u>15,474,133</u>	<u>15,022,646</u>	<u>106,772,203</u>	<u>101,688,176</u>
Change in net assets	<u>1,470,103</u>	<u>5,625,463</u>	<u>1,285,123</u>	<u>1,119,063</u>	<u>2,755,226</u>	<u>6,744,526</u>
Net assets, beginning of year	153,294,181	144,913,667	60,909,732	59,164,331	214,203,913	204,077,998
Restatement of net assets	(141,223)	2,755,047	-	626,338	(141,223)	3,381,385
Net assets, end of year	<u>\$ 154,623,061</u>	<u>\$ 153,294,177</u>	<u>\$ 62,194,855</u>	<u>\$ 60,909,732</u>	<u>\$ 216,817,916</u>	<u>\$ 214,203,909</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 2007-2008 by \$477,180, or 1.0%. The increase in revenues was mainly due to operating grants and contributions. The major increase in operating grants and contributions resulted from numerous grants the City received for housing programs, transit activities, and street rehabilitation projects.

The City also had an increase in expenses of \$4.6 million, or 5.3%, when compared to fiscal year 2006-2007. The increase in public safety expenses primarily 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

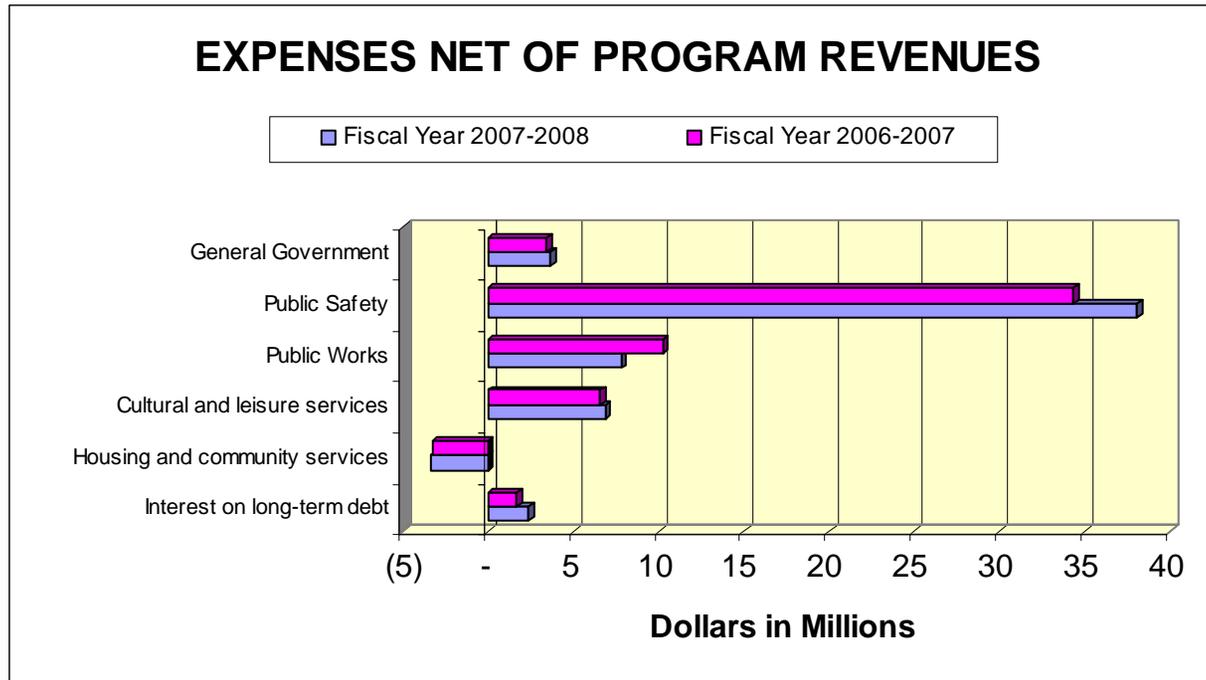
As reflected in the Changes in Net Assets schedule above, the total governmental activity expenses were \$91.3 million in fiscal year 2007-2008; whereas, total revenues from governmental activities were \$92.8 million, of which 38.6% were derived from program revenues.

On the following chart, the governmental activity expenses net of program revenues, increased \$2.4 million, or 4.6%, in fiscal year 2007-2008. Net expenses related to housing and community development remained relatively flat versus prior year. Substantial decreases in net expenses were experienced by public works due to an increase in revenue related to capital grants and contributions. General Government, Public safety, and Cultural and leisure services expenses increased primarily due to cost of living related personnel expenses and overhead increases resulting from the implementation of recommendations from a cost allocation plan analysis. Interest on long-term debt increased due to a debt service payment made on the City’s 1996 Tax Allocation Bonds in June 2008 that was not due until July 2008. Therefore, the interest expense which could have been recognized in fiscal year 2008-2009 was recognized in fiscal year 2007-2008.

Governmental Activities:	Impact to Net Assets		Percent Increase (Decrease)
	2007-2008	2006-2007	
<i>Expenses Net of Program Revenues*</i>			
General government	\$ (3,671,132)	\$ (3,441,892)	6.7%
Public safety	(38,073,767)	(34,346,523)	10.9%
Public works	(7,816,112)	(10,279,390)	(24.0%)
Cultural and leisure services	(6,878,230)	(6,582,124)	4.5%
Housing and community development	3,347,855	3,293,108	1.7%
Interest on long-term debt	(2,419,799)	(1,696,368)	42.6%
Total Governmental Activity Expenses			
Net of Program Revenues	\$ (55,511,185)	\$ (53,053,189)	4.6%

*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.

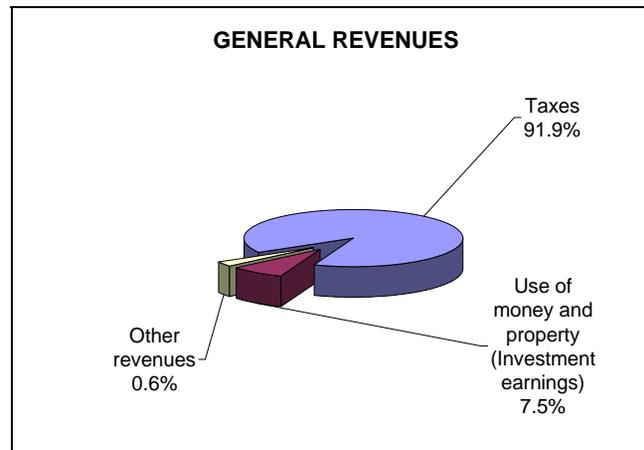


General Revenues Related to Governmental Activities

<u>General Revenues</u>	<u>2007-2008</u>	<u>2006-2007</u>
Taxes	\$ 52,385,030	\$ 52,363,772
Use of money and property ¹	4,264,527	4,687,909
Other revenues	331,731	1,626,971
Total General Revenues	<u>\$ 56,981,288</u>	<u>\$ 58,678,652</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, use of money and property, and other revenues. Total general revenues from governmental activities were \$57.0 million in fiscal year 2007-2008. The largest percentage of these revenues for fiscal year 2007-2008 (91.9%) was derived from taxes, increasing 3.0%. This includes property taxes, transient occupancy taxes, sales taxes, franchise taxes, business license taxes, utility users' taxes, and motor vehicle in lieu license fees. Although the remaining items makeup only 8.1% of General Revenues, these items in total reflected a decrease of 25.3%. The largest decrease was experienced in other revenues, resulting from more specific classification of revenues that were deemed other revenue in prior years. The reclassified revenues are now being appropriately classified as primary government program revenues in fiscal year 2007-2008.



Business-Type Activities

The City has four business-type activities: Harbor Tidelands, Harbor Uplands, Wastewater, and Solid Waste. These business-type activities increased the City's total assets by \$675,036 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 2007-2008, the assets of the Harbor Tidelands increased \$1.9 million 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 2007-2008, the assets of Harbor Uplands decreased by \$729,234, from prior year. The major cause of the decrease was related to depreciation of capital assets and a reduction in accounts receivable.

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 \$260,514 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 decreased \$243,642 from prior year.

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

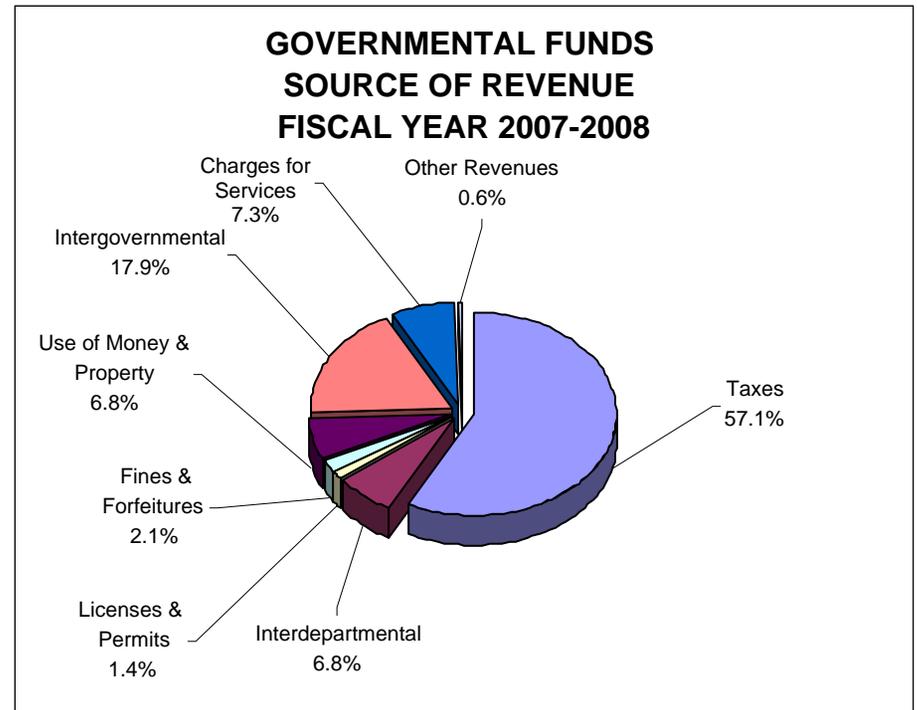
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Please note that unlike the Government-Wide financial statements displayed previously, the fund financial statements which follow are not reflected on a full accrual basis. Therefore, amounts reflected in the fund financial statements versus the Government-Wide statements may differ due to this 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, 2008, 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.

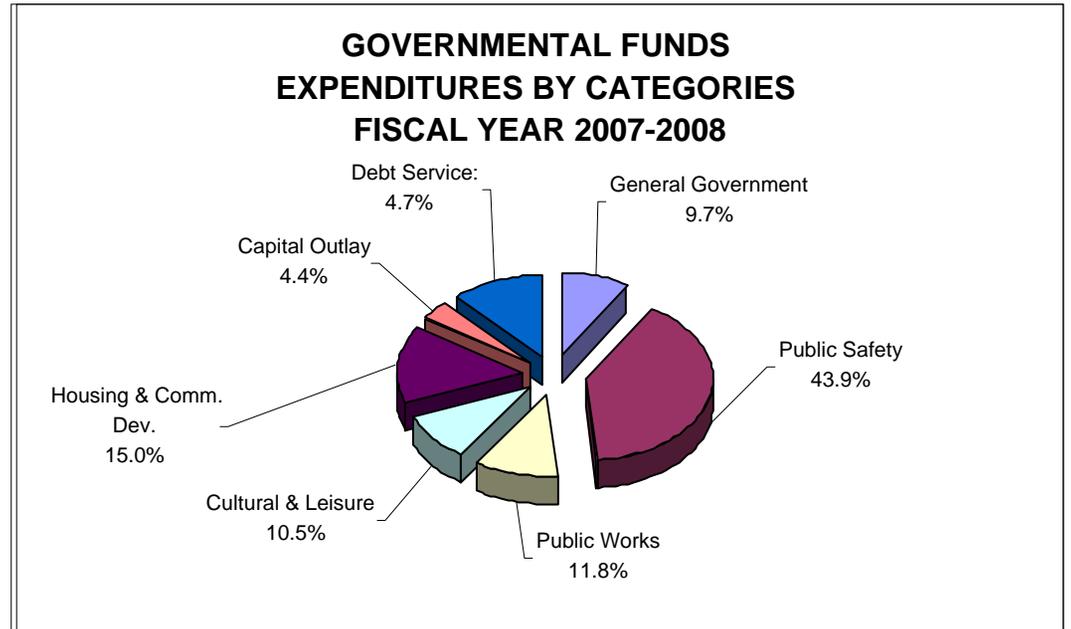
Source of Revenue	Amount FY 07-08	Percent of Total	Increase (Decrease) FY 06-07	Percent Increase (Decrease)
Taxes	\$ 53,052,490	57.1%	\$ 482,897	0.9%
Interdepartmental	6,314,750	6.8%	(3)	0.0%
Licenses & permits	1,306,025	1.4%	(354,314)	(21.3%)
Fines & forfeitures	1,984,683	2.1%	867,487	77.6%
Use of money & property	6,279,652	6.8%	1,051,031	20.1%
Intergovernmental	16,660,368	17.9%	888,647	5.6%
Charges for services	6,814,267	7.3%	(812,930)	(10.7%)
Other revenues	559,093	0.6%	(228,629)	(29.0%)
Total	\$ 92,971,328	100.0%	\$ 1,894,186	2.1%



Total governmental fund revenues increased \$3.5 million, or 3.9%, from fiscal year 2006-2007. The largest source of revenue was taxes, which increased \$482,897, or 0.9%, which was primarily due to property tax as a result of relatively low mortgage rates and a stable level of real estate exchange, as mentioned earlier. Interdepartmental remained relatively flat from fiscal year 2006-2007. Licenses and permits revenue decreased \$354,314 due to a decrease in building and parking permits. Fines and forfeitures revenue increased substantially due to parking citations. Use of money and property revenue increased \$1.1 million, or 20.1% primarily due to the receipt of three payments from the Redevelopment Agency to the Public Financing Authority. Charges for services decreased \$812,930 due to a reduction in planning fees, plan checks, franchise applications, franchise transfers, and subregional incentives, e.g., Metro EZ passes. Other revenues decreased \$228,629 due primarily to more specific classification of revenues that were deemed other revenue in prior years. The reclassified revenues are now being appropriately classified as primary government program revenues in fiscal year 2007-2008.

The following schedule is a summary of governmental fund expenditures by function for fiscal year ended June 30, 2008, 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 07-08	Percent Total	Increase (Decrease) FY 06-07	Percent Increase (Decrease)
Current:				
General government	\$ 9,033,018	9.7%	\$ (845,369)	(8.6%)
Public safety	40,909,913	43.9%	2,654,971	6.9%
Public works	11,046,771	11.8%	828,655	8.1%
Cultural and leisure services	9,780,910	10.5%	660,145	7.2%
Housing and community development	13,970,479	15.0%	2,010,249	16.8%
Capital outlay	4,121,712	4.4%	(1,196,518)	(22.5%)
Debt service	4,429,572	4.7%	1,973,017	80.3%
Total	\$ 93,292,375	100.0%	\$ 6,085,150	7.0%



Total governmental fund expenditures increased \$6.1 million or 7.0% from fiscal year 2006-2007. As mentioned earlier, the increases are attributable to:

- Public safety increased by \$2.7, or 6.9%, public works increased by \$828,655, or 8.1%, and cultural and leisure services increased by \$660,145, or 7.2%, due primarily to cost of living adjustment related to personnel and overhead increases resulting from the implementation of recommendations from a cost allocation plan analysis.
- Housing and community development increased by \$2.0 million or 16.8% primarily due to the housing Section 8 voucher program, transit related contracts and professional services, and the reclassification of RDA capital projects expenditures from general government to housing and community development.
- Debt Service expenditures increased by \$2.0 million or 80.3% due to the refunding of the City's 1996 Public Financing Authority Revenue Bonds.

Offsetting these increases are substantial decreases in general government and capital outlay expenditures. The decrease in general government of \$845,369 or 8.6% is primarily due to a reduction in redevelopment agency capital improvement projects. The decrease in capital outlay of \$1.2 million, or 22.5%, is due to a one-time purchase of public transit buses in fiscal year 2006-2007.

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

Special Revenue – Other Intergovernmental Grants Fund - The fund balance of the Special Revenue – Other Intergovernmental Grants fund on June 30, 2008 was (\$1.8) million, an increase of \$100,000 from the prior year. The increase is due to an increase in intergovernmental revenues and a substantial decrease in capital outlay expenditures versus prior year.

Special Revenue – Redevelopment Agency Fund – The fund balance of the Special Revenue – Redevelopment Agency Fund on June 30, 2008 was \$11.5 million, an increase of \$300,000 from the prior year. The increase is due to a substantial decrease in housing and community development expenditures versus prior year.

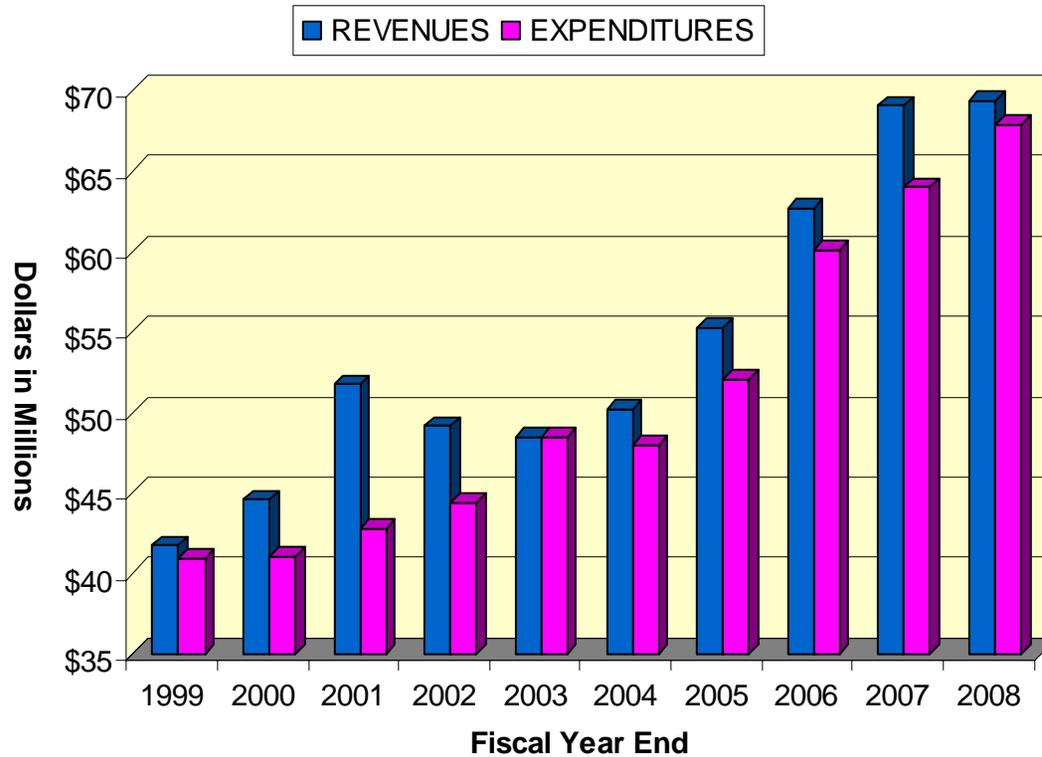
Capital Projects – Capital Improvement Projects Fund - The fund balance of the Capital Projects – Capital Improvement Projects Fund on June 30, 2008, was \$14.1 million, an increase of \$3.5 million from the prior year. The increase is primarily due to an increase in intergovernmental revenues and a substantial decrease in capital outlay expenditures versus prior year.

Debt Service – Public Financing Authority Fund - The fund balance of the Debt Service – Public Financing Authority Fund on June 30, 2008, was \$12.6 million, remaining relatively flat from fiscal year 2006-2007.

Debt Service - Redevelopment Agency Fund - The fund balance of the Debt Service - Redevelopment Agency Fund on June 30, 2008, was a negative \$16.6 million, increasing the negative fund balance by \$700,000 when compared to prior year. The increase in the negative fund balance is primarily due to a substantial increase in interest and fiscal charges related to the City's Redevelopment Agency bonds.

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 2006-2007 to fiscal year 2007-2008.

**REVENUES VS. EXPENDITURES
General Fund – Last Ten Years**



Impacts of both increases and decreases to General Fund revenues resulted in a net increase of \$278,163, or 0.5%, from fiscal year 2006-2007. The majority of the increase in revenue was due to taxes and fines and forfeitures, which includes parking citations and vehicle code fines. The increase in these revenues was substantially offset by a decrease in revenues related to charges for services and license and permits.

