

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2009

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. Financial 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 a five-member council.

As required by GAAP, the 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 are 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 (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 Agency.

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.

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.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Financial Reporting Entity, Continued

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 for 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 Agency's financial statements, as well as financial information relating to the other component units, can be obtained from the City Clerk's Office or Financial Services Department located at City Hall.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for 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. Certain indirect costs are included in the program expenses reported for specific functions.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, 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 and non-major funds aggregated. The City has presented all major funds that have met the applicable criteria.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except for revenues subject to accrual (generally 60 days after year-end), which are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, 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 reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

The City reports the following major governmental funds:

- General Fund - the City's primary operating fund that accounts for all financial resources of the general government except those required to be accounted for in another fund.
- Other Intergovernmental Grants Fund - accounts for federal, state and other governmental agencies grant funding that supplements local funding.
- Redevelopment Agency Special Revenue Fund - 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 Agency of the City.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

- Capital Improvement Projects Fund – accounts for capital improvements for the City.
- 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.
- 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.

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 proprietary fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting*, the City applies all GASB pronouncements currently in effect as well as Financial Accounting Standard Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989.

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

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

The City reports all of its enterprise funds as major proprietary funds:

- 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.
- 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.
- 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.
- Solid Waste Fund - accounts for the revenues and expenses related to the City's comprehensive solid waste program, including AB 939 funds.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Fiduciary 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.

C. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for 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 the Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash, Cash Equivalents and Investments, 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 for 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.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB No. 3)*, certain disclosure requirements, if applicable, are provided for deposit and investment risk in the following areas:

- Interest Rate Risk
- Credit Risk
 - ◆ Overall
 - ◆ Custodial Credit Risk
 - ◆ Concentration of Credit Risk
- Foreign Currency Risk

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.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Interfund Transactions

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

H. Capital Assets

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

City policy has set the capitalization threshold 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:

Asset	Years
Buildings and Improvements	45
Equipment	5 - 20
Vehicles	4 - 20
Infrastructure	5 - 60

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Capital Assets, Continued

In accordance with GASB Statement No. 34, the City has included the value of all infrastructure into its financial statements.

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

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

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 financial statements; however, the City maintains detailed information on these subsystems.

In June 2009, a visual survey of all pavement segments was conducted to assess the existing surface condition of each of the individual pavement segments. Upon completion of the study, a Pavement Quality Index (PQI) was calculated for each segment in the City's pavement network to reflect the overall pavement condition. Ratings ranged from 0 to 10. A PQI of 0 would correspond to badly deteriorated pavement with virtually no remaining life; a PQI of 10 would correspond to pavement with proper engineering design and construction at the beginning of its life cycle. During the year, the visual survey is updated to reflect the pavement's current condition.

The following conditions were defined:

<u>Condition</u>	<u>Rating</u>
Very Good	90 - 100
Good	70 - 89
Fair	50 - 69
Poor	0 - 49

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Capital Assets, Continued

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 80 for all streets by fiscal year 2008-09. 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 70; for 2007, 2008, and 2009, the City's street system was rated at a PQI of 80 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.

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

Fund Financial Statements

In the governmental fund financial statements, capital assets are not presented. Consequently, capital assets are a reconciling item and are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

I. Interest Payable

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

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

J. Unearned Revenue and Deferred Revenue

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

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Unearned Revenue and Deferred Revenue, Continued

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

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Long-Term Debt

Government-Wide Financial Statements

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

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

Fund Financial Statements

The fund financial statements do not present long-term debt. Consequently, long-term debt is a reconciling item and is 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 attributed 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."

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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, 2008	Unsecured, redemptions, and SB813 taxes
December 19, 2008	Homeowners' exemption, secured, and SB813 taxes
January 20, 2009	Homeowners' exemption, secured, and SB813 taxes
February 20, 2009	Redemptions, secured, and SB813 taxes
March 20, 2009	Secured and SB813 taxes
April 20, 2009	Secured and SB813 taxes
May 20, 2009	Redemptions, homeowners' exemption, secured, and SB813 taxes
June 19, 2009	Homeowners' exemption, SB813 taxes
July 20, 2009	Secured and SB813 taxes
August 20, 2009	Secured, redemptions, unsecured, and SB813 taxes

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

R. Implementation of New GASB Pronouncements

In 2009, the City adopted new accounting standards in order to conform to the following GASB Statements:

- GASB Statement No. 45, *Financial Reporting for Postemployment Benefit Plans (OPEB) other than Pension Plans* - The Statement establishes uniform financial reporting standards for OPEB plans. The standards in this statement apply for OPEB Trust Funds included in the financial reports of Plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer time.
- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* - This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.
- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* - The Statement incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature.
- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* - This Statement incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

Fund	Appropriations	Expenditures	Excess
Major Funds:			
General Fund:			
Capital outlay	\$ 169,034	\$ 218,424	\$ (49,390)
Transfer out	1,244,500	1,599,007	(354,507)
Other Intergovernmental Grants:			
Public works	45,291	47,931	(2,640)
Public Financing Authority:			
Housing and community development	11,395	234,738	(223,343)
Principal retirement	386,774	3,501,824	(3,115,050)
Transfers out	-	17,279	(17,279)
Redevelopment Agency - Debt Service:			
Housing and community development	-	70,596	(70,596)
Principal retirement	-	647,005	(647,005)
Transfers out	-	700,399	(700,399)
Non-Major Funds:			
Proposition A:			
Transfers out	1,532,917	1,722,662	(189,745)
Proposition C:			
Housing and community development	-	8,841	(8,841)
Local Transit:			
Capital outlay	16,305	38,092	(21,787)
Storm Drain:			
Transfers out	-	6,574	(6,574)
South Bay Youth Project:			
Housing and community development	-	18,708	(18,708)
Transfers out	-	39,778	(39,778)
Workforce Investment Act:			
Housing and community development	-	21,565	(21,565)
Transfers out	-	14,649	(14,649)
Disaster Recovery:			
Housing and community development	73,642	102,580	(28,938)
Transfers out	-	450,000	(450,000)
Housing Authority:			
Housing and community development	5,582,561	5,937,523	(354,962)
Redevelopment Agency - Capital Projects			
Housing and community development	533,952	795,067	(261,115)

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, Continued

B. Deficit Fund Balance

The following funds had a deficit balance as of June 30, 2009:

Major Funds:		
Other Intergovernmental Grants	\$	(1,081,266)
Redevelopment Agency - Debt Service Fund		(15,733,748)
Non-Major Funds:		
Transit Fund		(62,731)
Local Transit		(628)
Community Development Block Grant		(81,524)
Disaster Recovery		(32,774)

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

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

3. CASH AND INVESTMENTS

Cash and investments are presented on the Statement of Net Assets as follows at June 30, 2009:

	Government-Wide Statement of Net Assets			Fiduciary Funds	
	Governmental Activities	Business- Type Activities	Total	Statement of Net Assets	Total
Cash and investments	\$ 61,557,732	\$ 19,597,989	\$ 81,155,721	\$ 431,602	\$ 81,587,323
Restricted cash and investments with fiscal agents	1,604,040	6,310,839	7,914,879	-	7,914,879
Total	\$ 63,161,772	\$ 25,908,828	\$ 89,070,600	\$ 431,602	\$ 89,502,202

Cash, cash equivalents, and investments consisted of the following at June 30, 2009:

Cash and cash equivalents:	
Petty cash	\$ 17,450
Demand deposits	4,210,289
Total cash and cash equivalents	4,227,739
Investments:	
Local Agency Investment Fund (LAIF)	40,376,255
Certificates of deposits	1,000,000
Corporate Bonds	17,653,840
Municipal Bonds	175,000
U.S. Government Securities	18,154,489
Total investments	77,359,584
Total cash and investments	81,587,323
Cash and investments with fiscal agent	7,914,879
Total	\$ 89,502,202

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

3. CASH AND INVESTMENTS, Continued

A. Cash Deposits

The carrying amounts of the City's cash deposits were \$4,210,289 at June 30, 2009. Bank balances at June 30, 2009, were \$4,483,591 which were fully insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

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

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

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

B. Investments

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

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

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

3. CASH AND INVESTMENTS, Continued

B. Investments, Continued

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).