General Fund expenditures increased by \$3.9 million, or 6.5%. As mentioned earlier, increases were due to cost of living related personnel costs 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 net transfers out of \$10,301, as of June 30, 2008 was \$12.6 million, an increase of \$1.5 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 05-06</u>	<u>FY 06-07</u>	<u>FY 07-08</u>
General Fund Contingency	\$ 5,642,575	\$ 5,647,843	\$ 5,773,725
Compensated Absences	729,455	975,405	179,361
Carryover Designations	886,383	1,350,448	1,265,352
Retiree Medical Insurance	633,000	406,000	-
Economic Contingency	-	-	332,897
Street Landscaping & Lighting	-	-	200,000
Health Ins Premium Increases	-	274,000	186,000
Future Labor Negotiations	-	800,000	840,000
Future Years' Appropriations	1,480,000	672,517	2,569,817
Undesignated Balance	542,843	235,132	331,726

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 2007-2008 budget totaled \$72.2 million, including net amendments of \$4,423,490 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 \$632,164 for labor agreement modifications.
- Appropriation of \$20,000 for professional services related to Other Postemployment Benefits (OPEB).
- Appropriation of \$247,560 for retiree health care benefits.
- Appropriation of \$455,000 for Fire Department constant manning requirements and overtime related to Hermosa Beach paramedic services.
- Appropriation of \$1,017,024 for a one-time payroll adjustment to accurately reflect payroll in the correct fiscal year.
- Funding of prior-year encumbrances of \$584,476.
- Funding of carry-over appropriations of \$1,350,448.
- Funding of mid-year appropriations of \$216,818.
- Negative appropriation of \$100,000 to move funding for the historical museum from the General Fund to the Capital Projects Fund.

Budget amendments were funded from/credited to available fund balance. During the year, however, revenues exceeded budgetary estimates by \$1.5 million and expenditures were \$4.5 million less than budgetary estimates, primarily due to personnel vacancies 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, 2008, net capital assets of the governmental and business-type activities totaled \$134.6 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 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, 2008 the City's street system was rated at a PQI of 8.4.

The City's budget for street maintenance for the fiscal year ended June 30, 2008 was \$4.9 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, 2008 through June 30, 2010 is a minimum of \$10.2 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	37,274,147	(11,900,776)	25,373,371
Equipment, Vehicles, Machinery	17,668,540	(10,876,168)	6,792,372
Work in Progress	1,003,491		1,003,491
Construction in Progress	268,180		268,180
Infrastructure	120,170,494	(35,541,853)	84,628,641
Total	\$ 192,907,799	\$ (58,318,797)	\$ 134,589,002
Capital Assets - Business-Type Activities			
Land	\$ 11,323,255	\$ -	\$ 11,323,255
Buildings and Improvements	27,947,224	(12,187,984)	15,759,240
Equipment, Vehicles, Machinery	1,025,451	(647,187)	378,264
Construction in Progress	-		
Infrastructure	21,937,304	(9,185,589)	12,751,715
Total	\$ 62,233,234	\$ (22,020,760)	\$ 40,212,474

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 2007-2008 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	\$ 22,420,000	0.20%	\$ 332.21

The current bonds for the City are those which have been issued by the Public Financing Authority. The bonds outstanding as of June 30, 2008, are the South Bay Redevelopment Project 2008 Refunding Revenue Bonds in the amount of \$7.6 million, the Aviation High School Redevelopment Project 2000 Tax Allocation Bonds in the amount of \$2.9 million, the Redondo Pier Reconstruction Project 2001 Refunding Revenue Bonds in the amount of \$2.3 million, and the Wastewater System Financing Project 2004 Revenue Bonds in the amount of \$9.6 million. The South Bay Center bonds were issued to refund the Public Financing Authority's outstanding 1996 revenue bonds. 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 2008-2009 budget projecting General Fund revenues from outside sources to increase 1.5%, or \$942,000 over the fiscal year 2007-2008 final budget. Budgetary expectations reflect:

- Property tax revenue is projected to increase by 5.7%, or \$989,000, to \$18,315,000 from the fiscal year 2007-2008 final budget, excluding property tax in lieu of VLF and homeowners' exemptions. Property tax revenue continues to increase slowly, due to moderated levels of real estate sales, location desirability of the community, and Proposition 13 valuation growth. Property tax revenue is the City's number one source of operating revenue.

- Sales and use tax revenue is projected to decline by 1.9%, or \$196,000, to \$10,078,000. This projection is conservatively 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 decrease by 1.6%, or \$125,000, to \$7,675,000. The one –time impact of a fiscal year 2008-2009 withdrawal of UUT for Williams Energy from the UUT payer base due to an adverse litigation ruling accounts for \$115,000 of the decrease. 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 \$3.19 million, or 42%, of this revenue source, while \$2.64 million, or 34%, 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 is addressing these challenges by placing a measure on the March 2009 ballot to modernize the City’s UUT ordinance, therefore, securing these important tax-based resources.
- Franchise fees are projected to increase modestly by 1.8%, or \$33,000, to \$1,846,000. Components of franchise fee revenue include Time Warner cable television operations, Southern California Edison electricity franchise, Southern California Gas operations, Verizon, and taxicab franchise operations. 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 2008-2009, while projected revenue from the electricity franchise represents 21%. The 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 a conservative estimate from this revenue source.
- Investment earnings for the General Fund for fiscal year 2008-2009 are projected to decrease by 11.1%, or \$202,500, to \$1,619,500. This decline is attributable to lower rates within the investment marketplace. The three major components of the portfolio are: liquid investments with the State Local Agency Investment Fund, and both Federal Agency and high-grade corporate Medium-Term Note Investments structured with a 1 to 5 year investment maturity mix. 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 serves 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), is projected as a portion of the Intergovernmental revenues. These fees are projected by the State Department of Finance and scheduled to increase by \$28,000, or 8.2%, to \$371,000. Projected growth in the amount of motor vehicle license fee revenue is attributable to the apportionment of current revenue from the State net of withholding for various State administrative 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 \$229,000, or 4.6%, to \$5,205,000. VLF revenue parallels growth in City property tax revenue.

Budgeted General Fund appropriations decreased 1.8%, or \$1.3 million, to \$69,312,421, from the prior final budget. Personnel costs increased 1.3%, primarily due to cost of living increases and the new Other Post-Employment Benefits (OPEB) contribution of 4.5% of applicable payroll expenditures. Internal service fund allocations increased 2.1%, or \$339,564; however, the allocation will be adjusted at the midyear review. There were significant cost reductions in maintenance and operations expenditures of 19.8% 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.

Although Redondo Beach saw a healthy increase of 9.18% in real property assessed valuations for FY 2007-2008 and transient occupancy rates remained strong at 79%, the economic outlook for the region is showing signs of recession. In FY 2007-2008, sales tax revenue was less than projected in the FY 2007-2008 budget, a result of reduced consumer confidence and weaker consumer spending. Still, Redondo Beach continues to exceed the countywide average in total taxable retail sales, ranking 32 out of 88 cities. Another factor indicating a potential slowdown in the local economy is the slight increase in the Redondo Beach unemployment rate, which increased from 2.7% in 2006 to 2.9% in 2007.

Looking forward, financial market instability, the impact from the sub prime mortgage crisis, and organizations' lack of access to credit markets are negatively affecting National, State, and local economic performance. It is expected that sales tax revenue will further decline; real property inventory will heighten; and transient occupancy tax will possibly flatten.

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 310-318-0683, 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, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 60,009,891	\$ 19,465,406	\$ 79,475,297
Receivables:			
Accounts	970,752	610,211	1,580,963
Taxes	4,607,530	87,118	4,694,648
Notes and loans	6,885,769	281,134	7,166,903
Accrued interest	602,828	142,886	745,714
Internal balances	(8,714,611)	8,714,611	-
Prepaid costs	73,840	250	74,090
Due from other governments	3,242,094	10,706	3,252,800
Deferred charges	275,374	330,545	605,919
Restricted assets:			
Cash with fiscal agent	3,514,897	7,103,771	10,618,668
Due from external parties	133,198	-	133,198
Capital assets not being depreciated	71,848,654	11,323,255	83,171,909
Capital assets, net of depreciation	62,740,328	28,889,219	91,629,547
Total Assets	206,190,544	76,959,112	283,149,656
Liabilities:			
Accounts payable	2,087,818	746,163	2,833,981
Accrued liabilities	1,391,580	193,878	1,585,458
Accrued interest	139,735	-	139,735
Unearned revenue	838,265	212,576	1,050,841
Deposits payable	79,715	29,048	108,763
Due to other governments	200,717	-	200,717
Noncurrent liabilities:			
Due within one year:			
Compensated absences payable	1,394,324	82,448	1,476,772
Claims and judgments payable	1,280,329	-	1,280,329
Other long-term debt	624,999	435,553	1,060,552
Due in more than one year			
Compensated absences payable	395,589	23,392	418,981
Claims and judgments payable	16,161,392	-	16,161,392
Other long-term debt	26,973,020	13,041,199	40,014,219
Total Liabilities	51,567,483	14,764,257	66,331,740

CITY OF REDONDO BEACH

STATEMENT OF NET ASSETS
JUNE 30, 2008

Net Assets:

Invested in capital assets, net of related debt	134,543,764	36,923,208	171,466,972
Restricted for:			
Community development projects	7,583,763	-	7,583,763
Public safety	673,351	-	673,351
Capital projects	14,041,136	-	14,041,136
Debt service	12,586,114	-	12,586,114
Unrestricted	<u>(14,805,067)</u>	<u>25,271,647</u>	<u>10,466,580</u>
Total Net Assets	<u>\$ 154,623,061</u>	<u>\$ 62,194,855</u>	<u>\$ 216,817,916</u>

CITY OF REDONDO BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Primary Government:							
Governmental Activities:							
General government	\$ 10,234,450	\$ 6,337,391	\$ 225,927	\$ -	\$ (3,671,132)	\$ -	\$ (3,671,132)
Public safety	40,835,961	1,437,688	1,324,506	-	(38,073,767)	-	(38,073,767)
Housing and community development	14,063,015	5,186,896	9,941,218	2,282,756	3,347,855	-	3,347,855
Cultural and leisure services	10,143,340	1,747,849	1,249,957	267,304	(6,878,230)	-	(6,878,230)
Public works	13,601,505	1,733,379	1,738,529	2,313,485	(7,816,112)	-	(7,816,112)
Interest on long-term debt	2,419,799	-	-	-	(2,419,799)	-	(2,419,799)
Total Governmental Activities	91,298,070	16,443,203	14,480,137	4,863,545	(55,511,185)	-	(55,511,185)
Business-Type Activities:							
Harbor Tidelands	5,075,571	6,084,834	-	-	-	1,009,263	1,009,263
Harbor Uplands	5,416,019	4,400,815	-	-	-	(1,015,204)	(1,015,204)
Solid Waste	3,129,337	2,845,736	70,150	-	-	(213,451)	(213,451)
Wastewater	1,853,206	1,739,468	-	-	-	(113,738)	(113,738)
Total Business-Type Activities	15,474,133	15,070,853	70,150	-	-	(333,130)	(333,130)
Total Primary Government	\$ 106,772,203	\$ 31,514,056	\$ 14,550,287	\$ 4,863,545	(55,511,185)	(333,130)	(55,844,315)

CITY OF REDONDO BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

General Revenues:			
Taxes:			
Property taxes, levied for general purpose	27,311,112	-	27,311,112
Transient occupancy taxes	3,933,009	-	3,933,009
Sales taxes	9,635,626	-	9,635,626
Franchise taxes	1,807,308	-	1,807,308
Business licenses taxes	1,385,726	-	1,385,726
Utility users tax	8,018,564	-	8,018,564
Motor vehicle in lieu - unrestricted	293,685	-	293,685
Use of money and property	4,264,527	1,329,922	5,594,449
Other	443,706	141,621	585,327
Gain on sale of capital asset	34,735	-	34,735
Transfers	<u>(146,710)</u>	<u>146,710</u>	<u>-</u>
Total General Revenues, Contributions, Special Items and Transfers	<u>56,981,288</u>	<u>1,618,253</u>	<u>58,599,541</u>
Change in Net Assets	1,470,103	1,285,123	2,755,226
Net Assets at Beginning of Year	153,294,177	60,909,732	214,203,909
Restatement of Net Assets	<u>(141,219)</u>	<u>-</u>	<u>(141,219)</u>
Net Assets at End of Year	<u>\$ 154,623,061</u>	<u>\$ 62,194,855</u>	<u>\$ 216,817,916</u>

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FUND FINANCIAL STATEMENTS



FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund - The General Fund is used to account for all revenues and expenditures that are not required to be accounted for in another fund.

Other Intergovernmental Grants Fund (Special Revenue) – To account for federal, state and other governmental agencies grant funding that supplements local funding.

The Redevelopment Agency Fund (Special Revenue) – To account 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.

Capital Improvements Projects Fund (Capital Projects Fund) – To account for capital improvements for the City.

Public Financing Authority (Debt Service) Fund - To account for the payment of interest and principal on tax allocation bonds and other debt issued to finance city and redevelopment activities.

Redevelopment Agency (Debt Service) Fund - To account 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.

Other Non-Major Governmental Funds is the aggregate of all the non-major governmental funds.

CITY OF REDONDO BEACH

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds			Capital	Debt Service Funds		Other Governmental Funds	Total Governmental Funds
	Other	Redevelopment Agency	Projects Fund Capital Improvement Projects	Public Financing Authority	Redevelopment Agency			
	Intergovernmental Grants					General		
Assets:								
Pooled cash and investments	\$ 7,057,928	\$ -	\$ 5,634,609	\$ 14,338,834	\$ 370,508	\$ 951,793	\$11,547,319	\$ 39,900,991
Receivables:								
Accounts	847,910	70,664	-	-	20,917	-	29,282	968,773
Taxes	4,071,092	-	26,528	-	-	50,660	459,250	4,607,530
Notes and loans	17,478	-	6,356,228	-	-	-	512,063	6,885,769
Accrued interest	457,165	1,836	59,687	-	1,759	-	82,381	602,828
Prepaid costs	73,727	-	-	-	-	-	-	73,727
Due from other governments	344,004	1,721,444	134	-	-	-	1,176,464	3,242,046
Due from other funds	2,689,227	-	256,441	-	148,105	-	215	3,093,988
Advances to other funds	-	-	-	-	8,946,799	-	-	8,946,799
Restricted assets:								
Cash and investments with fiscal agents	-	-	-	-	3,507,146	7,751	-	3,514,897
Receivables (net of uncollectibles)	-	-	-	-	-	-	-	-
Due from external parties	133,198	-	-	-	-	-	-	133,198
Total Assets	\$15,691,729	\$ 1,793,944	\$ 12,333,627	\$ 14,338,834	\$ 12,995,234	\$ 1,010,204	\$13,806,974	\$ 71,970,546
Liabilities and Fund Balances:								
Liabilities:								
Accounts payable	\$ 564,386	\$ 111,017	\$ -	\$ 208,040	\$ -	\$ -	\$ 741,417	\$ 1,624,860
Accrued liabilities	1,150,165	8,873	-	3,646	-	-	92,475	1,255,159
Deferred revenues	745,632	1,635,568	831,634	-	-	-	806,727	4,019,561
Unearned revenues	558,091	263,964	-	-	-	-	16,210	838,265
Deposits payable	79,715	-	-	-	-	-	-	79,715
Due to other governments	5,442	-	1,174	-	-	192,412	1,661	200,689
Due to other funds	6,539	1,525,485	23,708	-	414,148	194,026	1,202,905	3,366,811
Advances from other funds	-	-	-	-	-	17,248,233	-	17,248,233
Total Liabilities	3,109,970	3,544,907	856,516	211,686	414,148	17,634,671	2,861,395	28,633,293

CITY OF REDONDO BEACH

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds		Capital	Debt Service Funds		Other	Total	
	Other	Redevelopment	Projects Fund	Public	Redevelopment			
	Intergovernmental	Agency	Capital	Financing	Agency	Governmental	Governmental	
	Grants	Agency	Improvement	Authority	Agency	Funds	Funds	
	General		Projects					
Fund Balances:								
Reserved:								
Reserved for encumbrances	811,676	617,859	-	1,786,855	-	-	1,897,192	5,113,582
Reserved for prepaid costs	73,727	-	-	-	-	-	-	73,727
Reserved for notes and loans	17,478	-	5,524,594	-	-	-	-	5,542,072
Reserved for advances to other funds	-	-	-	-	8,946,799	-	-	8,946,799
Reserved for low income programs	-	-	2,385,036	-	-	-	-	2,385,036
Unreserved:								
Unreserved, reported in nonmajor:								
Special revenue funds	-	-	-	-	-	-	7,429,282	7,429,282
Capital projects funds	-	-	-	-	-	-	1,614,077	1,614,077
Debt service funds	-	-	-	-	-	-	5,028	5,028
Designated for future years' appropriation	2,569,817	-	-	-	-	-	-	2,569,817
Designated for contingencies	5,773,725	-	-	-	-	-	-	5,773,725
Designated for compensated absences	179,361	-	-	-	-	-	-	179,361
Designated for petty cash	16,800	-	-	-	-	-	-	16,800
Designated for continuing appropriations	1,265,352	-	3,567,481	8,926,207	-	-	-	13,759,040
Designated for labor relations	840,000	-	-	-	-	-	-	840,000
Designated for health insurance premiums	186,000	-	-	-	-	-	-	186,000
Designated for economic contingency	332,897	-	-	-	-	-	-	332,897
Designated for street landscaping & lighting	200,000	-	-	-	-	-	-	200,000
Undesignated	314,926	(2,368,822)	-	3,414,086	3,634,287	(16,624,467)	-	(11,629,990)
Total Fund Balances	12,581,759	(1,750,963)	11,477,111	14,127,148	12,581,086	(16,624,467)	10,945,579	43,337,253
Total Liabilities and Fund Balances	\$ 15,691,729	\$ 1,793,944	\$ 12,333,627	\$ 14,338,834	\$ 12,995,234	\$ 1,010,204	\$ 13,806,974	\$ 71,970,546

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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, 2008

Fund balances of governmental funds	\$ 43,337,253
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	130,811,211
Bond issuance cost is an expenditure in the governmental funds, but it is a deferred charge in the statement of net assets	275,374
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Long-term liabilities	(27,552,800)
Compensated Absences	(1,637,784)
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds	(139,735)
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities.	4,019,561
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	<u>5,509,981</u>
Net assets of governmental activities	<u><u>\$ 154,623,061</u></u>

CITY OF REDONDO BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Special Revenue Funds			Capital Projects Fund	Debt Service Funds		Other Governmental Funds	Total Governmental Funds
	General	Other	Redevelopment Agency	Capital	Public	Redevelopment Agency		
		Intergovernmental Grants		Improvement Projects	Financing Authority			
Revenues:								
Taxes	\$50,734,975	\$ -	\$ 763,627	\$ -	\$ -	\$ 1,525,088	\$ 28,800	\$ 53,052,490
Interdepartmental	6,314,750	-	-	-	-	-	-	6,314,750
Licenses and permits	1,306,025	-	-	-	-	-	-	1,306,025
Intergovernmental	515,186	2,384,971	-	1,085,612	-	-	12,674,599	16,660,368
Charges for services	4,871,735	-	-	-	-	-	1,942,532	6,814,267
Use of money and property	3,381,912	-	441,617	-	1,621,813	48,038	786,272	6,279,652
Fines and forfeitures	1,984,683	-	-	-	-	-	-	1,984,683
Miscellaneous	266,220	-	14,802	13,000	-	-	265,071	559,093
Total Revenues	69,375,486	2,384,971	1,220,046	1,098,612	1,621,813	1,573,126	15,697,274	92,971,328
Expenditures:								
Current:								
General government	9,033,018	-	-	-	-	-	-	9,033,018
Public safety	40,290,495	564,702	-	-	-	-	54,716	40,909,913
Housing and community development	1,663,311	9,671	922,585	-	315,956	47,924	11,011,032	13,970,479
Cultural and leisure services	9,780,910	-	-	-	-	-	-	9,780,910
Public works	7,136,226	148,091	-	115,369	-	-	3,647,085	11,046,771
Capital outlay	18,304	1,490,530	-	755,426	-	-	1,857,452	4,121,712
Debt service:								
Principal retirement	-	-	-	-	1,339,952	186,859	-	1,526,811
Interest and fiscal charges	-	-	-	-	1,320,770	1,581,991	-	2,902,761
Total Expenditures	67,922,264	2,212,994	922,585	870,795	2,976,678	1,816,774	16,570,285	93,292,375
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,453,222	171,977	297,461	227,817	(1,354,865)	(243,648)	(873,011)	(321,047)