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2009, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

Structured Notes, debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2009, the City had \$40,376,255 invested in LAIF, which had invested 14.71% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 14.72% in the previous year. The LAIF fair value factor of 1.001304743 was used to calculate the fair value of the investments in LAIF.

C. Deposit and Investment Risk

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, 2009, all MTN's were rated "BAA2" or higher by Moody's. As of June 30, 2009, the City's Federal Agency investments were rated AAA by Moody's and S&P. All securities were investment grade and were in accordance with 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, 2009, the City's investments in external investment pools are unrated.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

3. CASH AND INVESTMENTS, Continued

C. Deposit and Investment Risk, 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, 2009, 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, 2009, 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 Home Loan Bank	\$	8,136,060	10.52%
Federal Home Loan Mortgage Corp.	\$	5,004,750	6.47%

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

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

3. CASH AND INVESTMENTS, Continued

C. Deposit and Investment Risk, Continued

Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy states that at least 50% of the City's portfolio shall mature in three years or less; and at least 25% in one year or less. The only exception to these maturity limits shall be the investment of the gross proceeds of tax exempt bonds. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2009, the City had the following investments and remaining maturities:

Investment Types	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	\$ 40,376,255	\$ -	\$ -	\$ -	\$ -	\$ 40,376,255
Certificate of Deposit	-	-	1,000,000	-	-	1,000,000
Federal Agencies -						
Federal Farm Credit Bank	-	-	-	3,009,380	-	3,009,380
Federal Home Loan Bank	-	-	4,122,620	4,013,440	-	8,136,060
Federal Home Loan Mortgage Corp.	-	-	-	5,004,750	-	5,004,750
Federal National Mortgage Assoc.	-	-	15,859	1,988,440	-	2,004,299
Municipal Bonds	-	-	-	175,000	-	175,000
Corporate Bonds	-	2,036,230	10,977,240	4,640,370	-	17,653,840
Total Investments	<u>\$ 40,376,255</u>	<u>\$ 2,036,230</u>	<u>\$ 16,115,719</u>	<u>\$ 18,831,380</u>	<u>\$ -</u>	<u>\$ 77,359,584</u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

4. RECEIVABLES

The following is a summary of receivables net of allowances for uncollectible amounts at June 30, 2009:

	Government-Wide Statement of Net Assets		Fiduciary Funds	Total
	Governmental Activities	Business-Type Activities	Statement of Net Assets	
Accounts Receivable	\$ 1,394,265	\$ 522,384	\$ 32,262	\$ 1,948,911
Interest Receivable	495,591	122,658	1,129	619,378
Taxes Receivable	3,934,649	119,722	-	4,054,371
Loans Receivable	4,197,822	258,823	-	4,456,645
Total	\$ 10,022,327	\$ 1,023,587	\$ 33,391	\$ 11,079,305

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

4. RECEIVABLES, Continued

A. Fund Financial Statements

At June 30, 2009, the Fund Financial Statements show the following receivables:

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, 2009, was as follows:

Governmental Funds:	
General Fund	\$ 860,883
Other Intergovernmental Grants	37,552
Public Financing Authority - Debt Service	13,949
Non-Major Funds	471,939
Total Governmental Funds	<u>1,384,323</u>
Proprietary Funds:	
Harbor Tidelands Enterprise Fund	302,702
Harbor Uplands Enterprise Fund	154,109
Wastewater Fund - Enterprise Fund	29,874
Non-Major Funds	35,699
Internal Service Funds	9,942
Total Proprietary Funds	<u>532,326</u>
Fiduciary Funds:	
Agency Funds	<u>32,262</u>
Total Fiduciary Funds	<u>32,262</u>
Total Accounts Receivable	<u><u>\$ 1,948,911</u></u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