CITY OF REDONDO BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Special Revenue Funds			Capital Projects Fund	Debt Service Funds		Other Governmental Funds	Total Governmental Funds
	Other		Redevelopment Agency	Capital Improvement Projects	Public			
	General	Intergovernmental Grants			Financing Authority	Redevelopment Agency		
Other Financing Sources (Uses):								
Transfers in	2,112,024	-	-	4,575,295	1,801,530	675,192	1,910,511	11,074,552
Transfers out	(2,122,325)	-	-	(1,294,124)	(675,192)	(1,801,530)	(737,100)	(6,630,271)
Refunding bonds issued	-	-	-	-	7,645,000	-	-	7,645,000
Other debts issued	-	-	-	-	-	648,720	-	648,720
Bond premium	-	-	-	-	227,862	-	-	227,862
Refunded bonds redeemed	-	-	-	-	(7,645,000)	-	-	(7,645,000)
Total Other Financing Sources (Uses)	(10,301)	-	-	3,281,171	1,354,200	(477,618)	1,173,411	5,320,863
Net Change in Fund Balances	1,442,921	171,977	297,461	3,508,988	(665)	(721,266)	300,400	4,999,816
Fund Balances, Beginning of Year, as previously reported	11,138,838	(1,922,940)	11,257,938	10,618,160	12,581,751	(15,903,201)	10,708,110	38,478,656
Restatements	-	-	(78,288)	-	-	-	(62,931)	(141,219)
Fund Balances, Beginning of Year, as restated	11,138,838	(1,922,940)	11,179,650	10,618,160	12,581,751	(15,903,201)	10,645,179	38,337,437
Fund Balances, End of Year	\$12,581,759	\$ (1,750,963)	\$ 11,477,111	\$ 14,127,148	\$ 12,581,086	\$ (16,624,467)	\$ 10,945,579	\$ 43,337,253

CITY OF REDONDO BEACH

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2008**

Net change in fund balances - total governmental funds \$ 4,999,816

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	2,815,272
Depreciation expense	(3,322,820)
Loss on disposal of capital asset	(4,985)

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 long-term debt	1,526,811
Refunded bonds redeemed	7,645,000

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

Issuance of refunding bonds	(7,645,000)
Bond premium	(208,873)
Issuance of other long-term debt	(648,720)

Debt issuance costs are expenditures in governmental funds, but these costs are capitalized on the statement of net assets

275,374

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

195,378

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

265,290

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

(91,180)

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

(4,331,260)

Change in net assets of governmental activities

\$ 1,470,103

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 11,138,838	\$ 11,138,838	\$ 11,138,838	\$ -
Resources (Inflows):				
Taxes	49,551,000	49,545,000	50,734,975	1,189,975
Interdepartmental	6,314,750	6,314,750	6,314,750	-
Licenses and permits	1,530,050	1,470,050	1,306,025	(164,025)
Intergovernmental	757,182	709,769	515,186	(194,583)
Charges for services	5,042,200	5,026,459	4,871,735	(154,724)
Use of money and property	2,914,090	3,017,090	3,381,912	364,822
Fines and forfeitures	1,673,850	1,709,850	1,984,683	274,833
Miscellaneous	177,000	188,441	266,220	77,779
Transfers in	338,100	338,100	2,112,024	1,773,924
Amounts Available for Appropriation	79,437,060	79,458,347	82,626,348	3,168,001
Charges to Appropriation (Outflow):				
General government	8,449,632	9,717,351	9,033,018	684,333
Public safety	40,428,510	41,824,049	40,290,495	1,533,554
Housing and community development	1,988,919	2,204,579	1,663,311	541,268
Cultural and leisure services	9,350,923	9,693,228	9,780,910	(87,682)
Public works	7,273,255	7,823,307	7,136,226	687,081
Capital outlay	310,000	331,657	18,304	313,353
Transfers out	1,169,500	1,340,200	2,122,325	(782,125)
Total Charges to Appropriations	68,970,739	72,934,371	70,044,589	2,889,782
Budgetary Fund Balance, June 30	\$ 10,466,321	\$ 6,523,976	\$ 12,581,759	\$ 6,057,783

CITY OF REDONDO BEACH

BUDGETARY COMPARISON STATEMENT
OTHER INTERGOVERNMENTAL GRANTS
YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$(1,922,940)	\$ (1,922,940)	\$(1,922,940)	\$ -
Resources (Inflows):				
Intergovernmental	1,462,526	4,581,889	2,384,971	(2,196,918)
Amounts Available for Appropriation	(460,414)	2,658,949	462,031	(2,196,918)
Charges to Appropriation (Outflow):				
Public safety	268,905	867,899	564,702	303,197
Housing and community development	8,480	16,959	9,671	7,288
Public works	64,141	618,569	148,091	470,478
Capital outlay	1,121,000	4,631,336	1,490,530	3,140,806
Total Charges to Appropriations	1,462,526	6,134,763	2,212,994	3,921,769
Budgetary Fund Balance, June 30	\$(1,922,940)	\$ (3,475,814)	\$(1,750,963)	\$ 1,724,851

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON STATEMENT
REDEVELOPMENT AGENCY - SPECIAL REVENUE
YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$11,179,650	\$11,179,650	\$ 11,179,650	\$ -
Resources (Inflows):				
Taxes	762,000	762,000	763,627	1,627
Use of money and property	178,000	178,000	441,617	263,617
Miscellaneous	-	-	14,802	14,802
Amounts Available for Appropriation	12,119,650	12,119,650	12,399,696	280,046
Charges to Appropriation (Outflow):				
Housing and community development	662,777	715,877	922,585	(206,708)
Total Charges to Appropriations	662,777	715,877	922,585	(206,708)
Budgetary Fund Balance, June 30	\$11,456,873	\$11,403,773	\$ 11,477,111	\$ 73,338

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PROPRIETARY FUND FINANCIAL STATEMENTS

Harbor Tidelands Fund - To account 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 Tidelands Trust Agreement with the State of California.

Harbor Uplands Fund - To account 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.

Wastewater Fund - To account 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.

Other Enterprise Funds – Solid Waste (non-major) - To account for revenues and expenditures related to the City's comprehensive solid waste program, including AB 939 funds.

Internal Service Funds - These funds are used to 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.

CITY OF REDONDO BEACH

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2008

	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	\$ 11,550,924	\$ 3,743,211	\$ 2,589,668	\$ 1,581,603	\$ 19,465,406	\$ 20,108,900
Receivables:						
Accounts	386,425	96,596	65,319	61,871	610,211	1,979
Taxes	-	-	36,912	50,206	87,118	-
Notes and loans	281,134	-	-	-	281,134	-
Accrued interest	106,880	35,685	-	321	142,886	-
Prepaid costs	250	-	-	-	250	113
Due from other governments	-	-	-	10,706	10,706	48
Due from other funds	413,177	-	-	-	413,177	-
Deferred Charges	-	-	330,545	-	330,545	-
Restricted:						
Cash with fiscal agent	-	-	7,103,771	-	7,103,771	-
Total Current Assets	12,738,790	3,875,492	10,126,215	1,704,707	28,445,204	20,111,040
Noncurrent:						
Advances to other funds	6,276,941	2,024,493	-	-	8,301,434	-
Capital assets - net of accumulated depreciation	18,302,462	13,605,443	8,239,550	65,019	40,212,474	3,777,771
Total Noncurrent Assets	24,579,403	15,629,936	8,239,550	65,019	48,513,908	3,777,771
Total Assets	\$ 37,318,193	\$ 19,505,428	\$ 18,365,765	\$ 1,769,726	\$ 76,959,112	\$ 23,888,811

CITY OF REDONDO BEACH

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2008

	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	\$ 345,205	\$ 314,707	\$ 72,992	\$ 13,259	\$ 746,163	\$ 462,958
Accrued liabilities	77,422	81,219	17,821	17,416	193,878	136,421
Unearned revenues	175,561	165	9,200	27,650	212,576	-
Deposits payable	29,048	-	-	-	29,048	-
Due to other governments	-	-	-	-	-	28
Due to other funds	-	-	-	-	-	140,354
Accrued compensated absences	38,759	25,481	15,244	2,964	82,448	118,511
Accrued claims and judgments	-	-	-	-	-	1,280,329
Bonds, notes, and capital leases	237,927	-	197,626	-	435,553	11,010
Total Current Liabilities	903,922	421,572	312,883	61,289	1,699,666	2,149,611
Noncurrent:						
Accrued compensated absences	10,996	7,230	4,325	841	23,392	33,619
Accrued claims and judgments	-	-	-	-	-	16,161,392
Bonds, notes, and capital leases	3,715,553	-	9,325,646	-	13,041,199	34,208
Total Noncurrent Liabilities	3,726,549	7,230	9,329,971	841	13,064,591	16,229,219
Total Liabilities	4,630,471	428,802	9,642,854	62,130	14,764,257	18,378,830
Net Assets:						
Invested in capital assets, net of related debt	17,432,697	13,605,443	5,820,049	65,019	36,923,208	3,732,553
Unrestricted	15,255,025	5,471,183	2,902,862	1,642,577	25,271,647	1,777,428
Total Net Assets	32,687,722	19,076,626	8,722,911	1,707,596	62,194,855	5,509,981
Total Liabilities and Net Assets	\$ 37,318,193	\$ 19,505,428	\$ 18,365,765	\$ 1,769,726	\$ 76,959,112	\$ 23,888,811

CITY OF REDONDO BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	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	\$ -	\$ -	\$ 1,739,468	\$ 2,845,736	\$ 4,585,204	\$ 15,951,840
Harbor rentals	5,383,417	2,618,853	-	-	8,002,270	-
Miscellaneous	11,330	1,885	-	137,763	150,978	59,631
Use of Property	693,945	1,780,077	-	-	2,474,022	-
Total Operating Revenues	6,088,692	4,400,815	1,739,468	2,983,499	15,212,474	16,011,471
Operating Expenses:						
Administration and general	1,335,009	1,126,365	242,927	276,147	2,980,448	6,109,154
Personnel services	2,458,007	2,808,599	547,159	546,319	6,360,084	4,616,544
Contractual services	638,053	1,102,830	281,536	2,302,199	4,324,618	4,134,472
Depreciation expense	456,350	378,225	259,290	4,672	1,098,537	919,526
Total Operating Expenses	4,887,419	5,416,019	1,330,912	3,129,337	14,763,687	15,779,696
Operating Income (Loss)	1,201,273	(1,015,204)	408,556	(145,838)	448,787	231,775
Nonoperating Revenues (Expenses):						
Intergovernmental	-	-	-	70,150	70,150	-
Interest revenue	792,537	275,702	261,683	-	1,329,922	-
Interest expense	(188,152)	-	(481,900)	-	(670,052)	(6,779)
Gain (loss) on disposal of capital assets	-	-	(40,394)	-	(40,394)	34,735
Total Nonoperating Revenues (Expenses)	604,385	275,702	(260,611)	70,150	689,626	27,956

CITY OF REDONDO BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	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	1,805,658	(739,502)	147,945	(75,688)	1,138,413	259,731
Transfers in	61,057	61,647	12,500	11,506	146,710	179,304
Transfers out	-	-	-	-	-	(4,770,295)
Changes in Net Assets	1,866,715	(677,855)	160,445	(64,182)	1,285,123	(4,331,260)
Net Assets:						
Beginning of Year	30,821,007	19,754,481	8,562,466	1,771,778	60,909,732	9,841,241
End of Fiscal Year	\$ 32,687,722	\$ 19,076,626	\$ 8,722,911	\$ 1,707,596	\$ 62,194,855	\$ 5,509,981

CITY OF REDONDO BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2008

	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	\$ 6,093,358	\$ 4,374,833	\$ 1,721,497	\$ 3,049,297	\$ 15,238,985	\$ 16,020,888
Cash paid to suppliers for goods and services	(1,892,399)	(2,082,451)	(763,144)	(2,766,690)	(7,504,684)	(10,182,368)
Cash paid to employees for services	(2,444,840)	(2,806,887)	(546,011)	(537,556)	(6,335,294)	(4,562,286)
Net Cash Provided (Used) by Operating Activities	1,756,119	(514,505)	412,342	(254,949)	1,399,007	1,276,234
Cash Flows from Non-Capital Financing Activities:						
Cash transfers out	-	-	-	-	-	(4,770,295)
Cash transfers in	61,057	61,647	12,500	11,506	146,710	179,304
Repayment received from other funds	-	-	-	-	-	67,964
Repayment made to other funds	(2,953)	-	-	-	(2,953)	-
Advance from other funds	8,254	-	-	-	8,254	-
Advance to other funds	-	(95,670)	-	-	(95,670)	-
Subsidy from grants	-	-	-	59,444	59,444	-
Net Cash Provided (Used) by Non-Capital Financing Activities	66,358	(34,023)	12,500	70,950	115,785	(4,523,027)
Cash Flows from Capital and Related Financing Activities:						
Proceeds from capital debt	-	-	-	-	-	55,050
Acquisition and construction of capital assets	(284,989)	-	(859,811)	-	(1,144,800)	(889,906)
Principal paid on capital debt	(227,682)	-	(195,000)	-	(422,682)	(10,751)
Interest paid on capital debt	(188,152)	-	(466,812)	-	(654,964)	(6,779)
Proceeds from sales of capital assets	-	-	-	-	-	58,371
Net Cash Provided (Used) by Capital and Related Financing Activities	(700,823)	-	(1,521,623)	-	(2,222,446)	(794,015)
Cash Flows from Investing Activities:						
Loan collections	21,837	-	-	-	21,837	-
Interest received	793,889	283,354	261,683	5	1,338,931	-
Net Cash Provided (Used) by Investing Activities	815,726	283,354	261,683	5	1,360,768	-
Net Increase (Decrease) in Cash and Cash Equivalents	1,937,380	(265,174)	(835,098)	(183,994)	653,114	(4,040,808)
Cash and Cash Equivalents at Beginning of Year	9,613,544	4,008,385	10,528,537	1,765,597	25,916,063	24,149,708
Cash and Cash Equivalents at End of Year	\$ 11,550,924	\$ 3,743,211	\$ 9,693,439	\$ 1,581,603	\$ 26,569,177	\$ 20,108,900

See Notes to Financial Statements

CITY OF REDONDO BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2008

	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)	\$ 1,201,273	\$ (1,015,204)	\$ 408,556	\$ (145,838)	\$ 448,787	\$ 231,775
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:						
Depreciation	456,350	378,225	259,290	4,672	1,098,537	919,526
(Increase) decrease in accounts receivable	(170,895)	173,853	(25,460)	28,202	5,700	9,257
(Increase) decrease in taxes receivable	-	-	(1,711)	37,473	35,762	-
(Increase) decrease in due from other governments	-	-	-	-	-	160
(Increase) decrease in prepaid expense	-	-	-	-	-	(113)
Increase (decrease) in accounts payable	80,663	146,744	(238,681)	(188,344)	(199,618)	(621,605)
Increase (decrease) in due to other governments	-	-	-	-	-	28
Increase (decrease) in deposits payable	-	(200,000)	-	-	(200,000)	-
Increase (decrease) in accrued liabilities	77,422	81,219	17,821	17,416	193,878	136,421
Increase (decrease) in claims and judgments	-	-	-	-	-	682,948
Increase (decrease) in compensated absences	(64,255)	(79,507)	(16,673)	(8,653)	(169,088)	(82,163)
Increase (decrease) in unearned revenue	175,561	165	9,200	123	185,049	-
Total Adjustments	554,846	500,699	3,786	(109,111)	950,220	1,044,459
Net Cash Provided (Used) by Operating Activities	\$ 1,756,119	\$ (514,505)	\$ 412,342	\$ (254,949)	\$ 1,399,007	\$ 1,276,234
Non-Cash Investing, Capital, and Financing Activities:						
Gain/(Loss) on disposition of capital assets	\$ -	\$ -	\$ (40,394)	\$ -	\$ (40,394)	\$ 34,735
Increase in Fair Value of Investments	-	-	12,714	-	12,714	-
Amortization of bond discount	-	-	2,374	-	2,374	-

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FIDUCIARY FUND FINANCIAL STATEMENTS

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They are used to account for assets held in an agency capacity for others and, therefore, cannot be used to support the City's program.

CITY OF REDONDO BEACH

STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2008

	<u>Agency Funds</u>
Assets:	
Pooled cash and investments	\$ 178,012
Receivables:	
Accounts	32,805
Accrued interest	1,272
Restricted assets:	
Cash and investments	<u>59,813,693</u>
Total Assets	<u><u>\$ 60,025,782</u></u>
Liabilities:	
Accounts payable	\$ 16,276
Accrued liabilities	58,887,137
Deposits payable	989,171
Due to external parties	<u>133,198</u>
Total Liabilities	<u><u>\$ 60,025,782</u></u>

NOTES TO FINANCIAL STATEMENTS



CITY OF REDONDO BEACH, CALIFORNIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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.

City of Redondo Beach
Notes to Financial Statements (Continued)

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

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

- 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.

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 Emergency Communications.

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.

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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.

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.

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

Note 1: Summary of Significant Accounting Policies (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 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 2006, 2007 and 2008, the City's street system was rated at a PQI of 7.9 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.

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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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:

November 20, 2007	Unsecured, redemptions, and SB813 taxes
December 20, 2007	Homeowners' exemption, secured, and SB813 taxes
January 18, 2008	Homeowners' exemption, secured, and SB813 taxes
February 20, 2008	Redemptions, secured, and SB813 taxes
March 20, 2008	Secured and SB813 taxes
April 18, 2008	Secured and SB813 taxes
May 20, 2008	Redemptions, homeowner's exemption, secured, and SB813 taxes
June 20, 2008	Homeowners' exemption, SB813 taxes
July 18, 2008	Secured and SB813 taxes
August 20, 2008	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:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Major Funds:			
General Fund:			
Cultural and leisure services	\$ 9,693,228	\$ 9,780,910	\$ (87,682)
Transfers out	1,340,200	2,122,325	(782,125)
Redevelopment Agency - Special Revenue:			
Housing and community development	715,877	922,585	(206,708)
Capital Improvement Projects:			
Transfers out	-	1,294,124	(1,294,124)
Public Financing Authority:			
Principal retirement	363,958	1,339,952	(975,994)
Interest and fiscal charges	919,640	1,320,770	(401,130)
Transfers out	650	675,192	(674,542)
Refunded bonds redeemed	-	7,645,000	(7,645,000)
Redevelopment Agency - Debt Service			
Housing and community development	-	47,924	(47,924)
Principal retirement	-	186,859	(186,859)
Interest and fiscal charges	1,074,026	1,581,991	(507,965)
Transfers out	2,088,760	1,801,530	287,230

c. Deficit Fund Balance

The following funds had a deficit fund balance as of June 30, 2008:

Major Funds:	
Other Intergovernmental Grants	\$ (1,750,963)
Redevelopment Agency - Debt Service Fund	(16,624,467)
Non-Major Funds:	
Transit Fund	(62,731)
South Bay Youth Project	(78,610)
Workforce Investment Act	(53,721)
Community Development Block Grant	(81,524)

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, 2008, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 63,524,788
Business-type activities	26,569,177
Fiduciary funds	<u>59,991,705</u>
Total Cash and Investments	<u>\$ 150,085,670</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, 2008, the carrying amount of the City's deposits was \$64,344,712 and the bank balance was \$66,466,475. The \$2,121,763 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.

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

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 3: Cash and Investments (Continued)

- 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.

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, 2008, all MTN's were rated "AA" or higher by Moody's. As of June 30, 2008, 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, 2008, the City's investments in external investment pools are unrated.