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, 2009, was as follows:

Governmental Funds:	
General Fund	\$ 377,460
Other Intergovernmental Grants - Special Revenue	1,061
Redevelopment Agency Fund - Special Revenue	56,935
Public Financing Authority - Debt Service	2,639
Non-Major Funds	<u>57,496</u>
Total Governmental Funds	<u>495,591</u>
Proprietary Funds:	
Harbor Tidelands Enterprise Fund	99,016
Harbor Uplands Enterprise Fund	23,540
Non-Major Funds	<u>102</u>
Total Proprietary Funds	<u>122,658</u>
Fiduciary Funds:	
Agency Funds	<u>1,129</u>
Total	<u><u>\$ 619,378</u></u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

4. RECEIVABLES, Continued

C. Taxes Receivable

At June 30, 2009, the City had the following taxes receivable:

	Governmental Funds				Proprietary Funds		Total
	General	Redevelopment Agency Fund	Redevelopment Agency Fund	Non-Major Governmental	Waste-	Solid	
	Fund	Special Revenue	Debt Service	Funds	Water	Waste	
Type of Taxes:							
Property Taxes	\$ 756,913	\$ 165,475	\$ 316,697	\$ 38,107	\$ 63,461	\$ 56,261	\$ 1,396,914
Sales Taxes	1,486,698	-	-	-	-	-	1,486,698
Transient Occupancy Taxes	274,390	-	-	-	-	-	274,390
Utility Users Taxes	631,917	-	-	-	-	-	631,917
Transfer Taxes	125,135	-	-	-	-	-	125,135
Gas Taxes	-	-	-	87,775	-	-	87,775
Motor Vehicle License	51,542	-	-	-	-	-	51,542
Total taxes	\$ 3,326,595	\$ 165,475	\$ 316,697	\$ 125,882	\$ 63,461	\$ 56,261	\$ 4,054,371

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

4. RECEIVABLES, Continued

D. Loans Receivable

At June 30, 2009, the City had the following loans receivable:

	Governmental Funds			Proprietary	Total
	Redevelopment			Fund	
	General Fund	Agency Special Revenue Fund	Non-Major Governmental Funds	Harbor Tidelands Enterprise Fund	
Home Rehabilitation Loans	\$ -	\$ 896,724	\$ 199,513	\$ -	\$ 1,096,237
Rental Rehab Program	-	-	271,682	-	271,682
Landlord Program	-	-	21,668	-	21,668
Senior Housing Program	-	2,799,844	-	-	2,799,844
Computer Loan Program	8,391	-	-	-	8,391
Harbor Area Business Loans	-	-	-	258,823	258,823
Total	\$ 8,391	\$ 3,696,568	\$ 492,863	\$ 258,823	\$ 4,456,645

Home Rehabilitation Loans

At June 30, 2009, the City was owed, in its Redevelopment Agency Special Revenue Fund, \$896,724 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 in the government funds. Revenue is recognized in the year of repayment. All loans are secured by trust deeds.

Housing Assistance Loans

At June 30, 2009, the City was owed, in its Community Development Block Grant Special Revenue Fund, \$492,863 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 the Financial Statements, Continued
For the year ended June 30, 2009

4. RECEIVABLES, Continued

D. Loans Receivable, Continued

Harbor Area Business Loans

At June 30, 2009, the City's Harbor Tidelands Enterprise Fund was owed \$200,291 for repairs made on behalf of a harbor area business subsequent to the storms of 1988. The terms of the twenty-eight year \$488,871 contract call for interest at 1.6% per annum. Principal and accrued interest are payable annually.

In addition, the City's Harbor Tidelands Enterprise Fund was owed another \$58,532 for repairs made on behalf of a harbor area business subsequent to the storms of 1988. The terms of the twenty-seven year \$104,844 contract call 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. During the fiscal year, the loan was paid off.