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

Note 3: Cash and Investments (Continued)

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, 2008, 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, 2008, 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	\$ 5,042,013	5.88%
Federal Home Loan Mortgage Corp.	6,024,400	7.03%
Federal Home Loan Bank	9,121,580	10.64%

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

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, 2008, the City had the following investments and remaining maturities:

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

Note 3: Cash and Investments (Continued)

Investment Type:	Investment Maturities					Fair Value
	6 months or less	6 months to 1 year	1 to 3 years	3 to 5 years	More than 5 years	
External Investment Pools -						
Local Agency Investment Fund	\$ 37,262,068	\$ -	\$ -	\$ -	\$ -	\$ 37,262,068
Federal Agencies -						
Federal National Mortgage Assoc.	-	1,016,880	3,023,573	1,001,560	-	5,042,013
Federal Home Loan Mortgage Corp.	-	-	3,005,220	3,019,180	-	6,024,400
Federal Home Loan Bank	-	-	4,008,760	5,112,820	-	9,121,580
Corporate Bonds	998,370	-	8,017,050	8,664,560	-	17,679,980
Treasury Obligations -						
First American Treasury Obligation	4,946,203	-	-	-	-	4,946,203
Treasury note	762,953	-	-	-	-	762,953
Investment Agreements -						
AIG Matched Fund Corp.	-	-	-	-	663,250	663,250
Rabobank International	-	4,238,511	-	-	-	4,238,511
Total Investments	\$ 43,969,594	\$ 5,255,391	\$ 18,054,603	\$ 17,798,120	\$ 663,250	\$ 85,740,958

Note 4: Receivables

The following is a summary of receivables net of allowances for uncollectible amounts at June 30, 2008:

	Government-Wide Statement of Net Assets		Fiduciary Funds Statement of Net Assets	Total
	Governmental Activities	Business- Type Activities		
Accounts receivable	\$ 970,752	\$ 610,211	\$ 32,805	\$ 1,613,768
Interest receivable	602,828	142,886	1,272	746,986
Taxes receivable	4,607,530	87,118	-	4,694,648
Loans receivable	6,885,769	281,134	-	7,166,903
Total Receivables	\$ 13,066,879	\$ 1,121,349	\$ 34,077	\$ 14,222,305

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

Note 4: Receivables (Continued)

Fund Financial Statements

At June 30, 2008, 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, 2008, was as follows:

Governmental Funds:	
General Fund	\$ 847,910
Other Intergovernmental Grants	70,664
Public Financing Authority - Debt Service	20,917
Non-Major Funds	<u>29,282</u>
Total Governmental Funds	<u>968,773</u>
Proprietary Funds:	
Harbor Tidelands - Enterprise Fund	386,425
Harbor Uplands - Enterprise Fund	96,596
Wastewater Fund - Enterprise Fund	65,319
Non-Major Funds	61,871
Internal Service Funds	<u>1,979</u>
Total Proprietary Funds	<u>612,190</u>
Fiduciary Funds:	
Agency Funds	<u>32,805</u>
Total Fiduciary Funds	<u>32,805</u>
Total Accounts Receivable	<u><u>\$ 1,613,768</u></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, 2008, was as follows:

Governmental Funds:	
General Fund	\$ 457,165
Other Intergovernmental Grants - Special Revenue	1,836
Redevelopment Agency Fund - Special Revenue	59,687
Public Financing Authority - Debt Service	1,759
Non-Major Funds	<u>82,381</u>
Total Governmental Funds	<u>602,828</u>
Proprietary Funds:	
Harbor Tidelands - Enterprise Fund	106,880
Harbor Uplands - Enterprise Fund	35,685
Non-Major Funds	<u>321</u>
Total Proprietary Funds	<u>142,886</u>
Fiduciary Funds:	
Agency Funds	<u>1,272</u>
Total Interest Receivable	<u>\$ 746,986</u>

c. Taxes Receivable

At June 30, 2008, the City had the following taxes receivable:

Type of Taxes:	Governmental Funds			Proprietary Funds		Total	
	General Fund	Redevelopment Agency Fund - Special Revenue	Redevelopment Agency Fund - Debt Service	Non-Major Governmental Funds	Solid Waste		Waste-Water
Property taxes	\$ 1,173,232	\$ 26,528	\$ 50,660	\$ 69,306	\$ 50,206	\$ 36,912	\$ 1,406,844
Sales taxes	1,731,525	-	-	-	-	-	1,731,525
Transient occupancy taxes	348,070	-	-	-	-	-	348,070
Utility users taxes	673,065	-	-	-	-	-	673,065
Transfer Tax	141,921	-	-	-	-	-	141,921
Gas Tax	-	-	-	389,944	-	-	389,944
Other tax	3,279	-	-	-	-	-	3,279
Total Taxes Receivable	<u>\$ 4,071,092</u>	<u>\$ 26,528</u>	<u>\$ 50,660</u>	<u>\$ 459,250</u>	<u>\$ 50,206</u>	<u>\$ 36,912</u>	<u>\$ 4,694,648</u>

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

Note 4: Receivables (Continued)

d. Loans Receivable

At June 30, 2008, 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	\$ -	\$ 831,634	\$ 218,713	\$ -	\$ 1,050,347
Rental Rehab Program	-	-	271,682	-	271,682
Landlord Program	-	-	21,668	-	21,668
Senior Housing Program	-	5,524,594	-	-	5,524,594
Computer Loan Program	17,478	-	-	-	17,478
Harbor Area Business Loan	-	-	-	281,134	281,134
Total Loans Receivable	\$ 17,478	\$ 6,356,228	\$ 512,063	\$ 281,134	\$ 7,166,903

Home Rehabilitation Loans

At June 30, 2008, the City was owed, in its Redevelopment Agency Fund, \$831,634 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, 2008, the City was owed, in its Community Development Block Grant -Special Revenue Fund, \$512,063 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, 2008, the City's Harbor Tidelands - Enterprise Fund was owed \$218,606 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, 2008, the City's Harbor Tidelands - Enterprise Fund was owed \$62,528 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, 2008, the loan receivable, including accrued interest of \$268,750 and a corresponding fund balance reservation, was \$2,768,750.

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, 2008, the loan receivable, including accrued interest of \$555,844 and a corresponding fund balance reservation was \$2,755,844.

**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, 2008, was as follows:

a. Due To/From Other 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	\$ -	\$ 6,244	\$ 80	\$ 215	\$ -	\$ 6,539
Other Intergovernmental Grants	1,525,485	-	-	-	-	1,525,485
RDA Special Revenue	23,708	-	-	-	-	23,708
Public Financing Authority	971	-	-	-	413,177	414,148
RDA Debt Service	-	46,001	148,025	-	-	194,026
Non-Major Governmental Funds	998,709	204,196	-	-	-	1,202,905
Proprietary Funds:						
Internal Service Funds	140,354	-	-	-	-	140,354
Total Due To/From Other Funds	\$ 2,689,227	\$ 256,441	\$ 148,105	\$ 215	\$ 413,177	\$ 3,507,165

The General Fund has a due from other funds of \$23,708 from the RDA-Special Revenue Fund, \$56,432 from Non-Major Governmental funds, and \$971 from Public Financing Authority to reimburse the city for expenditures made on Public Finance Authority, Redevelopment Agency, and Housing Authority's behalf. The General fund also has a due from other funds of \$1,525,485 from Other Intergovernmental Grants, \$942,277 from Non-Major Governmental funds, and \$140,354 from internal service funds for temporary cash deficits.

The Redevelopment Agency – Special Revenue Fund has a due from the General Fund of \$6,244 for a reimbursement to the City for expenditures made on the Redevelopment Agency's behalf. The Redevelopment Agency – Special Revenue Fund also 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 Redevelopment Agency –Special Revenue Fund also has a due from Non-Major Governmental funds of \$204,196 for a temporary cash deficit.

The Public Financing Authority has a due from other funds of \$148,024 which consists of debt service payments paid on the Redevelopment Agency's behalf. The Public Financing Authority also has a due from other funds of \$80 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 Harbor Tidelands has a due from other funds of \$413,177 from the Public Financing Authority which was a result of Kincaid's Restaurant rental income in excess of PFA obligations passed through to Harbor Tidelands.

The Non-Major Governmental Funds has a due from General Fund for \$215 for reimbursement of expenditures made on behalf of the Redevelopment Agency.

b. Advances To/From Other Funds

<u>Advances to other funds (Receivable):</u>	<u>Advances from other funds (Payable):</u>	
	<u>RDA Debt Service</u>	<u>Total</u>
Governmental Funds:		
Public Financing Authority	<u>\$ 8,946,799</u>	<u>\$ 8,946,799</u>
Proprietary Funds:		
Harbor Tidelands	6,276,941	6,276,941
Harbor Uplands	<u>2,024,493</u>	<u>2,024,493</u>
Total Advances To/From Other Funds	<u><u>\$ 17,248,233</u></u>	<u><u>\$ 17,248,233</u></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, 2008, loans to and accrued unpaid interest owed on those loans were \$8,301,434.

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, 2008, are \$281,453 for the 2000 Variable Rate Demand Bond, \$1,310,346 for the 2001 Pier Refinancing Bond, and \$7,355,000 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 Out:					Proprietary Funds Internal Service Funds	Total
	Governmental Funds						
	General Fund	Capital Improvement Projects	Public Financing Authority	RDA Debt Service	Non-Major Governmental Funds		
Transfers In:							
Governmental Funds:							
General Fund	\$ -	\$ 1,017,024	\$ -	\$ -	\$ -	\$ 1,095,000	\$ 2,112,024
Capital Improvement Project:	900,000	-	-	-	-	3,675,295	4,575,295
Public Financing Authority	-	-	-	1,801,530	-	-	1,801,530
RDA - Debt Service	-	-	675,192	-	-	-	675,192
Non-Major Governmental	1,140,625	32,786	-	-	737,100	-	1,910,511
Proprietary Funds:							
Harbor Tidelands	-	61,057	-	-	-	-	61,057
Harbor Uplands	-	61,647	-	-	-	-	61,647
Wastewater	-	12,500	-	-	-	-	12,500
Non-major - Solid Waste	-	11,506	-	-	-	-	11,506
Internal Service Funds	81,700	97,604	-	-	-	-	179,304
Total Interfund Transfers	\$ 2,122,325	\$ 1,294,124	\$ 675,192	\$ 1,801,530	\$ 737,100	\$ 4,770,295	\$ 11,400,566

The General Fund transferred out a total of \$2,122,325 to various funds consisting of \$1,140,625 to Non-Major Governmental funds and \$81,700 to the Building Occupancy Internal Service Fund for operations and \$900,000 to the Capital Improvement Projects Fund to fund capital improvement projects.

The Capital Improvement Projects Fund transferred out a total of \$1,294,124 to various governmental and proprietary funds for the recommended "Take-Back".

Transfers between the Public Financing Authority of \$675,192 and \$1,801,530 and RDA Debt Service pertained to debt service.

Transfers were made within Non-major Governmental funds of \$737,100 consisted of Proposition A revenues to cover Transit Fund expenditures.

Transfers out of the Self-Insurance Internal Service Fund to the General Fund were for operations and Capital Improvement Projects Fund for capital improvement projects.

**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, 2008, is as follows:

Primary Government

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Infrastructure- streets	\$ 54,054,036	\$ -	\$ -	\$ -	\$ 54,054,036
Land	16,522,947	-	-	-	16,522,947
Construction in progress	246,811	(79,589)	100,958	-	268,180
Work in progress	1,003,491	-	-	-	1,003,491
Total capital assets not being depreciated	<u>71,827,285</u>	<u>(79,589)</u>	<u>100,958</u>	<u>-</u>	<u>71,848,654</u>
Capital assets, being depreciated:					
Buildings and improvements	36,714,813	79,589	479,745	-	37,274,147
Furniture and equipment	6,908,496	61,776	364,075	(34,990)	7,299,357
Automotive equipment	10,396,233	-	578,223	(660,324)	10,314,132
Leased equipment	61,776	(61,776)	55,051	-	55,051
Infrastructure	63,998,905	-	2,127,128	(9,575)	66,116,458
Total capital assets being depreciated	<u>118,080,223</u>	<u>79,589</u>	<u>3,604,222</u>	<u>(704,889)</u>	<u>121,059,145</u>
Less accumulated depreciation					
Buildings and improvements	10,997,924	-	902,852	-	11,900,776
Furniture and equipment	4,257,954	61,776	482,541	(34,990)	4,767,281
Automotive equipment	5,782,813	-	962,782	(636,688)	6,108,907
Leased equipment	61,755	(61,776)	21	-	-
Infrastructure	33,652,292	-	1,894,150	(4,589)	35,541,853
Total accumulated depreciation	<u>54,752,738</u>	<u>-</u>	<u>4,242,346</u>	<u>(676,267)</u>	<u>58,318,817</u>
Net depreciable assets	<u>63,327,485</u>	<u>79,589</u>	<u>(638,124)</u>	<u>(28,622)</u>	<u>62,740,328</u>
Governmental activities					
Total capital assets, net	<u>\$ 135,154,770</u>	<u>\$ -</u>	<u>\$ (537,166)</u>	<u>\$ (28,622)</u>	<u>\$ 134,588,982</u>

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

Note 6: Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated				
Land	\$ 11,323,255	\$ -	\$ -	\$ 11,323,255
Total Capital assets not being depreciated	11,323,255	-	-	11,323,255
Capital assets, being depreciated:				
Automotive equipment	376,774	-	-	376,774
Buildings and improvements	27,821,275	125,950	-	27,947,225
Equipment	648,679	-	-	648,679
Leased equipment	-	-	-	-
Infrastructure	21,033,865	1,018,850	(115,412)	21,937,303
Total capital assets being depreciated	49,880,593	1,144,800	(115,412)	50,909,981
Less accumulated depreciation				
Automotive equipment	201,122	25,258	-	226,380
Building and improvements	11,581,404	606,581	-	12,187,985
Equipment	303,344	117,464	-	420,808
Leased equipment	-	-	-	-
Infrastructure	8,911,373	349,234	(75,018)	9,185,589
Total accumulated depreciation	20,997,243	1,098,537	(75,018)	22,020,762
Net depreciable assets	28,883,350	46,263	(40,394)	28,889,219
Business-type activities				
Total capital assets, net	\$ 40,206,605	\$ 46,263	\$ (40,394)	\$ 40,212,474

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, 2008, departments/functions as follows:

Governmental Activities:	
General government	\$ 6,772
Public safety	253,185
Culture and leisure services	84,261
Public works	2,747,132
Housing and community development	231,470
Internal Service Funds:	
Vehicle Replacement	769,053
Building Occupancy	3,139
Information Technology	118,318
Printing and Graphics	6,036
Communications Equipment Replacement	22,980
	<u> </u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 4,242,346</u></u>

Depreciation expense for business-type activities for the year ended June 30, 2008, was \$1,098,537.

Note 7: Compensated Absences Payable

The following is a summary of compensated absences payable transactions for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Classification	
					Amounts Due Within One Year	Amounts Due in More Than One Year
Governmental Activities:						
Compensated absences payable	\$ 2,137,367	\$ 3,869,847	\$ 4,217,301	\$ 1,789,913	\$ 1,394,324	\$ 395,589
Business-Type Activities:						
Compensated absences payable	274,929	247,012	416,101	105,840	82,448	23,392
Total compensated absences payable	<u><u>\$ 2,412,296</u></u>	<u><u>\$ 4,116,859</u></u>	<u><u>\$ 4,633,402</u></u>	<u><u>\$ 1,895,753</u></u>	<u><u>\$ 1,476,772</u></u>	<u><u>\$ 418,981</u></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, 2008:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Classification	
					Amounts Due Within One Year	Amounts Due in More Than One Year
Governmental Activities:						
PFA 1996 Revenue Bonds	\$ 8,765,000	\$ -	\$ 8,765,000	\$ -	\$ -	\$ -
PFA 2000 Tax Allocation Bonds	3,010,000	-	80,000	2,930,000	85,000	2,845,000
PFA 2001 Refunding Revenue Bonds	2,380,000	-	120,000	2,260,000	125,000	2,135,000
PFA 2008 Refunding Revenue Bonds	-	7,645,000	-	7,645,000	385,000	7,260,000
Unamortized bond premium	-	227,862	18,989	208,873	18,989	189,884
South Bay Bank Loan	1,547,061	-	19,952	1,527,109	-	1,527,109
County deferral loans	12,519,957	648,720	186,859	12,981,818	-	12,981,818
Capital Leases	919	55,051	10,751	45,219	11,010	34,209
Total governmental activities	\$ 28,222,937	\$ 8,576,633	\$ 9,201,551	\$ 27,598,019	\$ 624,999	\$ 26,973,020
Business-Type Activities:						
Wastewater Revenue Bond 2004, Series A	\$ 9,780,000	\$ -	\$ 195,000	\$ 9,585,000	\$ 200,000	\$ 9,385,000
Unamortized bond discount	(64,102)	-	(2,374)	(61,728)	(2,374)	(59,354)
Boating and Waterways						
Construction Loan 88-21-84	1,251,916	-	72,957	1,178,959	76,240	1,102,719
Boating and Waterways						
Construction Loan 89-21-147	2,929,245	-	154,724	2,774,521	161,687	2,612,834
Total business-type activities	\$ 13,897,059	\$ -	\$ 420,307	\$ 13,476,752	\$ 435,553	\$ 13,041,199

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, 2008, the balance outstanding was \$8,550,000. At June 30, 2008 the bonds were fully refunded and redeemed.

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, 2008, the balance outstanding was \$2,930,000.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2008, including interest, are as follows:

	PFA 2000 Variable Rate Demand Tax Allocation Bonds	
	Principal	Interest
2008 - 2009	\$ 85,000	\$ 80,700
2009 - 2010	90,000	78,254
2010 - 2011	90,000	75,739
2011 - 2012	90,000	73,224
2012 - 2013	95,000	70,639
2013 - 2018	535,000	310,153
2018 - 2023	645,000	227,846
2023 - 2028	770,000	129,399
2028 - 2033	530,000	22,638
Totals	<u>\$ 2,930,000</u>	<u>\$ 1,068,592</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, 2008, the balance outstanding was \$2,260,000.

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, 2008, including interest, are as follows:

	PFA 2001 Refunding Revenue Bonds	
	Principal	Interest
2008-2009	\$ 125,000	\$ 74,166
2009-2010	125,000	69,947
2010-2011	135,000	65,559
2011-2012	135,000	61,003
2012-2013	140,000	56,363
2013-2018	795,000	204,272
2018-2023	805,000	61,003
Totals	<u>\$ 2,260,000</u>	<u>\$ 592,313</u>

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

Note 8: Long-Term Debt (Continued)

Public Financing Authority 2008 Refunding Revenue Bonds

The Authority issued refunding revenue bonds dated January, 2008, totaling \$7,645,000. The proceeds of the bond were used to refund the Authority's 1996 Revenue Bonds and pay the costs of issuance of the bonds. As of June 30, 2008, the balance outstanding was \$7,853,873, net of unamortized premium.

Interest on the bonds is payable on each January 1 and July 1, commencing July 1, 2008. The bonds are payable from and a pledge of revenues consisting primarily of payments to be made by the City of Redondo Beach under a lease agreement. Principal is due annually beginning on July 1, 2008, in amounts ranging from \$385,000 to \$805,000. The bonds mature on July 1, 2019. The bonds are subject to optional and mandatory early redemption provisions.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2008, including interest, are as follows:

	PFA 2008 Refunding Revenue Bonds	
	Principal	Interest
2008-2009	\$ 385,000	\$ 258,430
2009-2010	570,000	277,575
2010-2011	590,000	255,800
2011-2012	615,000	231,700
2012-2013	640,000	206,600
2013-2018	3,595,000	620,300
2018-2023	1,250,000	42,800
Totals	<u>\$ 7,645,000</u>	<u>\$ 1,893,205</u>

The City has pledged, as security for bonds it has issued through the Financing Authority, a portion of the tax increment revenue, including Low and Moderate Income Housing set-aside that it receives. The City has committed to appropriate each year, from these resources, amounts sufficient to cover the principal and interest requirements on the debt. The remaining principal and interest on such debt is reflected in bond issues described above and amounted to \$16,389,110. For the current year, the total tax increment revenue and the required 20% Low and Moderate Income Housing set-aside recognized by the City was \$3,054,507 and \$763,627, respectively.

**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, 2008, the balance outstanding was \$1,527,109. There is no set amortization schedule for this loan.

County Deferral Loans

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
1983 Tax Increment Deferral	\$ 7,315,528	\$ 137,079	\$ 186,859	\$ 7,265,748
1984 Tax Increment Deferral	5,204,429	511,641	-	5,716,070
Total	<u>\$ 12,519,957</u>	<u>\$ 648,720</u>	<u>\$ 186,859</u>	<u>\$ 12,981,818</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, 2008, was \$7,265,748.

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, 2008, was \$5,716,070.

**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 \$55,051 and the related assets have been capitalized in the Printing and Graphics internal service fund. The balance outstanding at June 30, 2008, was \$45,219.

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, 2008:

	<u>Capital Lease</u>
2008 - 2009	\$ 11,010
2009 - 2010	11,010
2010 - 2011	11,010
2011 - 2012	11,010
2012 - 2013	<u>1,179</u>
Total	45,219
Less: imputed interest	<u>0</u>
Present value of minimum lease	<u><u>\$ 45,219</u></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 bond proceeds used are capital related. 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. Total revenue for the Wastewater Fund for the year ended June 30, 2008 was \$2,001,151. As of June 30, 2008, the balance outstanding was \$9,523,272, 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
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 - 2013	235,000	427,095
2013 - 2018	1,330,000	1,974,710
2018 - 2023	1,680,000	1,630,138
2023 - 2028	2,130,000	1,170,000
2028 - 2033	2,730,000	580,000
2033 - 2038	630,000	31,500
Totals	<u>\$ 9,585,000</u>	<u>\$ 7,608,423</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. A portion of the proceeds from the loan were capital related. The loan bears interest at 4.5%. As of June 30, 2008, the balance outstanding was \$1,178,959.

At June 30, 2008, the annual requirements to repay the outstanding indebtedness were as follows:

	Boating and Waterways Construction Loan 88-21-84	
	Principal	Interest
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 - 2013	90,917	38,376
2013 - 2018	519,765	126,699
2018 - 2023	242,108	16,462
Total	<u>\$ 1,178,959</u>	<u>\$ 372,540</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. A portion of the proceeds from the loan were capital related. As of June 30, 2008, the balance outstanding was \$2,774,521.

At June 30, 2008, the annual requirements to repay the outstanding indebtedness were as follows:

	Boating and Waterways Construction Loan 89-21-147	
	Principal	Interest
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 - 2013	192,814	93,726
2013 - 2018	1,102,299	330,401
2018 - 2023	787,682	71,931
Total	<u>\$ 2,774,521</u>	<u>\$ 844,492</u>

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

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

Note 9: Non-City Obligations (Continued)

District. Property owners within the Assessment District are assessed an annual tax sufficient to meet annual bond debt service requirements. At June 30, 2008, the balance outstanding was \$0.

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

	<u>Original Amount</u>	<u>Outstanding June 30, 2008</u>
1993 Series B	<u>\$ 5,315,000</u>	<u>\$ 325,000</u>

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

	<u>Original Amount</u>	<u>Outstanding June 30, 2008</u>
Series 2004A	<u>\$ 11,390,000</u>	<u>\$ 10,890,000</u>

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

	<u>Original Amount</u>	<u>Outstanding June 30, 2008</u>
Series 2000A	<u>\$ 8,740,000</u>	<u>\$ -</u>

e. Multi-Family Housing Revenue Refunding Bonds Seasons at Redondo Beach

	<u>Original Amount</u>	<u>Outstanding June 30, 2008</u>
Series 2008A	<u>\$ 6,425,000</u>	<u>\$ 6,425,000</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 2007-2008, the City had leased equipment that included 374 Dell Optiplex computers, 1 Server, 91 Dell Latitude laptops, 20 monitors, and 62 printers. The terms of the leases range from ending March 1, 2009 to ending February 1, 2011, as follows:

<u>Year Ending June 30,</u>	<u>Minimum Rental Payments</u>
2009	\$ 363,689
2010	314,600
2011	<u>124,000</u>
Total	<u><u>\$ 802,289</u></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 \$764,705 for those assets giving a carrying amount of \$9,642,190 at June 30, 2008.

**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, 2008:

Year Ending June 30,	Minimum Future Lease Rentals
2009	\$ 3,260,080
2010	3,140,032
2011	3,124,841
2012	3,073,655
2013	2,971,282
2014 - 2018	15,204,410
2019 - 2023	13,643,410
2024 - 2028	10,994,664
2029 - 2033	8,443,396
2034 - 2038	8,705,407
2039 - 2043	8,496,287
2044 - 2048	5,489,567
2049 - 2053	5,489,567
2054 - 2058	5,489,567
2059 - 2062	3,142,941
Total	<u>\$ 100,669,106</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, 2008, the estimated claims payable for workers' compensation were \$14,843,085, which included claims incurred but not reported (IBNR) of \$5,060,524. The current year's portion of the claims was \$1,081,187.

**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, 2008, the estimated claims payable for general liability were \$2,598,637, which included IBNR of \$860,667. The current year's portion was \$199,142. Governmental activities claims and judgments are generally liquidated by the general fund.

Settled claims have not exceeded any of the City's coverage amounts in any of the last three fiscal years and there was no reductions in the City's coverage during the year.

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:

Year Ended June 30,	Liability on July 1	Additions	Deletions	Liability on June 30	Amounts Due Within One Year	Amounts Due in More Than One Year
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
2008	16,758,773	2,829,649	(2,146,701)	17,441,721	1,280,329	16,161,392

**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, 2007:

	<u>Total</u>
Assets	<u>\$ 55,333,161</u>
Liabilities of member cities	\$ 25,615,822
Net assets	<u>29,717,339</u>
Total liabilities and net assets	<u>\$ 55,333,161</u>

Condensed audited statement of revenues, expenses and changes in retained earnings of ICRMA for the year ended June 30, 2007:

	<u>Total</u>
Revenues	\$ 21,098,846
Cost and expenses	<u>10,267,015</u>
Net income	10,831,831
Net assets - July 1, 2006	<u>18,885,508</u>
Net assets - June 30, 2007	<u>\$ 29,717,339</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 2007-2008, 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 \$2,821,443 for the year ended June 30, 2008. The City employer was required to contribute for fiscal year 2007-2008, at an actuarially determined rate of 11.610% and 32.210% of annual covered payroll for miscellaneous and safety employees, respectively.

Annual Pension Cost - For 2007-2008, the City's required annual pension cost and actual contribution were \$10,130,700 for PERS. The required contribution was determined as part of the June 30, 2008, 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, 2008, was 21 years for miscellaneous and 30 years for safety employees for prior and current service unfunded liability.

Three-Year Trend Information for PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$ 3,906,140	100%	\$ 1,630,656
6/30/07	7,366,175	100%	-
6/30/08	10,130,700	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 Accrued 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						
6/30/2005	\$ 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%
6/30/2007	107,468,916	117,169,713	9,700,797	91.7%	20,093,839	48.3%
Safety Employee Group						
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%
6/30/2007	185,561,290	220,319,464	34,758,174	84.2%	14,969,425	232.2%

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, 2008, the City paid \$383,814 in health insurance premiums for 97 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

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. Subsequent to June 30, 2008, a settlement check in the amount of \$58,415,437 was paid to Williams Power Company.

Note 14: Short-term borrowing

The City participated in the California Statewide Communities Development Authority's issuance of Tax and Revenue Anticipation Notes. The City's proceeds of \$5,000,000 were used to meet the City's anticipated cash flow needs for the fiscal year.

Note 15: Prior Period Adjustments

a. Governmental Funds:

Major Funds:	
Redevelopment Agency - Special Revenue Fund:	
To adjust note receivable interest for McCandles senior housing	\$ (78,288)
Non-Major Funds:	
Transit Fund:	
To adjust prior period fund balances for transit	<u>(62,931)</u>
Total Governmental Funds	<u><u>\$ (141,219)</u></u>

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

Note 15: Prior Period Adjustments (Continued)

b. Net Assets have been restated as follows:

Governmental Activities:	
To adjust note receivable interest for McCandles senior housing	\$ (78,288)
To adjust prior period fund balances for transit	<u>(62,931)</u>
	<u>\$ (141,219)</u>

Note 16: Subsequent Events

a. Financial Concerns Relating to the California Economy

As indicated in the State of California’s 2008-2009 Proposed Budget Summary – Economic Outlook:

“The California and national economies faced considerable headwinds -a deepening housing slump, a breakdown in mortgage markets, tighter credit, more volatile financial markets, and rising energy prices. Upward resets of subprime mortgage rates made payments unaffordable for many borrowers and helped push mortgage defaults and foreclosures to record levels. Several large financial institutions reported huge losses on subprime mortgages and securities backed by these mortgages. Uncertainty about how far the problems with these mortgages would spread increased financial market volatility and prompted lenders to tighten credit standards. The Federal Reserve injected liquidity into the financial markets and eased monetary policy on a number of occasions in the second half of the year, but as year-end neared, financial markets were still not functioning normally.”

While the values shown in the attached financial statements reflect those present at June 30, 2008, substantial changes have occurred in the economy in which the City and its component units operate. Therefore, the projection of the financial data for the City and its component units into future periods must recognize these factors and consider the effect of these on its operations and costs.

b. ERAF Tax Increment Revenue Shift for fiscal year 2008-09

On September 30, 2008, the California Legislature passed AB 1389, requiring a shift in tax increment revenues during fiscal year 2008-2009 to the state Educational Revenue Augmentation Fund (ERAF). It is estimated that the Agency’s share of the ERAF shift for fiscal year 2008-2009 will amount to approximately \$288,719.

City of Redondo Beach
Notes to Financial Statements (Continued)

Note 16: Subsequent Events (Continued)

c. 2008 Tax Allocation Refunding Bonds

In November and December 2008, the City's Redevelopment Agency prepaid \$2,145,000 of the Public Financing Authority's 2000 Variable Rate Demand Tax Allocation Bonds. Then on October 30, 2008, the City issued its 2008 Tax Allocation Refunding Bonds in the principal amount of \$700,000 to redeem the remaining balance.

REQUIRED SUPPLEMENTAL INFORMATION



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF REDONDO BEACH

REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2008

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, 2008. 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 2008, a comprehensive 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 2005, 2006, and 2007. 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>
2005	8.0	Very Good	37%	2007	7.7	Very Good	26%
		Good	40%			Good	51%
		Fair	18%			Fair	11%
		Poor	5%			Poor	12%
2006	7.6	Very Good	19%	2008	8.4	Very Good	47%
		Good	55%			Good	37%
		Fair	13%			Fair	10%
		Poor	13%			Poor	6%

The City expended \$2,979,083 on street improvement projects for the fiscal year ended June 30, 2008. 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, 2008 through June 30, 2010, is a minimum of \$10,200,000.

**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 8.4 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
2007-2008	11,633,589	154,835	2,824,248	2,979,083

As of June 30, 2008, 23% 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.

CITY OF REDONDO BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	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	\$ 861,987	\$ 472,076	\$ 289,097	\$ 669,234	\$ 60,716	\$ 1,928,976	\$ 2,423,541
Receivables:							
Accounts	-	-	-	-	15,851	-	5,285
Taxes	-	389,944	-	-	-	-	-
Notes and loans	-	-	-	-	-	-	-
Accrued interest	8,073	5,618	-	6,313	-	17,149	23,723
Due from other governments	-	-	-	-	108,064	75,010	62,223
Due from other funds	-	-	-	-	-	-	-
Total Assets	\$ 870,060	\$ 867,638	\$ 289,097	\$ 675,547	\$ 184,631	\$ 2,021,135	\$ 2,514,772
Liabilities and Fund Balances:							
Liabilities:							
Accounts payable	\$ -	\$ 15,861	\$ 19,606	\$ 2,196	\$ 241,023	\$ -	\$ 192,536
Accrued liabilities	-	18,037	-	-	6,339	-	-
Deferred revenues	-	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total Liabilities	-	33,898	19,606	2,196	247,362	-	192,536
Fund Balances:							
Reserved:							
Reserved for encumbrances	790,000	555	56,354	12,948	5,107	-	589,049
Unreserved:							
Designated for continuing appropriations	-	162,783	163,197	171,270	-	109,217	495,528
Undesignated	80,060	670,402	49,940	489,133	(67,838)	1,911,918	1,237,659
Total Fund Balances	870,060	833,740	269,491	673,351	(62,731)	2,021,135	2,322,236
Total Liabilities and Fund Balances	\$ 870,060	\$ 867,638	\$ 289,097	\$ 675,547	\$ 184,631	\$ 2,021,135	\$ 2,514,772

CITY OF REDONDO BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

(Continued)

	Special Revenue Funds						
	Local Transit	Air Quality Improvement	Storm Drain	Street Landscaping and Lighting	South Bay Youth Project	Workforce Investment Act	Community Development Block Grant
Assets:							
Pooled cash and investments	\$ -	\$ 119,076	\$ 480,364	\$ 191,412	\$ 31,125	\$ 201,000	\$ -
Receivables:							
Accounts	-	-	-	150	7,996	-	-
Taxes	-	-	-	69,306	-	-	-
Notes and loans	-	-	-	-	-	-	512,063
Accrued interest	-	1,042	-	-	-	-	-
Due from other governments	180,310	21,065	-	-	325,391	316,972	80,052
Due from other funds	-	-	-	-	-	-	-
Total Assets	\$ 180,310	\$ 141,183	\$ 480,364	\$ 260,868	\$ 364,512	\$ 517,972	\$ 592,115
Liabilities and Fund Balances:							
Liabilities:							
Accounts payable	\$ 2,431	\$ 4,138	\$ -	\$ 95,218	\$ 46,256	\$ 7,038	\$ 22,805
Accrued liabilities	-	239	-	28,043	5,429	6,609	12,793
Deferred revenues	-	21,065	-	-	108,609	84,935	592,118
Unearned revenues	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Due to other funds	140,415	-	-	-	282,828	473,111	45,923
Total Liabilities	142,846	25,442	-	123,261	443,122	571,693	673,639
Fund Balances:							
Reserved:							
Reserved for encumbrances	37,805	-	-	62,908	2,999	-	-
Unreserved:							
Designated for continuing appropriations	-	-	423,665	56,699	-	-	-
Undesignated	(341)	115,741	56,699	18,000	(81,609)	(53,721)	(81,524)
Total Fund Balances	37,464	115,741	480,364	137,607	(78,610)	(53,721)	(81,524)
Total Liabilities and Fund Balances	\$ 180,310	\$ 141,183	\$ 480,364	\$ 260,868	\$ 364,512	\$ 517,972	\$ 592,115

CITY OF REDONDO BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds			Capital Projects Funds		Debt Service Fund	Total Governmental Funds
	Disaster Recovery	Housing Authority	Subdivision Park Trust	Pier Parking Structure Rehabilitation	Redevelopment Agency	Parking Authority	
Assets:							
Pooled cash and investments	\$ 266,534	\$ 656,649	\$ 1,040,723	\$ 733	\$ 1,849,048	\$ 5,028	\$ 11,547,319
Receivables:							
Accounts	-	-	-	-	-	-	29,282
Taxes	-	-	-	-	-	-	459,250
Notes and loans	-	-	-	-	-	-	512,063
Accrued interest	-	2,151	-	7	18,305	-	82,381
Due from other governments	6,843	-	-	-	534	-	1,176,464
Due from other funds	-	-	-	-	215	-	215
Total Assets	\$ 273,377	\$ 658,800	\$ 1,040,723	\$ 740	\$ 1,868,102	\$ 5,028	\$ 13,806,974
Liabilities and Fund Balances:							
Liabilities:							
Accounts payable	\$ -	\$ 2,274	\$ 90,035	\$ -	\$ -	\$ -	\$ 741,417
Accrued liabilities	14,986	-	-	-	-	-	92,475
Deferred revenues	-	-	-	-	-	-	806,727
Unearned revenues	-	-	-	-	16,210	-	16,210
Due to other governments	-	-	-	-	1,661	-	1,661
Due to other funds	-	23,734	-	-	236,894	-	1,202,905
Total Liabilities	14,986	26,008	90,035	-	254,765	-	2,861,395
Fund Balances:							
Reserved:							
Reserved for encumbrances	-	-	339,467	-	-	-	1,897,192
Unreserved:							
Designated for continuing appropriations	-	-	609,878	-	-	-	2,192,237
Undesignated	258,391	632,792	1,343	740	1,613,337	5,028	6,856,150
Total Fund Balances	258,391	632,792	950,688	740	1,613,337	5,028	10,945,579
Total Liabilities and Fund Balances	\$ 273,377	\$ 658,800	\$ 1,040,723	\$ 740	\$ 1,868,102	\$ 5,028	\$ 13,806,974

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CITY OF REDONDO BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Special Revenue Funds						Proposition C
	Traffic Congestion Relief	State Gas Tax	Parks and Recreation Facilities	Narcotic Seizure/ Forfeiture	Transit Fund	Proposition A	
Revenues:							
Taxes	\$ -	\$ -	\$ 28,800	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	1,194,669	-	44,582	1,496,414	1,146,994	955,452
Charges for services	-	-	-	-	396,414	-	-
Use of money and property	38,802	31,491	-	27,414	-	70,694	120,698
Miscellaneous	-	-	-	-	8,550	-	-
Total Revenues	38,802	1,226,160	28,800	71,996	1,901,378	1,217,688	1,076,150
Expenditures:							
Current:							
Public safety	-	-	-	54,716	-	-	-
Housing and community development	-	-	-	-	2,638,269	-	3,310
Public works	-	1,351,338	-	-	-	-	-
Capital outlay	-	-	351,141	-	-	-	1,233,356
Total Expenditures	-	1,351,338	351,141	54,716	2,638,269	-	1,236,666
Excess (Deficiency) of Revenues Over (Under) Expenditures	38,802	(125,178)	(322,341)	17,280	(736,891)	1,217,688	(160,516)
Other Financing Sources (Uses):							
Transfers in	-	12,668	-	-	737,100	-	-
Transfers out	-	-	-	-	-	(737,100)	-
Total Other Financing Sources (Uses)	-	12,668	-	-	737,100	(737,100)	-
Net Change in Fund Balances	38,802	(112,510)	(322,341)	17,280	209	480,588	(160,516)
Fund Balances, Beginning of Year	831,258	946,250	591,832	656,071	(9)	1,540,547	2,482,752
Restatements	-	-	-	-	(62,931)	-	-
Fund Balances, Beginning of Year, as Restated	831,258	946,250	591,832	656,071	(62,940)	1,540,547	2,482,752
Fund Balances, End of Year	\$ 870,060	\$ 833,740	\$ 269,491	\$ 673,351	\$ (62,731)	\$ 2,021,135	\$ 2,322,236

CITY OF REDONDO BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

(Continued)

	Special Revenue Funds						
	Local Transit	Air Quality Improvement	Storm Drain	Street Landscaping and Lighting	South Bay Youth Project	Workforce Investment Act	Community Development Block Grant
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	180,310	59,548	-	3,302	718,092	350,256	557,125
Charges for services	-	-	33,568	1,512,550	-	-	-
Use of money and property	-	4,677	-	(3,349)	-	-	-
Miscellaneous	-	-	-	1,820	-	-	-
Total Revenues	180,310	64,225	33,568	1,514,323	718,092	350,256	557,125
Expenditures:							
Current:							
Public safety	-	-	-	-	-	-	-
Housing and community development	-	51,886	-	-	830,358	542,225	637,177
Public works	-	-	-	2,295,747	-	-	-
Capital outlay	142,505	-	47	-	-	-	-
Total Expenditures	142,505	51,886	47	2,295,747	830,358	542,225	637,177
Excess (Deficiency) of Revenues Over (Under) Expenditures	37,805	12,339	33,521	(781,424)	(112,266)	(191,969)	(80,052)
Other Financing Sources (Uses):							
Transfers in	-	-	-	893,618	66,125	201,000	-
Transfers out	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	893,618	66,125	201,000	-
Net Change in Fund Balances	37,805	12,339	33,521	112,194	(46,141)	9,031	(80,052)
Fund Balances, Beginning of Year	(341)	103,402	446,843	25,413	(32,469)	(62,752)	(1,472)
Restatements	-	-	-	-	-	-	-
Fund Balances, Beginning of Year, as Restated	(341)	103,402	446,843	25,413	(32,469)	(62,752)	(1,472)
Fund Balances, End of Year	\$ 37,464	\$ 115,741	\$ 480,364	\$ 137,607	\$ (78,610)	\$ (53,721)	\$ (81,524)

(Continued)

CITY OF REDONDO BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Special Revenue Funds			Capital Projects Funds		Debt Service Fund	Total Governmental Funds
	Disaster Recovery	Housing Authority	Subdivision Park Trust	Pier Parking Structure Rehabilitation	Redevelopment Agency	Parking Authority	
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,800
Intergovernmental	-	5,735,355	232,500	-	-	-	12,674,599
Charges for services	-	-	-	-	-	-	1,942,532
Use of money and property	-	23,577	879	33	471,356	-	786,272
Miscellaneous	254,701	-	-	-	-	-	265,071
Total Revenues	254,701	5,758,932	233,379	33	471,356	-	15,697,274
Expenditures:							
Current:							
Public safety	-	-	-	-	-	-	54,716
Housing and community development	111,214	5,757,765	-	-	438,828	-	11,011,032
Public works	-	-	-	-	-	-	3,647,085
Capital outlay	-	-	130,403	-	-	-	1,857,452
Total Expenditures	111,214	5,757,765	130,403	-	438,828	-	16,570,285
Excess (Deficiency) of Revenues Over (Under) Expenditures	143,487	1,167	102,976	33	32,528	-	(873,011)
Other Financing Sources (Uses):							
Transfers in	-	-	-	-	-	-	1,910,511
Transfers out	-	-	-	-	-	-	(737,100)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	1,173,411
Net Change in Fund Balances	143,487	1,167	102,976	33	32,528	-	300,400
Fund Balances, Beginning of Year	114,904	631,625	847,712	707	1,580,809	5,028	10,708,110
Restatements	-	-	-	-	-	-	(62,931)
Fund Balances, Beginning of Year, as Restated	114,904	631,625	847,712	707	1,580,809	5,028	10,645,179
Fund Balances, End of Year	\$ 258,391	\$ 632,792	\$ 950,688	\$ 740	\$ 1,613,337	\$ 5,028	\$ 10,945,579