On June 21, 1995, the Agency loaned \$2,200,000 to the 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 of the housing complex. The loan is secured by the Agency Deed of Trust. At June 30, 2009, the loan receivable, including accrued interest of \$599,844 and a corresponding fund balance reservation was \$2,799,844.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

5. INTERFUND TRANSACTIONS

A. Government-Wide Financial Statements

Internal Balances

At June 30, 2009, the City had the following internal receivables and payables for covering cash shortfalls:

	Internal Balances Receivable
	Business-Type Activities
Internal Balances Payable	_____
Governmental Activities	\$ 8,877,431
	=====

Transfers

The City had the following transfers as of June 30, 2009:

	Transfers In
	Governmental Activities
Transfers Out	_____
Business-Type Activities	\$ 1,142,313
	=====

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements

Due to/from Other Funds

The City had the following due to/from other funds as of June 30, 2009:

	Due from Other Funds					Total
	General Fund	Redevelopment Agency Fund Special Revenue	Public Financing Authority	Non-Major Governmental Funds	Harbor Tidelands Enterprise Fund	
General Fund	\$ -	\$ 6,244	\$ 81	\$ 19,495	\$ -	\$ 25,820
Other Intergovernmental Grants	956,391	-	-	-	-	956,391
Redevelopment Agency Fund - Special Revenue	192,384	-	-	-	-	192,384
Public Financing Authority	11,150	-	-	-	365,140	376,290
Redevelopment Agency Fund - Debt Service	-	164,199	148,024	-	235,829	548,052
Non-Major Governmental Funds	513,885	-	-	470,653	-	984,538
Internal Service Funds	208,940	-	-	-	-	208,940
Total	\$ 1,882,750	\$ 170,443	\$ 148,105	\$ 490,148	\$ 600,969	\$ 3,292,415

The General Fund has a due from the Other Intergovernmental Grants Fund of \$956,391, from the Non-Major Governmental Funds of \$453,043, and from the Internal Service Funds of \$208,940 for temporary cash deficits.

The General Fund has a due from the Redevelopment Agency - Special Revenue Fund of \$192,384 to reimburse the City for expenditures made on the Agency's behalf.

The General Fund has a due from the Financing Authority of \$11,150 to reimburse the City for expenditures made on the Financing Authority's behalf.

The General Fund has a due from Non-Major Governmental Funds of \$60,842 to reimburse the City for expenditures made on the Housing Authority's behalf.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

The Redevelopment Agency - Special Revenue Fund has a due from the General Fund of \$6,244 for reimbursement of expenditures made on the Agency's behalf.

The Redevelopment Agency - Special Revenue Fund has a due from the Redevelopment Agency Debt Service Fund of \$164,199 for temporary cash deficits.

The Financing Authority has a due from other funds of \$148,024 which consists of debt service payments paid on the Agency's behalf. The Financing Authority also has a due from other funds of \$81 from the General Fund which relates to reimbursement of expenditures incurred on the behalf of other funds.

The Non-Major Governmental Funds has a due from General Fund of \$19,495 for reimbursement of expenditures made on the Housing Authority's behalf.

The Non-Major Governmental Funds has a due from Non-Major Governmental Fund of \$470,653 for temporary deficits in cash balances and set-asides.

The Harbor Tidelands Enterprise Fund has a due from the Financing Authority of \$365,140 which was a result of Kincaid's Restaurant rental income in excess of Financing Authority obligations passed through to the Harbor Tidelands.