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE
TRAFFIC CONGESTION RELIEF
YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 831,258	\$ 831,258	\$ 831,258	\$ -
Resources (Inflows):				
Use of money and property	13,000	13,000	38,802	25,802
Amounts Available for Appropriation	844,258	844,258	870,060	25,802
Charges to Appropriation (Outflow):				
Capital outlay	540,000	790,000	-	790,000
Total Charges to Appropriations	540,000	790,000	-	790,000
Budgetary Fund Balance, June 30	\$ 304,258	\$ 54,258	\$ 870,060	\$ 815,802

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE
STATE GAS TAX
YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 946,250	\$ 946,250	\$ 946,250	\$ -
Resources (Inflows):				
Intergovernmental	1,243,091	1,243,091	1,194,669	(48,422)
Use of money and property	14,000	14,000	31,491	17,491
Transfers in	-	-	12,668	12,668
Amounts Available for Appropriation	2,203,341	2,203,341	2,185,078	(18,263)
Charges to Appropriation (Outflow):				
Public works	1,286,570	1,514,674	1,351,338	163,336
Total Charges to Appropriations	1,286,570	1,514,674	1,351,338	163,336
Budgetary Fund Balance, June 30	\$ 916,771	\$ 688,667	\$ 833,740	\$ 145,073

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 PARKS AND RECREATION FACILITIES
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 591,832	\$ 591,832	\$ 591,832	\$ -
Resources (Inflows):				
Taxes	79,000	40,800	28,800	(12,000)
Amounts Available for Appropriation	670,832	632,632	620,632	(12,000)
Charges to Appropriation (Outflow):				
Capital outlay	10,000	633,555	351,141	282,414
Total Charges to Appropriations	10,000	633,555	351,141	282,414
Budgetary Fund Balance, June 30	\$ 660,832	\$ (923)	\$ 269,491	\$ 270,414

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE
NARCOTIC SEIZURE/FORFEITURE
YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 656,071	\$ 656,071	\$ 656,071	\$ -
Resources (Inflows):				
Intergovernmental	50,000	50,000	44,582	(5,418)
Use of money and property	17,800	17,800	27,414	9,614
Amounts Available for Appropriation	723,871	723,871	728,067	4,196
Charges to Appropriation (Outflow):				
Public safety	80,690	248,847	54,716	194,131
Total Charges to Appropriations	80,690	248,847	54,716	194,131
Budgetary Fund Balance, June 30	\$ 643,181	\$ 475,024	\$ 673,351	\$ 198,327

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE
TRANSIT FUND
YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (62,940)	\$ (62,940)	\$ (62,940)	\$ -
Resources (Inflows):				
Intergovernmental	1,160,071	1,160,071	1,496,414	336,343
Charges for services	279,500	279,500	396,414	116,914
Miscellaneous	1,500	1,500	8,550	7,050
Transfers in	1,314,346	1,334,346	737,100	(597,246)
Amounts Available for Appropriation	2,692,477	2,712,477	2,575,538	(136,939)
Charges to Appropriation (Outflow):				
Housing and community development	2,755,417	2,785,638	2,638,269	147,369
Total Charges to Appropriations	2,755,417	2,785,638	2,638,269	147,369
Budgetary Fund Balance, June 30	\$ (62,940)	\$ (73,161)	\$ (62,731)	\$ 10,430

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION A
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,540,547	\$ 1,540,547	\$ 1,540,547	\$ -
Resources (Inflows):				
Intergovernmental	1,079,961	1,079,961	1,146,994	67,033
Use of money and property	12,000	12,000	70,694	58,694
Amounts Available for Appropriation	2,632,508	2,632,508	2,758,235	125,727
Charges to Appropriation (Outflow):				
Transfers out	1,314,346	1,334,346	737,100	597,246
Total Charges to Appropriations	1,314,346	1,334,346	737,100	597,246
Budgetary Fund Balance, June 30	\$ 1,318,162	\$ 1,298,162	\$ 2,021,135	\$ 722,973

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE
PROPOSITION C
YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,482,752	\$ 2,482,752	\$ 2,482,752	\$ -
Resources (Inflows):				
Intergovernmental	895,913	895,913	955,452	59,539
Use of money and property	46,000	46,000	120,698	74,698
Amounts Available for Appropriation	3,424,665	3,424,665	3,558,902	134,237
Charges to Appropriation (Outflow):				
Housing and community development	10,000	10,000	3,310	6,690
Capital outlay	1,109,000	2,947,194	1,233,356	1,713,838
Total Charges to Appropriations	1,119,000	2,957,194	1,236,666	1,720,528
Budgetary Fund Balance, June 30	\$ 2,305,665	\$ 467,471	\$ 2,322,236	\$ 1,854,765

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 LOCAL TRANSIT
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (341)	\$ (341)	\$ (341)	\$ -
Resources (Inflows):				
Intergovernmental	180,310	180,310	180,310	-
Amounts Available for Appropriation	179,969	179,969	179,969	-
Charges to Appropriation (Outflow):				
Capital outlay	30,000	198,969	142,505	56,464
Total Charges to Appropriations	30,000	198,969	142,505	56,464
Budgetary Fund Balance, June 30	\$ 149,969	\$ (19,000)	\$ 37,464	\$ 56,464

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE
AIR QUALITY IMPROVEMENT
YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 103,402	\$ 103,402	\$ 103,402	\$ -
Resources (Inflows):				
Intergovernmental	70,000	70,000	59,548	(10,452)
Use of money and property	3,000	3,000	4,677	1,677
Amounts Available for Appropriation	176,402	176,402	167,627	(8,775)
Charges to Appropriation (Outflow):				
Housing and community development	48,817	49,320	51,886	(2,566)
Total Charges to Appropriations	48,817	49,320	51,886	(2,566)
Budgetary Fund Balance, June 30	\$ 127,585	\$ 127,082	\$ 115,741	\$ (11,341)

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 STORM DRAIN
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 446,843	\$ 446,843	\$ 446,843	\$ -
Resources (Inflows):				
Charges for services	64,000	55,714	33,568	(22,146)
Amounts Available for Appropriation	510,843	502,557	480,411	(22,146)
Charges to Appropriation (Outflow):				
Capital outlay	190,000	481,493	47	481,446
Total Charges to Appropriations	190,000	481,493	47	481,446
Budgetary Fund Balance, June 30	\$ 320,843	\$ 21,064	\$ 480,364	\$ 459,300

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE
STREET LANDSCAPING AND LIGHTING
YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 25,413	\$ 25,413	\$ 25,413	\$ -
Resources (Inflows):				
Intergovernmental	-	-	3,302	3,302
Charges for services	1,519,900	1,510,258	1,512,550	2,292
Use of money and property	-	-	(3,349)	(3,349)
Miscellaneous	20,000	43,018	1,820	(41,198)
Transfers in	873,500	873,500	893,618	20,118
Amounts Available for Appropriation	2,438,813	2,452,189	2,433,354	(18,835)
Charges to Appropriation (Outflow):				
Public works	2,413,400	2,486,843	2,295,747	191,096
Total Charges to Appropriations	2,413,400	2,486,843	2,295,747	191,096
Budgetary Fund Balance, June 30	\$ 25,413	\$ (34,654)	\$ 137,607	\$ 172,261

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 SOUTH BAY YOUTH PROJECT
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (32,469)	\$ (32,469)	\$ (32,469)	\$ -
Resources (Inflows):				
Intergovernmental	873,700	893,700	718,092	(175,608)
Transfers in	35,000	35,000	66,125	31,125
Amounts Available for Appropriation	876,231	896,231	751,748	(144,483)
Charges to Appropriation (Outflow):				
Housing and community development	916,018	942,558	830,358	112,200
Total Charges to Appropriations	916,018	942,558	830,358	112,200
Budgetary Fund Balance, June 30	\$ (39,787)	\$ (46,327)	\$ (78,610)	\$ (32,283)

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE
WORKFORCE INVESTMENT ACT
YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (62,752)	\$ (62,752)	\$ (62,752)	\$ -
Resources (Inflows):				
Intergovernmental	680,197	680,197	350,256	(329,941)
Transfers in	-	-	201,000	201,000
Amounts Available for Appropriation	617,445	617,445	488,504	(128,941)
Charges to Appropriation (Outflow):				
Housing and community development	695,695	720,956	542,225	178,731
Total Charges to Appropriations	695,695	720,956	542,225	178,731
Budgetary Fund Balance, June 30	\$ (78,250)	\$ (103,511)	\$ (53,721)	\$ 49,790

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 COMMUNITY DEVELOPMENT BLOCK GRANT
 YEAR ENDED JUNE 30, 2008

	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	935,168	1,022,263	557,125	(465,138)
Amounts Available for Appropriation	933,696	1,020,791	555,653	(465,138)
Charges to Appropriation (Outflow):				
Housing and community development	979,589	1,156,593	637,177	519,416
Total Charges to Appropriations	979,589	1,156,593	637,177	519,416
Budgetary Fund Balance, June 30	\$ (45,893)	\$ (135,802)	\$ (81,524)	\$ 54,278

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE
DISASTER RECOVERY
YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 114,904	\$ 114,904	\$ 114,904	\$ -
Resources (Inflows):				
Miscellaneous	50,000	247,856	254,701	6,845
Amounts Available for Appropriation	164,904	362,760	369,605	6,845
Charges to Appropriation (Outflow):				
Housing and community development	-	-	111,214	(111,214)
Total Charges to Appropriations	-	-	111,214	(111,214)
Budgetary Fund Balance, June 30	\$ 164,904	\$ 362,760	\$ 258,391	\$ (104,369)

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE
HOUSING AUTHORITY
YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 631,625	\$ 631,625	\$ 631,625	\$ -
Resources (Inflows):				
Intergovernmental	4,961,720	4,961,720	5,735,355	773,635
Use of money and property	-	-	23,577	23,577
Amounts Available for Appropriation	5,593,345	5,593,345	6,390,557	797,212
Charges to Appropriation (Outflow):				
Housing and community development	5,121,520	5,121,520	5,757,765	(636,245)
Total Charges to Appropriations	5,121,520	5,121,520	5,757,765	(636,245)
Budgetary Fund Balance, June 30	\$ 471,825	\$ 471,825	\$ 632,792	\$ 160,967

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 SUBDIVISION PARK TRUST
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 847,712	\$ 847,712	\$ 847,712	\$ -
Resources (Inflows):				
Intergovernmental	370,000	180,000	232,500	52,500
Use of money and property	-	-	879	879
Amounts Available for Appropriation	1,217,712	1,027,712	1,081,091	53,379
Charges to Appropriation (Outflow):				
Capital outlay	574,500	1,150,785	130,403	1,020,382
Total Charges to Appropriations	574,500	1,150,785	130,403	1,020,382
Budgetary Fund Balance, June 30	\$ 643,212	\$ (123,073)	\$ 950,688	\$ 1,073,761

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT PROJECTS
YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 10,618,160	\$ 10,618,160	\$ 10,618,160	\$ -
Resources (Inflows):				
Intergovernmental	-	1,085,611	1,085,612	1
Miscellaneous	133,000	134,000	13,000	(121,000)
Transfers in	-	3,775,295	4,575,295	800,000
Amounts Available for Appropriation	10,751,160	15,613,066	16,292,067	679,001
Charges to Appropriation (Outflow):				
Public works	108,765	186,550	115,369	71,181
Capital outlay	528,350	11,769,409	755,426	11,013,983
Transfers out	-	-	1,294,124	(1,294,124)
Total Charges to Appropriations	637,115	11,955,959	2,164,919	9,791,040
Budgetary Fund Balance, June 30	\$ 10,114,045	\$ 3,657,107	\$ 14,127,148	\$ 10,470,041

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 REDEVELOPMENT AGENCY - CAPITAL PROJECTS
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,580,809	\$ 1,580,809	\$ 1,580,809	\$ -
Resources (Inflows):				
Use of money and property	380,134	380,134	471,356	91,222
Transfers in	54,310	54,310	-	(54,310)
Amounts Available for Appropriation	2,015,253	2,015,253	2,052,165	36,912
Charges to Appropriation (Outflow):				
Housing and community development	509,075	509,075	438,828	70,247
Total Charges to Appropriations	509,075	509,075	438,828	70,247
Budgetary Fund Balance, June 30	\$ 1,506,178	\$ 1,506,178	\$ 1,613,337	\$ 107,159

CITY OF REDONDO BEACH

**BUDGETARY COMPARISON SCHEDULE
PUBLIC FINANCING AUTHORITY
YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 12,581,751	\$ 12,581,751	\$ 12,581,751	\$ -
Resources (Inflows):				
Use of money and property	1,125,424	1,125,424	1,621,813	496,389
Transfers in	1,197,000	1,197,000	1,801,530	604,530
Refunding bonds issued	-	-	7,645,000	7,645,000
Bond premium	-	-	227,862	227,862
Amounts Available for Appropriation	14,904,175	14,904,175	23,877,956	8,973,781
Charges to Appropriation (Outflow):				
Housing and community development	343,222	343,222	315,956	27,266
Debt service:				
Principal retirement	363,958	363,958	1,339,952	(975,994)
Interest and fiscal charges	919,640	919,640	1,320,770	(401,130)
Transfers out	650	650	675,192	(674,542)
Refunded bonds redeemed	-	-	7,645,000	(7,645,000)
Total Charges to Appropriations	1,627,470	1,627,470	11,296,870	(9,669,400)
Budgetary Fund Balance, June 30	\$ 13,276,705	\$ 13,276,705	\$ 12,581,086	\$ (695,619)

CITY OF REDONDO BEACH

BUDGETARY COMPARISON SCHEDULE
 REDEVELOPMENT AGENCY - DEBT SERVICE
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (15,903,201)	\$ (15,903,201)	\$ (15,903,201)	\$ -
Resources (Inflows):				
Taxes	1,665,309	1,665,309	1,525,088	(140,221)
Use of money and property	71,000	71,000	48,038	(22,962)
Transfers in	838,100	838,100	675,192	(162,908)
Other debts issued	385,924	385,924	648,720	262,796
Amounts Available for Appropriation	(12,942,868)	(12,942,868)	(13,006,163)	(63,295)
Charges to Appropriation (Outflow):				
Housing and community development	-	-	47,924	(47,924)
Debt service:				
Principal retirement	-	-	186,859	(186,859)
Interest and fiscal charges	1,074,026	1,074,026	1,581,991	(507,965)
Transfers out	2,088,760	2,088,760	1,801,530	287,230
Total Charges to Appropriations	3,162,786	3,162,786	3,618,304	(455,518)
Budgetary Fund Balance, June 30	\$ (16,105,654)	\$ (16,105,654)	\$ (16,624,467)	\$ (518,813)

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.

Emergency Communications 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, 2008

	Governmental Activities - Internal Service Funds						
	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Printing and Graphics	Emergency Communications	Totals
Assets:							
Current:							
Cash and investments	\$ 4,545,470	\$ -	\$ 566,703	\$ 14,423,484	\$ 32,840	\$ 540,403	\$ 20,108,900
Receivables:							
Accounts	1,979	-	-	-	-	-	1,979
Prepaid costs	-	-	-	113	-	-	113
Due from other governments	-	-	-	48	-	-	48
Total Current Assets	4,547,449	-	566,703	14,423,645	32,840	540,403	20,111,040
Noncurrent:							
Capital assets - net of accumulated depreciation	3,032,732	26,780	224,979	-	66,788	426,492	3,777,771
Total Noncurrent Assets	3,032,732	26,780	224,979	-	66,788	426,492	3,777,771
Total Assets	\$ 7,580,181	\$ 26,780	\$ 791,682	\$ 14,423,645	\$ 99,628	\$ 966,895	\$ 23,888,811
Liabilities and Net Assets:							
Liabilities:							
Current:							
Accounts payable	\$ 105,388	\$ 171,395	\$ 16,232	\$ 162,141	\$ 6,607	\$ 1,195	\$ 462,958
Accrued liabilities	13,906	35,192	25,986	4,297	5,620	51,420	136,421
Due to other governments	-	-	28	-	-	-	28
Due to other funds	-	140,354	-	-	-	-	140,354
Accrued compensated absences	3,081	38,691	26,025	10,548	5,116	35,050	118,511
Accrued claims and judgments	-	-	-	1,280,329	-	-	1,280,329
Bonds, notes, and capital leases	-	-	-	-	11,010	-	11,010
Total Current Liabilities	122,375	385,632	68,271	1,457,315	28,353	87,665	2,149,611
Noncurrent:							
Accrued compensated absences	874	10,977	7,384	2,989	1,451	9,944	33,619
Accrued claims and judgments	-	-	-	16,161,392	-	-	16,161,392
Bonds, notes, and capital leases	-	-	-	-	34,208	-	34,208
Total Noncurrent Liabilities	874	10,977	7,384	16,164,381	35,659	9,944	16,229,219
Total Liabilities	123,249	396,609	75,655	17,621,696	64,012	97,609	18,378,830
Net Assets:							
Invested in capital assets, net of related debt	3,032,732	26,780	224,979	-	21,570	426,492	3,732,553
Unrestricted	4,424,200	(396,609)	491,048	(3,198,051)	14,046	442,794	1,777,428
Total Net Assets	7,456,932	(369,829)	716,027	(3,198,051)	35,616	869,286	5,509,981
Total Liabilities and Net Assets	\$ 7,580,181	\$ 26,780	\$ 791,682	\$ 14,423,645	\$ 99,628	\$ 966,895	\$ 23,888,811

CITY OF REDONDO BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2008

	Governmental Activities - Internal Service Funds						
	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Printing and Graphics	Emergency Communications	Totals
Operating Revenues:							
Sales and service charges	\$ 2,711,786	\$ 2,424,818	\$ 2,570,926	\$ 5,593,446	\$ 319,865	\$ 2,330,999	\$ 15,951,840
Miscellaneous	59,631	-	-	-	-	-	59,631
Total Operating Revenues	2,771,417	2,424,818	2,570,926	5,593,446	319,865	2,330,999	16,011,471
Operating Expenses:							
Administration and general	1,160,549	1,375,551	1,339,167	1,783,450	118,477	331,960	6,109,154
Personnel services	373,926	1,206,024	811,453	169,531	170,689	1,884,921	4,616,544
Contractual services	189,486	361,287	350,061	3,095,747	49,550	88,341	4,134,472
Depreciation expense	769,053	3,139	118,318	-	6,036	22,980	919,526
Total Operating Expenses	2,493,014	2,946,001	2,618,999	5,048,728	344,752	2,328,202	15,779,696
Operating Income (Loss)	278,403	(521,183)	(48,073)	544,718	(24,887)	2,797	231,775
Nonoperating Revenues (Expenses):							
Interest expense	-	-	-	-	(6,779)	-	(6,779)
Gain (loss) on disposal of capital assets	34,735	-	-	-	-	-	34,735
Total Nonoperating Revenues (Expenses)	34,735	-	-	-	(6,779)	-	27,956
Income (Loss) Before Transfers	313,138	(521,183)	(48,073)	544,718	(31,666)	2,797	259,731
Transfers in	9,926	107,114	18,472	3,635	3,982	36,175	179,304
Transfers out	-	-	-	(4,770,295)	-	-	(4,770,295)
Changes in Net Assets	323,064	(414,069)	(29,601)	(4,221,942)	(27,684)	38,972	(4,331,260)
Net Assets:							
Beginning of Year	7,133,868	44,240	745,628	1,023,891	63,300	830,314	9,841,241
End of Fiscal Year	\$ 7,456,932	\$ (369,829)	\$ 716,027	\$ (3,198,051)	\$ 35,616	\$ 869,286	\$ 5,509,981