The Harbor Tidelands Enterprise Fund has a due from the Redevelopment Agency Debt Service Fund of \$235,829 for payments made by the Agency on the 1990 cooperation agreement in connection with the Harbor Center Project Area.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Long-Term Advances

The City had the following long-term advances as of June 30, 2009:

	Advances To Other Funds			Total
	Governmental Funds	Enterprise Funds		
	Public Financing Authority	Harbor Tidelands	Harbor Uplands	
Advances From Other Funds				
Redevelopment Agency				
Debt Service Fund	\$ 8,360,345	\$ 6,200,547	\$ 2,075,915	\$ 16,636,807

During the current and previous fiscal years, the City has made loans to the 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 within the next fiscal year. As of June 30, 2009, loans and accrued unpaid interest owed on those loans were \$8,276,462.

During the current and previous fiscal year, the Financing Authority has made loans to the Agency for various bonds. The Agency's balances as of June 30, 2009, were as follows:

1996 Revenue Bond	\$ 7,175,000
2001 Pier Refinancing Bond	1,185,345
Total	<u>\$ 8,360,345</u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Transfers

The City had the following transfers as of June 30, 2009:

		Transfers In							
		General	Capital	Public	Redevelopment	Non-Major	Harbor	Internal	
		Fund	Improvement	Financing	Agency	Governmental	Tidelands	Service	
			Projects	Authority	Debt Service	Funds	Fund	Funds	Total
			Fund						
Transfers Out	General Fund	\$ -	\$ 703,000	\$ -	\$ -	\$ 751,007	\$ 120,000	\$ 25,000	\$ 1,599,007
	Capital Improvement								
	Projects Fund	-	-	-	-	-	-	45,320	45,320
	Public Financing Authority	-	-	-	17,279	-	-	-	17,279
	Redevelopment Agency - Debt Service	-	-	165,712	534,687	-	-	-	700,399
	Non-Major								
	Governmental Funds	511,001	-	-	-	1,722,662	-	-	2,233,663
	Enterprise Funds:								
	Wastewater	200,313	-	-	-	-	-	185,000	385,313
	Solid Waste	877,000	-	-	-	-	-	-	877,000
Total	\$ 1,588,314	\$ 703,000	\$ 165,712	\$ 551,966	\$ 2,473,669	\$ 120,000	\$ 255,320	\$ 5,857,981	

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

The General Fund transferred out a total of \$1,599,007 to various funds consisting of \$751,007 to cover expenditures in the Street Landscaping and Lighting Non-major fund and \$120,000 to the Harbor Tidelands Fund to reclass harbor patrol overtime.

Transfers between the General Fund and Capital Improvement Fund of \$703,000 were for Domiguez Park Restroom funds to the Historical Museum project and to fund future capital improvement projects.

Transfers between the Non-major governmental funds and General Fund of \$511,001 were to return and correct prior year expenditures, program subsidies and wildfire response reimbursements.

Transfers between the Enterprise Funds and the General Fund of \$1,077,313 were for transfers for the fiscal year 2009-2010 budget.

Transfers between the Public Financing Authority Fund and the RDA Debt Service Fund of \$17,279 and \$165,712 pertained to debt service.

Transfers within the RDA Debt Service Fund of \$534,687 pertained to the Aviation Project Area bonds.

Transfers were made within Non-major governmental funds of \$1,722,662 which consisted of Proposition A revenues to cover Transit Fund expenditures.

Transfers out of the Vehicle Replacement Internal Service Fund of \$185,000 were to transfer a vactor truck to the Non-major Solid Waste fund.

Transfers out of the Building Occupancy Internal Service Fund of \$25,000 were to cover Anderson Park electrical expenses in the General Fund.

Transfers between the Building Occupancy and Capital Improvement Projects Fund of \$45,320 were for fumigation.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

6. CAPITAL ASSETS

The City elected to use the “Modified Approach” as defined by GASB Statement No. 34 for infrastructure reporting for its street pavement system. As a result, no accumulated depreciation or depreciation expense has been recorded for this system. A more detailed discussion of the “Modified Approach” is presented in the Required Supplementary Information section of this report. All other capital assets including other infrastructure systems were reported using the Basic Approach whereby accumulated depreciation and depreciation expense have been recorded.

A. Government-Wide Financial Statements

At June 30, 2009, the City’s capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Non-depreciable assets:			
Land	\$ 16,522,947	\$ 11,323,255	\$ 27,846,202
Construction in progress	833,053	-	833,053
Work in progress	1,003,491	-	1,003,491
Infrastructure - streets	54,054,036	-	54,054,036
Total non-depreciable assets	<u>72,413,527</u>	<u>11,323,255</u>	<u>83,736,782</u>
Depreciable assets:			
Buildings and improvements	37,694,084	27,969,309	65,663,393
Furniture and equipment	8,908,356	648,679	9,557,035
Automotive equipment	11,378,975	376,774	11,755,749
Leased equipment	55,051	-	55,051
Infrastructure	68,712,747	22,060,032	90,772,779
Total depreciable assets	<u>126,749,213</u>	<u>51,054,794</u>	<u>177,804,007</u>
Less accumulated depreciation:			
Buildings and improvements	(12,863,036)	(12,801,109)	(25,664,145)
Furniture and equipment	(5,727,068)	(535,481)	(6,262,549)
Automotive equipment	(6,487,503)	(247,367)	(6,734,870)
Leased equipment	-	-	-
Infrastructure	(37,416,303)	(9,550,981)	(46,967,284)
Total accumulated depreciation	<u>(62,493,910)</u>	<u>(23,134,938)</u>	<u>(85,628,848)</u>
Total depreciable assets, net	<u>64,255,303</u>	<u>27,919,856</u>	<u>92,175,159</u>
Total capital assets	<u>\$ 136,668,830</u>	<u>\$ 39,243,111</u>	<u>\$ 175,911,941</u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

6. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of changes in the capital assets for governmental activities during the fiscal year:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Non-depreciable assets:				
Land	\$ 16,522,947	\$ -	\$ -	\$ 16,522,947
Construction in progress	268,180	564,873	-	833,053
Work in progress	1,003,491	-	-	1,003,491
Infrastructure - streets	54,054,036	-	-	54,054,036
Total non-depreciable assets	<u>71,848,654</u>	<u>564,873</u>	<u>-</u>	<u>72,413,527</u>
Depreciable assets:				
Buildings and improvements	37,274,147	419,937	-	37,694,084
Furniture and equipment	7,299,357	1,646,837	(37,838)	8,908,356
Automotive equipment	10,314,132	1,625,683	(560,840)	11,378,975
Leased equipment	55,051	-	-	55,051
Infrastructure	66,116,458	2,672,264	(75,975)	68,712,747
Total depreciable assets	<u>121,059,145</u>	<u>6,364,721</u>	<u>(674,653)</u>	<u>126,749,213</u>
Less accumulated depreciation:				
Buildings and improvements	(11,900,776)	(962,260)	-	(12,863,036)
Furniture and equipment	(4,767,281)	(997,029)	37,242	(5,727,068)
Automotive equipment	(6,108,907)	(933,451)	554,855	(6,487,503)
Infrastructure	(35,541,853)	(1,932,615)	58,165	(37,416,303)
Total accumulated depreciation	<u>(58,318,817)</u>	<u>(4,825,355)</u>	<u>650,262</u>	<u>(62,493,910)</u>
Total depreciable assets, net	<u>62,740,328</u>	<u>1,539,366</u>	<u>(24,391)</u>	<u>64,255,303</u>
Governmental activities capital assets, net	<u>\$ 134,588,982</u>	<u>\$ 2,104,239</u>	<u>\$ (24,391)</u>	<u>\$ 136,668,830</u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

6. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

Depreciation expense was charged to functions/programs of governmental activities for the fiscal year ended June 30, 2009 as follows:

Governmental Activities:	
General government	\$ 576,650
Public safety	223,691
Public works	2,782,166
Culture and leisure services	145,933
Housing and community development	207,293
Internal Service Funds:	
Vehicle Replacement	766,752
Building Occupancy	3,139
Information Technology	63,083
Printing and Graphics	6,036
Communications Equipment Replacement	50,612
Total depreciation expense	\$ 4,825,355