CITY OF REDONDO BEACH

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2008**

	Governmental Activities - Internal Service Funds						
	Vehicle Replacement	Building Occupancy	Information Technology	Self- Insurance Program	Printing and Graphics	Emergency Communications	Totals
Cash Flows from Operating Activities:							
Cash received from customers and users	\$ 2,780,674	\$ 2,424,818	\$ 2,570,926	\$ 5,593,606	\$ 319,865	\$ 2,330,999	\$ 16,020,888
Cash paid to suppliers for goods and services	(1,390,920)	(1,688,622)	(1,945,388)	(4,460,589)	(173,351)	(523,498)	(10,182,368)
Cash paid to employees for services	(369,438)	(1,185,520)	(806,765)	(162,333)	(174,557)	(1,863,673)	(4,562,286)
Net Cash Provided (Used) by Operating Activities	1,020,316	(449,324)	(181,227)	970,684	(28,043)	(56,172)	1,276,234
Cash Flows from Non-Capital Financing Activities:							
Cash transfers out	-	-	-	(4,770,295)	-	-	(4,770,295)
Cash transfers in	9,926	107,114	18,472	3,635	3,982	36,175	179,304
Repayment received from other funds	-	67,964	-	-	-	-	67,964
Net Cash Provided (Used) by Non-Capital Financing Activities	9,926	175,078	18,472	(4,766,660)	3,982	36,175	(4,523,027)
Cash Flows from Capital and Related Financing Activities:							
Proceeds from capital debt	-	-	-	-	55,050	-	55,050
Acquisition and construction of capital assets	(553,223)	-	(21,429)	-	(55,050)	(260,204)	(889,906)
Principal paid on capital debt	-	-	-	-	(10,751)	-	(10,751)
Interest paid on capital debt	-	-	-	-	(6,779)	-	(6,779)
Proceeds from sales of capital assets	58,371	-	-	-	-	-	58,371
Net Cash Provided (Used) by Capital and Related Financing Activities	(494,852)	-	(21,429)	-	(17,530)	(260,204)	(794,015)
Net Increase (Decrease) in Cash and Cash Equivalents	535,390	(274,246)	(184,184)	(3,795,976)	(41,591)	(280,201)	(4,040,808)
Cash and Cash Equivalents at Beginning of Year	4,010,080	274,246	750,887	18,219,460	74,431	820,604	24,149,708
Cash and Cash Equivalents at End of Year	\$ 4,545,470	\$ -	\$ 566,703	\$ 14,423,484	\$ 32,840	\$ 540,403	\$ 20,108,900

CITY OF REDONDO BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2008

	Governmental Activities - Internal Service Funds						
	Vehicle Replacement	Building Occupancy	Information Technology	Self- Insurance Program	Printing and Graphics	Emergency Communications	Totals
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:							
Operating income (loss)	\$ 278,403	\$ (521,183)	\$ (48,073)	\$ 544,718	\$ (24,887)	\$ 2,797	\$ 231,775
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:							
Depreciation	769,053	3,139	118,318	-	6,036	22,980	919,526
(Increase) decrease in accounts receivable	9,257	-	-	-	-	-	9,257
(Increase) decrease in due from other governments	-	-	-	160	-	-	160
(Increase) decrease in prepaid expense	-	-	-	(113)	-	-	(113)
Increase (decrease) in accounts payable	(40,885)	48,216	(256,188)	(264,227)	(5,324)	(103,197)	(621,605)
Increase (decrease) in due to other governments	-	-	28	-	-	-	28
Increase (decrease) in accrued liabilities	13,906	35,192	25,986	4,297	5,620	51,420	136,421
Increase (decrease) in claims and judgments	-	-	-	682,948	-	-	682,948
Increase (decrease) in compensated absences	(9,418)	(14,688)	(21,298)	2,901	(9,488)	(30,172)	(82,163)
Total Adjustments	741,913	71,859	(133,154)	425,966	(3,156)	(58,969)	1,044,459
Net Cash Provided (Used) by Operating Activities	\$ 1,020,316	\$ (449,324)	\$ (181,227)	\$ 970,684	\$ (28,043)	\$ (56,172)	\$ 1,276,234
Non-Cash Investing, Capital, and Financing Activities:							
Gain/(Loss) on disposition of capital assets	\$ 34,735	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,735

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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, 2008

	<u>Deposits</u>	<u>Assessment District 92-1</u>	<u>Totals</u>
Assets:			
Pooled cash and investments	\$ -	\$ 178,012	\$ 178,012
Receivables:			
Accounts	32,805	-	32,805
Accrued interest	1,272	-	1,272
Restricted assets:			
Cash and investments	<u>59,813,693</u>	<u>-</u>	<u>59,813,693</u>
Total Assets	<u>\$ 59,847,770</u>	<u>\$ 178,012</u>	<u>\$ 60,025,782</u>
Liabilities:			
Accounts payable	\$ 16,276	\$ -	\$ 16,276
Accrued liabilities	58,887,137	-	58,887,137
Deposits payable	811,159	178,012	989,171
Due to external parties	<u>133,198</u>	<u>-</u>	<u>133,198</u>
Total Liabilities	<u>\$ 59,847,770</u>	<u>\$ 178,012</u>	<u>\$ 60,025,782</u>

CITY OF REDONDO BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2008

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
<u>Deposits</u>				
Assets:				
Pooled cash and investments	\$ 1,255,449	\$ 2,271,865	\$ 3,527,314	\$ -
Receivables:				
Accounts	19,818	645,697	632,710	32,805
Accrued interest	1,088	1,272	1,088	1,272
Restricted assets:				
Cash and investments	57,258,561	2,555,132	-	59,813,693
Total Assets	<u>\$ 58,534,916</u>	<u>\$ 5,473,966</u>	<u>\$ 4,161,112</u>	<u>\$ 59,847,770</u>
Liabilities:				
Accounts payable	\$ 88,932	\$ 1,086,223	\$ 1,158,879	\$ 16,276
Accrued liabilities	57,303,959	2,709,096	1,125,918	58,887,137
Deposits payable	831,772	386,402	407,015	811,159
Due to external parties	310,252	133,198	310,252	133,198
Total Liabilities	<u>\$ 58,534,915</u>	<u>\$ 4,314,919</u>	<u>\$ 3,002,064</u>	<u>\$ 59,847,770</u>
 <u>Assessment District 92-1</u>				
Assets:				
Pooled cash and investments	\$ -	\$ 227,084	\$ 49,072	\$ 178,012
Receivables:				
Taxes	65,817	-	65,817	-
Restricted assets:				
Cash and investments with fiscal agents	283,463	1,108	284,571	-
Total Assets	<u>\$ 349,280</u>	<u>\$ 228,192</u>	<u>\$ 399,460</u>	<u>\$ 178,012</u>
Liabilities:				
Deposits payable	87,438	443,961	353,387	178,012
Due to external parties	46,072	-	46,072	-
Due to bondholders	215,770	-	215,770	-
Total Liabilities	<u>\$ 349,280</u>	<u>\$ 443,961</u>	<u>\$ 615,229</u>	<u>\$ 178,012</u>

CITY OF REDONDO BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2008

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Pooled cash and investments	\$ 1,255,449	\$ 2,498,949	\$ 3,576,386	\$ 178,012
Receivables:				
Accounts	19,818	645,697	632,710	32,805
Taxes	65,817	-	65,817	-
Accrued interest	1,088	1,272	1,088	1,272
Restricted assets:				
Cash and investments	57,258,561	2,555,132	-	59,813,693
Cash and investments with fiscal agents	283,463	1,108	284,571	-
Total Assets	<u>\$ 58,884,196</u>	<u>\$ 5,702,158</u>	<u>\$ 4,560,572</u>	<u>\$ 60,025,782</u>
Liabilities:				
Accounts payable	\$ 88,932	\$ 1,086,223	\$ 1,158,879	\$ 16,276
Accrued liabilities	57,303,959	2,709,096	1,125,918	58,887,137
Deposits payable	919,210	830,363	760,402	989,171
Due to external parties	356,324	133,198	356,324	133,198
Due to bondholders	215,770	-	215,770	-
Total Liabilities	<u>\$ 58,884,195</u>	<u>\$ 4,758,880</u>	<u>\$ 3,617,293</u>	<u>\$ 60,025,782</u>

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STATISTICAL SECTION



CITY OF REDONDO BEACH

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

June 30, 2008

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

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Financial Trends

Presented are schedules containing trend information to assist in the reader's understanding of how the City's financial performance has changed over time.

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Revenue Capacity

Presented are schedules to assist the reader's assessment of the factors affecting the City's ability to generate revenue through property taxes.

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Debt Capacity

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.

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Demographic and Economic Information

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.

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Operating & Other Information

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.

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CITY OF REDONDO BEACH

NET ASSETS BY COMPONENT

Last Six Fiscal Years

(accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
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	\$ 134,543,764
Restricted	24,444,604	18,585,387	32,636,751	29,022,856	34,504,525	34,884,364
Unrestricted	1,138,486	(3,642,292)	(22,641,897)	(15,492,009)	(16,364,199)	(14,805,067)
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>	<u>154,623,061</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	36,923,208
Restricted	190,050	-	-	-	-	-
Unrestricted	17,787,346	30,464,219	19,380,216	20,013,129	22,770,297	25,271,647
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>	<u>62,194,855</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	171,466,972
Restricted	24,634,654	18,585,387	32,636,751	29,022,856	34,504,525	34,884,364
Unrestricted	18,925,832	26,821,927	(3,261,681)	4,521,120	6,406,098	10,466,580
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>	<u>\$ 216,817,916</u>

NOTE: The City of Redondo Beach has elected to present six 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 Six Fiscal Years

(accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Government activities:						
General government	\$ 8,246,966	\$ 8,182,895	\$ 10,427,561	\$ 10,638,910	\$ 10,019,467	\$ 10,234,450
Public Safety	28,238,180	28,889,848	32,490,257	35,772,948	38,269,521	40,835,961
Housing and community development	12,290,418	11,746,765	11,797,139	11,749,944	12,194,088	14,063,015
Cultural and leisure services	7,693,999	7,673,578	8,204,892	8,812,584	9,499,827	10,143,340
Public works	17,324,480	14,478,369	14,212,509	12,936,637	14,986,259	13,601,505
Interest on long-term debt	2,246,326	1,377,259	1,956,707	2,122,317	1,696,368	2,419,799
Total governmental activities expenses	76,040,369	72,348,714	79,089,065	82,033,340	86,665,530	91,298,070
Business-type activities:						
Harbor Tidelands	4,193,713	4,474,733	5,142,991	4,447,965	4,902,841	5,075,571
Harbor Uplands	3,945,726	4,682,845	4,071,680	4,466,239	4,503,160	5,416,019
Solid Waste	-	2,901,712	3,001,525	3,225,121	3,493,852	3,129,337
Wastewater	-	886,466	1,350,156	2,686,646	2,122,793	1,853,206
Total business-type activities expenses	8,139,439	12,945,756	13,566,352	14,825,971	15,022,646	15,474,133
Total primary government expenses	84,179,808	85,294,470	92,655,417	96,859,311	101,688,176	106,772,203
Program Revenues						
Governmental activities:						
Charges for Services:						
General government	705,541	176,191	218,476	4,732,359	6,434,951	6,337,391
Public Safety	1,099,904	1,226,777	1,357,045	1,353,696	1,290,081	1,437,688
Housing and community development	4,288,421	5,233,846	5,091,922	5,425,840	4,989,531	5,186,896
Cultural and leisure services	1,444,730	1,462,232	1,743,838	1,864,303	1,842,631	1,747,849
Public works	4,230,641	1,746,110	1,866,308	1,879,095	1,771,922	1,733,379
Operating grants and contributions	12,610,308	13,548,374	14,385,755	11,403,631	12,366,720	14,480,137
Capital grants and contributions	953,264	507,063	715,672	2,856,548	4,916,505	4,863,545
Total governmental activities program revenues	25,332,809	23,900,593	25,379,016	29,515,472	33,612,341	35,786,885
Business-type activities:						
Charges for services:						
Harbor Tidelands	4,561,567	4,938,355	4,976,742	4,797,346	5,067,315	6,084,834
Harbor Uplands	3,590,837	3,554,528	3,526,424	3,858,007	4,103,636	4,400,815
Solid Waste	-	2,464,184	2,462,684	3,184,481	3,481,133	2,845,736
Wastewater	-	236,675	2,487,868	2,135,108	1,842,479	1,739,468
Operating grants and contributions	1,105	36,362	49,717	73,035	68,841	70,150
Capital grants and contributions	-	-	-	-	-	-
Total business-type activities program revenues	8,153,509	11,230,104	13,503,435	14,047,977	14,563,404	15,141,003
Total primary government program revenues	33,486,318	35,130,697	38,882,451	43,563,449	48,175,745	50,927,888
Net (expense)/revenue						
Governmental activities	(50,707,560)	(48,448,121)	(53,710,049)	(52,517,868)	(53,053,189)	(55,511,185)
Business-type activities	14,070	(1,715,652)	(62,917)	(777,994)	(459,242)	(333,130)
Total primary government net expense	(50,693,490)	(50,163,773)	(53,772,966)	(53,295,862)	(53,512,431)	(55,844,315)

CITY OF REDONDO BEACH

CHANGES IN NET ASSETS

Last Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
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	27,311,112
Transient occupancy taxes	2,257,526	2,439,439	2,648,323	3,354,138	3,738,839	3,933,009
Sales taxes	8,073,176	8,544,764	9,408,574	9,906,235	10,205,436	9,635,626
Franchise taxes	1,321,287	1,842,050	1,761,441	1,767,452	1,685,711	1,807,308
Business licenses taxes	1,278,607	1,302,614	1,323,345	1,376,117	1,289,608	1,385,726
Utility users taxes	6,835,864	6,841,854	7,184,530	7,398,984	7,878,429	8,018,564
Motor vehicle in lieu	3,897,644	2,959,364	5,653,644	453,645	429,612	293,685
Investment earnings	3,719,297	1,729,697	2,595,528	3,349,037	4,687,909	4,264,527
Other revenues	926,203	1,248,023	1,980,160	1,340,746	1,626,971	443,706
Loss on disposal of capital assets	(121,086)	(12,125)	-	-	-	34,735
Transfers	429,460	(5,308,676)	473,040	-	-	(146,710)
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>	<u>56,981,288</u>
Business-type activities:						
Investment earnings	770,111	295,611	810,422	839,082	1,439,428	1,329,922
Loss on disposal of capital assets	(18,048)	-	-	-	-	-
Other revenues	369,246	760,920	1,032,553	204,761	138,877	141,621
Transfers	(429,460)	5,308,676	(473,040)	-	-	146,710
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>	<u>1,618,253</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>	<u>58,599,541</u>
Change in Net Assets						
Governmental activities	(5,337,815)	(8,802,933)	(1,157,016)	2,046,104	5,625,463	1,470,103
Business-type activities	705,919	4,649,555	1,307,018	265,849	1,119,063	1,285,123
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>	<u>\$ 2,755,226</u>

NOTE: The City of Redondo Beach has elected to present six 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 Six Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General fund						
Reserved	\$ 1,118,553	\$ 532,612	\$ 1,229,239	\$ 759,733	\$ 781,710	\$ 902,881
Unreserved:						
Designated	11,802,290	11,942,979	9,144,315	9,383,713	10,143,013	11,363,952
Undesignated	(83,439)	3,692	1,028,448	2,680,196	214,115	314,926
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>	<u>12,581,759</u>
All other governmental funds						
Reserved	9,649,967	5,770,495	3,156,012	7,519,312	21,109,217	21,158,335
Unreserved, reported in:						
Special revenue funds	5,486,190	5,089,794	5,941,612	4,485,135	8,108,628	7,429,282
Capital projects funds	630	2,284,886	2,085,674	1,763,987	1,581,516	1,614,077
Debt service funds	4,779	4,822	4,819	5,021	5,028	5,028
Designated	15,002,782	11,152,797	5,233,040	8,320,867	9,274,372	12,493,688
Undesignated	-	110,440	2,566,316	(2,290,313)	(12,738,943)	(11,944,916)
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>	<u>\$ 30,755,494</u>

NOTE: The City of Redondo Beach has elected to present six 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 Six Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Revenues:						
Taxes	\$ 35,772,421	\$ 39,678,946	\$ 47,416,940	\$ 49,809,201	\$ 52,569,593	\$ 53,052,490
Interdepartmental	-	-	-	4,298,260	6,314,753	6,314,750
Licenses and permits	1,241,136	1,513,226	1,713,598	2,006,686	1,660,339	1,306,025
Intergovernmental	15,566,321	16,208,575	13,322,228	14,196,236	15,771,721	16,660,368
Charges for services	7,870,593	7,193,850	7,738,642	8,673,373	7,627,197	6,814,267
Use of money and property	6,638,379	2,178,640	3,834,831	3,458,204	5,228,621	6,279,652
Fines and forfeitures	1,612,480	1,069,909	942,598	889,437	1,117,196	1,984,683
Other revenues	1,551,978	784,325	697,856	760,816	787,722	559,093
Total Revenues	70,253,308	68,627,471	75,666,693	84,092,213	91,077,142	92,971,328
Expenditures:						
Current:						
General government	7,858,215	8,134,136	10,291,155	10,531,849	9,878,387	9,033,018
Public safety	27,905,212	28,548,022	31,357,941	35,109,834	38,254,942	40,909,913
Housing and community development	12,272,712	11,753,095	11,134,350	11,341,953	11,960,230	13,970,479
Cultural and leisure services	6,892,592	7,565,264	7,446,505	8,658,356	9,120,765	9,780,910
Public works	9,429,422	11,866,239	7,404,995	9,409,898	10,218,116	11,046,771
Capital outlay	7,987,598	1,884,946	10,024,176	3,356,314	5,318,230	4,121,712
Debt service:						
Principal	394,798	395,046	420,069	1,984,826	757,671	1,526,811
Interest	2,232,047	1,389,640	1,958,332	2,130,871	1,698,884	2,902,761
Debt issuance costs	21,157	-	-	-	-	-
Total Expenditures	74,993,753	71,536,388	80,037,523	82,523,901	87,207,225	93,292,375
Excess of Revenues Over (Under) Expenditures	(4,740,445)	(2,908,917)	(4,370,830)	1,568,312	3,869,917	(321,047)
Other Financing Sources (Uses):						
Transfers in	5,277,409	3,548,964	3,194,254	3,296,665	6,611,051	11,074,552
Transfers out	(6,077,949)	(4,194,424)	(6,007,674)	(4,496,995)	(7,853,397)	(6,630,271)
Refunding bonds issued	-	-	-	-	-	7,645,000
Other debts issued	450,140	655,879	926,685	736,338	476,292	648,720
Bond premium	-	-	-	-	-	227,862
Refunding bonds redeemed	-	-	-	-	-	(7,645,000)
Total Other Financing Sources (Uses)	(350,400)	10,419	(1,886,735)	(463,992)	(766,054)	5,320,863
Net Change in Fund Balances	\$ (5,090,845)	\$ (2,898,498)	\$ (6,257,565)	\$ 1,104,320	\$ 3,103,863	\$ 4,999,816
Debt service as a percentage of noncapital expenditures	4.11%	2.63%	3.52%	5.48%	3.09%	5.23%

NOTE: The City of Redondo Beach has elected to present six 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 Nine Fiscal Years *

Fiscal Year Ended June 30	City				Redevelopment			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Exemptions		
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%
2008	10,414,844,031	363,370,583	(75,561,247)	10,702,653,367	371,338,622	62,307,947	(771,134)	432,875,435	0.245%

NOTES: * The City of Redondo Beach has elected to present only nine 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 re-assessed 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 2007-08 Combined Tax Rolls

City of Redondo Beach

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

Last Ten Fiscal Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
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	1.01230	1.01209	1.01167	1.00990	1.00861	1.00755	1.00697	1.00604	1.00541	1.00450
Overlapping Rates:										
Los Angeles County	0.00145	0.00142	0.00131	0.00113	0.00103	0.00099	0.00092	0.00080	0.00066	0.00000
Flood Control	0.00195	0.00176	0.00156	0.00107	0.00088	0.00047	0.00024	0.00005	0.00005	0.00000
Metropolitan Water District	0.00890	0.00890	0.00880	0.00770	0.00670	0.00610	0.00580	0.00520	0.00470	0.00450
Community College	0.00000	0.00000	0.00000	0.00000	0.00000	0.01903	0.01656	0.01838	0.03570	0.01647
Unified School District	0.00000	0.00000	0.00000	0.02370	0.00446	0.00866	0.02765	0.03336	0.02970	0.02844
Total Direct Rate	0.22406	0.22351	0.18529	0.18449	0.18385	0.18360	0.18176	0.18234	0.21166	0.18715

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 2007/2008 Tax Rate Table

CITY OF REDONDO BEACH

PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

Taxpayer	2008		1999	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
TRW Inc.	\$217,551,283	1.95%	\$308,788,456	5.66%
South Bay Center LLC	188,251,940	1.69%	-	
Northrop Grumman Space & Mission	187,891,014	1.69%	-	
HPT IHG 2 Properties Trust	50,469,804	0.45%	-	
MKEG P LLC	35,373,600	0.32%	-	
Portofino Partners	35,283,664	0.32%	29,470,797	0.54%
Target Corporation	33,615,628	0.30%	-	
AMB AMS Spinnaker LLC	31,821,120	0.29%	-	
Harbor Cove Limited	31,612,324	0.28%	-	
Allen Ginsburg Persephones Inc.	30,504,616	0.27%	-	
Galleria At South Bay	-		135,801,227	2.49%
California Water Service Company	-		25,081,255	0.46%
Town Park Hotel Corporation	-		24,650,647	0.45%
Electro Rent Corporation	-		20,389,521	0.37%
Redondo Shores LLC	-		16,620,416	0.30%
Telogy Inc.	-		16,574,407	0.30%
South Bay Associates	-		15,612,699	0.29%
Village At Redondo Partners	-		13,650,114	0.25%
	<u>\$842,374,993</u>	<u>7.56%</u>	<u>\$606,639,539</u>	<u>11.12%</u>

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

Source: HdL Coren & Cone, Los Angeles County Assessor 2007/2008 Combined Tax Rolls

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
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%
2008	23,253,318	22,214,291	95.53%	646,294	22,860,585	98.31%

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			
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	12.78%	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	11.60%	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
2008	2,930,000	-	10,113,873	14,508,927	45,219	9,523,272	3,953,480	-	41,074,771	-	609

NOTES: * Personal income data was not available from the California Department of Finance subsequent to fiscal year 2005/2006. 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, 2008

City Assessed Valuation		\$ 11,135,528,802	
Redevelopment Agency Incremental Valuation		<u>398,442,652</u>	
Total Assessed Valuation		<u>\$ 10,737,086,150</u>	
			Estimated
	Percentage	Outstanding	Share of
	Applicable	Debt 6/30/08	Overlapping
			Debt
Direct Debt:			
Redondo Beach South Bay Bank Loan	100%	\$ 1,547,061	\$ 1,547,061
2001 Refunding Revenue Bonds	100%	2,260,000	2,260,000
Boating & Waterways Construction Loan 88-21-84	100%	1,178,959	1,178,959
Boating & Waterways Construction Loan 89-21-14	100%	2,774,521	2,774,521
County Deferral Loans	100%	12,519,957	12,519,957
PFA 1996 Revenue Bonds	100%	8,550,000	8,550,000
PFA 2000 Tax Allocation Bond	100%	2,930,000	2,930,000
Wastewater Revenue Bond 2004 Ser A	100%	9,523,272	9,523,272
Redondo Beach Unified School District 2000 Ser A	100%	10,590,000	10,590,000
Redondo Beach Unified School District 2000 Ser B	100%	5,380,000	5,380,000
Redondo Beach Unified School District 2000 Ser C	100%	8,460,000	8,460,000
Redondo Beach Unified School District 2000 Ser D	100%	9,545,000	9,545,000
Redondo Beach Unified School District 2000 Ser E	100%	<u>64,534,958</u>	<u>64,534,958</u>
Total direct debt		<u>\$ 139,793,728</u>	<u>\$ 139,793,728</u>
Overlapping Debt:			
* Metropolitan Water District	1.354%	150,054,336	2,032,417
El Camino CCS DS 2002 S-2003A	14.945%	9,625,000	1,438,488
El Camino CCD DS 2005 REF BONDS	14.945%	31,036,201	4,638,463
El Camino CCD DS 2002 SER 2006B	14.945%	<u>145,400,000</u>	<u>21,730,510</u>
Total overlapping debt		<u>\$ 336,115,537</u>	<u>\$ 29,839,878</u>
Total direct and overlapping debt			<u>\$ 169,633,606</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 2007/2008 Lien Date Tax Rolls

CITY OF REDONDO BEACH

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	\$ 11,135,528,802
Debt Limit (15% of assessed value)	1,670,329,320
Debt applicable to limit	<u>-</u>
Legal debt margin	<u>\$ 1,670,329,320</u>

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	\$ 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	\$ 1,670,329,320
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	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	1,670,329,320
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 Five Fiscal Years

Fiscal Year Ended June 30,	Wastewater Revenue Bonds					
	Wastewater Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				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
2008	1,632,533	841,186	791,347	195,000	466,813	1.20

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, 2008

Calendar Year	Population	Personal Income * (in millions)	Per Capita Personal Income *	Unemployment Rate **
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	346,423	51,455	5.0%
2006	67,112	369,174	55,009	4.4%
2007	67,495	-	-	4.7%
2008	67,488	-	-	6.6%

NOTES: * Personal income data was not available from the California Department of Finance subsequent to fiscal year 2005/2006. Per Capita Personal Income is based on the County of Los Angeles. Statistics not available subsequent to fiscal year 2005/2006. ** 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

<u>Employer</u>	<u>2008</u>		<u>1999</u>
	<u>Employees</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>
Northrop Grumman (TRW)	5,260	14.64%	5,956
Redondo Beach Unified School District	1,100	3.06%	-
Beach Cities Health District	620	1.73%	-
City of Redondo Beach	496	1.38%	459
Nordstrom, Inc.	439	1.22%	459
Crown Plaza (Holiday Inn)	339	0.94%	250
The Cheesecake Factory	261	0.73%	-
D H L Global Forwarding	244	0.68%	-
Macy's (Robinson's May)	242	0.67%	305
Target Store	217	0.60%	-
Web Service Company	-	0.00%	360
Douglas Furniture of California, Inc.	-	0.00%	284
Mervyn's	-	0.00%	270
Imperial Bank	-	0.00%	253
United States Post Office	-	0.00%	245

NOTES: * Total City employment data was not available for fiscal year 1998/1999.

Source: City of Redondo Beach

CITY OF REDONDO BEACH

FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function	Full-time Employees									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government	56	56	64.5	60	60	59	56	56	59	60
Public Safety										
Police										
Officers	105	106	109	109	108	107	105	105	105	105
Civilians	53	54	57	57	57	58	57	57	58	58
Fire										
Firefighters and Officers	68	68	68	68	69	68	65	65	64	64
Civilians	5	5	6	5	5	6	5	5	6	6
Public Works	42	42	88	88	108	105	102	102	104	105
Cultural and Leisure Services	69	69	50	50	63	61	59	58	57	54
Housing & Community Development	39	40	46	44	45	44	33	33	34	35
Harbor, Business, & Transit	22	22	4.5	4	4	5	7	7	9	9
TOTAL	<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>	<u>496</u>

Source: City of Redondo Beach

CITY OF REDONDO BEACH

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety										
Police										
Physical arrests	4,159	3,863	3,719	3,135	2,955	3,235	3,229	3,402	3,923	- *
Traffic citations issued	12,086	11,264	12,270	12,070	9,774	7,419	7,532	9,683	12,339	- *
Fire										
Number of runs - rescues	3,041	3,211	3,151	3,445	3,212	3,351	3,386	3,551	3,779	- *
Number of runs - structures & other	1,205	1,642	1,777	1,261	1,173	1,075	868	1,087	1,672	- *
Public Works										
Street rehabilitation (miles)	2.2	-	3.2	9.3	17.1	17.8	13.3	3.2	3.7	2.3
Culture and Leisure Services										
Library										
Number of items borrowed	742,410	714,408	733,184	798,022	830,950	845,496	845,569	852,750	844,947	831,354
Number of visitors	468,111	449,907	435,826	441,974	454,114	436,714	438,310	439,060	445,056	446,346
Recreation and Community Services										
Admissions - Seaside Lagoon	86,720	100,941	99,236	98,352	101,584	81,487	86,562	90,966	82,071	76,578
Number of facility rentals - Seaside Lagoon	466	445	444	506	468	558	579	409	382	395
Housing & Community Development										
Number of permits issued	4,287	4,534	4,575	3,508	3,871	4,591	4,544	3,763	3,951	3,270
Number of plan checks issued	1,598	1,568	889	1,133	2,848	1,950	1,667	1,566	1,296	1,101
Number of inspections	9,290	15,659	16,680	14,131	14,161	16,817	20,236	19,378	19,916	17,634
Number of real estate reports	1,349	1,273	1,240	1,308	1,367	1,370	1,342	1,051	883	630
Number of bus boardings - Transit	- *	- *	- *	90,746	98,934	94,087	70,458	169,519	298,206	365,701
Revenue miles - Transit	- *	- *	- *	179,926	183,491	172,358	122,814	232,692	416,435	487,203

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
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	3	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	5120	5120	1892 *	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	112	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	143.26	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 2008 Revenue Bonds
(South Bay Center Redevelopment Project)
June 30, 2008**

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 February 13, 2008 executed and delivered by the Redevelopment Agency and the Public Financing Authority and the Dissemination Agent in connection with the issuance of \$7,645,000 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 February 1, 2008 between the Financing Authority and US Bank. The proceeds of the Bonds were issued to provide funds to (i) refund the Authority's Redondo Beach Public Financing Authority 1996 Revenue Bonds (South Bay Center Redevelopment Project), originally issued in the principal amount of \$10,330,000 of which \$8,550,000 remained outstanding, (ii) fund a reserve fund for the Bonds, and (iii) pay the 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 2007-08 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, 2008 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, 2008, neither the Redevelopment Agency nor the Public Financing Authority has issued any parity or subordinate debt.
3. During the fiscal year ended June 30, 2008, 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, 2008 the Agency had been apportioned \$35,553,404 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 final 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, 2008

	Base Year 1983-84	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<u>Secured *</u>											
Land	\$ 9,772,776	\$ 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	\$ 52,688,442
Impts	16,977,265	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	182,405,613
Pers Prop	-	374,001	422,955	423,564	385,673	396,224	597,793	572,459	1,617	1,514	-
Exemptions	-	-	-	-	-	-	-	-	-	-	-
Total Secured	26,750,041	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	235,094,055
<u>Unsecured</u>											
Land	-	-	-	-	-	-	-	-	-	-	-
Impts	3,023,006	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	13,236,695
Pers Prop	1,848,954	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	13,515,052
Exemptions	-	-	-	-	-	-	-	-	-	-	-
Total Unsecured	4,871,960	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	26,751,747
GRAND TOTAL	31,622,001	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	261,845,802
Incremental Value:		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	230,223,801
Incremental Value Change:		(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	7,367,823
% Change:		-0.45%	0.38%	13.53%	2.37%	4.15%	-3.77%	0.86%	1.34%	19.87%	3.31%

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, 2008

	<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>	<u>2007-08</u>
Original Charge Secured Value	\$ 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	\$ 235,094,055
Adjustments to Original Charge	(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>	<u>(26,750,041)</u>						
Incremental Secured Value	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	208,344,014
Tax Rate	<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>	<u>0.0100450</u>
Adjusted Levy	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	2,092,816
Unitary Revenue	<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>	<u>28,887</u>
Total Secured/Unitary Levy	<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>	<u>2,121,703</u>
Original Charge Unsecured Value	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	26,751,747
Adjustments to Original Charge	1,095,889	3,338,312	(121,215)	15,159,459	329,075	77,266,839	2,878,283	200,319	848,749	2,200,114
Base Year Unsecured Value	<u>(4,871,960)</u>	<u>(4,871,959)</u>	<u>(4,871,959)</u>	<u>(4,871,960)</u>						
Incremental Unsecured Value	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	24,079,901
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>
Unsecured Adjusted Levy	<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>	<u>242,103</u>
Net Total Revenue	<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>	<u>2,363,806</u>
Remittance to Agency										
Secured/Unitary Remitted	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	2,122,507
Unsecured Remitted	198,255	203,739	195,626	346,157	215,664	220,615	230,164	207,367	183,272	239,176
HOX Payments	-	-	1	(71)	-	-	-	-	-	-
Total Remittance to Agency:	<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>	<u>2,361,683</u>
% of Collection to Levy	99.58%	100.41%	99.76%	99.57%	99.72%	70.46%	99.48%	99.89%	99.23%	99.91%
Grand Total Revenue:										
Secured and Unsecured Revenue	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	2,361,683
SB 813 Supplemental Payments	234	(11)	(51,655)	(4,777)	(14,273)	-	-	(17,379)	117,362	(2,883)
Redemptions/Open Roll Corrections	14,245	6,918	3,582	(44,345)	(41,247)	4,262	2,225	(5,534)	4,532	12,925
Taxpayer Refunds	(4,733)	(6,286)	(3,563)	4,059	(16,469)	(60,249)	(42)	(23,253)	5	(86)
Deferral Payments/Adjustments	-	-	-	-	-	-	129,927	(46,423)	(355,390)	(186,859)
Total Paid to Agency:	<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>	<u>2,184,780</u>
SB 2557 Charges (1)	(32,784)	(32,466)	(35,351)	(35,433)	(34,894)	(34,524)	(31,324)	(28,308)	(29,423)	(31,971)
Housing Set Aside	(321,537)	(329,594)	(350,080)	(387,127)	(362,050)	(354,655)	(406,033)	(517,064)	(405,156)	(436,956)
Tax Sharing Payments	(675,608)	(444,012)	(756,957)	(623,314)	(773,832)	(772,023)	(813,388)	(1,011,111)	(716,814)	(880,699)
Negative Balance from Prior Year	-	(222)	-	-	-	-	-	-	-	-
Net Grand Total Revenue:	<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>	<u>\$ 835,154</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, 2008

	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 Associates SPE LLC	\$ 201,248,225	8	96.59%	\$ -	0	0.00%	\$ 201,248,225	87.41%	Commercial
2. Home Depot USA Inc.	18,860,453	1	9.05%	1,120,258	1	5.12%	19,980,711	8.68%	Commercial
3. Macerich South Bay Galleria	10,820,160	1	5.19%	-	0	0.00%	10,820,160	4.70%	Commercial
4. Nordstrom Inc.	-	0	0.00%	7,118,551	0	32.53%	7,118,551	3.09%	Unsecured
5. Walgreen Company	4,161,337	7	2.00%	-	0	0.00%	4,161,337	1.81%	Commercial
6. Macy's Department Stores Inc.	-	0	0.00%	1,753,214	2	8.01%	1,753,214	0.76%	Unsecured
7. American Multi Cinema Inc.	-	0	0.00%	1,666,072	1	7.61%	1,666,072	0.72%	Unsecured
8. Victoria's Secret Stores LLC	-	0	0.00%	878,486	1	4.02%	878,486	0.38%	Unsecured
9. California Pizza Kitchen Inc.	-	0	0.00%	737,816	3	3.37%	737,816	0.32%	Unsecured
10. Mervyns LLC	-	0	0.00%	723,487	1	3.31%	723,487	0.31%	Unsecured
	<u>\$235,090,175</u>	<u>17</u>	<u>112.84%</u>	<u>\$13,997,884</u>	<u>9</u>	<u>63.98%</u>	<u>\$249,088,059</u>	<u>108.19%</u>	
Project Area Incremental Value:	<u>\$208,344,014</u>			<u>\$21,879,787</u>			<u>\$230,223,801</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							
Aka Robinson's - May Macy's West (2004-05)	4082-018-005	Unsecured - Fixture	Pending	1,850,835	925,418	(925,417)	-50.00%
Aka Robinson's - May Macy's Aka (2005-06)	4082-018-005	Unsecured - Fixture	Pending	1,829,875	914,938	(914,937)	-50.00%
Mervyn's LLC (2005-06)	u	Unsecured - Fixture	Pending	839,940	300,000	(539,940)	-64.28%
Macy's LLC South Bay Center (2005-06)	4082-018-004	Overvalued Purchase	Pending	25,520,000	9,800,000	(15,720,000)	-61.60%
Macy's Aka Federated Retail (2006-07)	4082-018-004	Unsecured - Fixture	Pending	548,189	274,095	(274,094)	-50.00%
Mervyn's LLC (2006-07)	u	Unsecured - Fixture	Pending	773,907	300,000	(473,907)	-61.24%
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	126,800,000	(11,580,669)	-8.37%
Macy's Aka Federated Retail (2007-08)	4082-018-004	Unsecured - Fixture	Pending	1,753,214	876,607	(876,607)	-50.00%
Mervyn's LLC (2007-08)	u	Unsecured - Fixture	Pending	723,487	300,000	(423,487)	-58.53%
South Bay Center LLC - Macy's (2007-08)	4082-018-004	Overvalued Purchase	Pending	26,030,400	7,427,470	(18,602,930)	-71.47%
Nordstrom Incorporated (2007-08)	4082-018-005	Overvalued Purchase	Pending	21,073,259	10,000,000	(11,073,259)	-52.55%
Nordstrom Incorporated (2007-08)	4082-018-010	Overvalued Purchase	Pending	141,148,281	136,700,000	(4,448,281)	-3.15%
Lenscrafters (2008-09)	u	Unsecured - Fixture	Pending	112,911	40,000	(72,911)	-64.57%
Nordstrom Incorporated (2008-09)	4082-018-005	Unsecured - Fixture	Pending	6,730,373	10,000,000	3,269,627	48.58%
Nordstrom Incorporated (2008-09)	4082-018-010	Unsecured - Fixture	Pending	-	20,600,000	20,600,000	n/a

Most Recently Resolved Appeals Among Owners with Pending Appeals

None

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, 2008

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 2007-08 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, 2008 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, 2008, 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, 2008

	Base Year 1991-92	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<i>Secured *</i>											
Land	\$ 1,762,312	\$ 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	\$ 17,762,659
Impts	911,370	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	38,714,881
Pers Prop	6,660	-	-	-	-	-	-	-	-	-	-
Exemptions	-	-	-	-	-	-	-	-	-	-	(212,304)
Total Secured	2,680,342	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	56,265,236
<i>Unsecured</i>											
Land	-	-	-	-	-	-	-	-	-	-	-
Impts	69,280	-	12,782	660,316	854,727	972,053	1,009,249	1,182,097	1,407,295	1,524,897	1,221,918
Pers Prop	57,280	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	4,165,208
Exemptions	-	-	-	-	-	-	-	-	-	-	-
Total Unsecured	126,560	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	5,387,126
GRAND TOTAL	\$ 2,806,902	\$ 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	\$ 61,652,362
Incremental Value						\$ 34,757,940	\$ 34,766,381	\$ 35,596,236	\$ 49,960,041	\$ 58,639,626	\$ 58,845,460

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, 2008

	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	\$50,469,804	1	89.70%	\$ -	0	0.00%	\$ 50,469,804	81.86%	Commercial
2. Redondo Beach Hotel Associates	6,007,736	1	10.68%	-	0	0.00%	6,007,736	9.74%	Commercial
3. Intercontinental Hotel Group	-	0	0.00%	4,211,255	1	78.17%	4,211,255	6.83%	Unsecured
4. Baycap Leasing Inc.	-	0	0.00%	377,000	1	7.00%	377,000	0.61%	Unsecured
5. Muscle Improvement Inc.	-	0	0.00%	355,243	7	6.59%	355,243	0.58%	Unsecured
6. Out Sell Consulting Inc.	-	0	0.00%	201,823	1	3.75%	201,823	0.33%	Unsecured
7. Golds Gym of Redondo Beach	-	0	0.00%	86,795	2	1.61%	86,795	0.14%	Unsecured
8. Lodgenet Entertainment Corp.	-	0	0.00%	44,190	1	0.82%	44,190	0.07%	Unsecured
9. Avantage Group Inc.	-	0	0.00%	42,000	1	0.78%	42,000	0.07%	Unsecured
10. Delta Fine Chemicals Inc.	-	0	0.00%	16,100	1	0.30%	16,100	0.03%	Unsecured
	\$56,477,540	2	100.38%	\$5,334,406	15	99.17%	\$61,811,946	100.26%	
Project Area Assessed Value:	<u>\$56,265,236</u>			<u>\$5,387,126</u>			<u>\$61,652,362</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, 2008

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 2007-08 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, 2008 comprise the book in which this report is included.
2. During the fiscal year ended June 30, 2008, 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 Five Fiscal Years**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Use Classification					
Each single family dwelling unit	\$ 5.00	\$ 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	5.00
Each unit in a 2-3 unit apartment structure	3.89	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	3.89
Each unit in a 4 or more unit apartment structure	2.68	2.68	2.68	2.68	2.68
Commercial/Industrial/Institutional parcels	.043 *	.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 Five Fiscal Years**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Type of Customer					
Residential	13,039	13,211	13,211	13,211	13,108
Industrial	78	74	74	74	68
Commercial	575	510	510	510	451
Institutional	71	64	64	64	62
Mixed use	44	44	44	44	42
Total	<u>13,807</u>	<u>13,903</u>	<u>13,903</u>	<u>13,903</u>	<u>13,731</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

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