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

6. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of changes in the capital assets for business-type activities for the year ended June 30, 2009:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Non-depreciable assets:				
Land	\$ 11,323,255	\$ -	\$ -	\$ 11,323,255
Total non-depreciable assets	11,323,255	-	-	11,323,255
Depreciable assets:				
Buildings and improvements	27,947,225	22,084	-	27,969,309
Furniture and equipment	648,679	-	-	648,679
Automotive equipment	376,774	-	-	376,774
Infrastructure	21,937,303	122,729	-	22,060,032
Total depreciable assets	50,909,981	144,813	-	51,054,794
Less accumulated depreciation:				
Buildings and improvements	(12,187,985)	(613,124)	-	(12,801,109)
Furniture and equipment	(420,808)	(114,673)	-	(535,481)
Automotive equipment	(226,380)	(20,987)	-	(247,367)
Infrastructure	(9,185,589)	(365,392)	-	(9,550,981)
Total accumulated depreciation	(22,020,762)	(1,114,176)	-	(23,134,938)
Total depreciable assets, net	28,889,219	(969,363)	-	27,919,856
Business-type activities capital assets, net	\$ 40,212,474	\$ (969,363)	\$ -	\$ 39,243,111

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

6. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

Depreciation expense for business-type activities for the fiscal year ended June 30, 2009 was charged as follows:

Harbor Tidelands	\$ 466,197
Harbor Uplands	374,406
Wastewater	268,901
Solid Waste	4,672
Total depreciation expense	\$ 1,114,176

B. Fund Financial Statements

In the governmental fund financial statements, capital assets are not presented. Consequently, capital assets are a reconciling item and are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

7. COMPENSATED ABSENCES PAYABLE

The following is a summary of compensated absences payable transactions for the year ended June 30, 2009:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Classification	
					Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities:						
Compensated absences payable	\$ 1,789,913	\$ 5,280,352	\$ (4,669,920)	\$ 2,400,345	\$ 12,130	\$ 2,388,215
Business-Type Activities:						
Compensated absences payable	105,840	758,723	(592,409)	272,154	12,921	259,233
Total	\$ 1,895,753	\$ 6,039,075	\$ (5,262,329)	\$ 2,672,499	\$ 25,051	\$ 2,647,448

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 the Financial Statements, Continued
For the year ended June 30, 2009

8. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended June 30, 2009:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Classification	
					Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities:						
PFA 2000 Tax Allocation Bonds	\$ 2,930,000	\$ -	\$ (2,930,000)	\$ -	\$ -	\$ -
PFA 2001 Refunding Revenue Bonds	2,260,000	-	(125,000)	2,135,000	125,000	2,010,000
PFA 2008 Refunding Revenue Bonds	7,645,000	-	(385,000)	7,260,000	570,000	6,690,000
Unamortized bond premium	208,873	-	(18,989)	189,884	18,989	170,895
RDA 2008 Tax Allocation Refunding Bonds	-	700,000	(525,000)	175,000	135,000	40,000
South Bay Bank Loan	1,527,109	-	(61,824)	1,465,285	-	1,465,285
County deferral loans	12,981,818	547,789	(122,005)	13,407,602	-	13,407,602
Capital Leases	45,219	-	(12,050)	33,169	12,770	20,399
Total governmental activities	\$ 27,598,019	\$ 1,247,789	\$ (4,179,868)	\$ 24,665,940	\$ 861,759	\$ 23,804,181
Business-Type Activities:						
Wastewater Revenue Bond 2004, Series A	\$ 9,585,000	\$ -	\$ (200,000)	\$ 9,385,000	\$ 210,000	\$ 9,175,000
Unamortized bond discount	(61,728)	-	2,374	(59,354)	(2,374)	(56,980)
Boating and Waterways						
Construction Loan 88-21-84	1,178,959	-	(76,240)	1,102,719	79,671	1,023,048
Boating and Waterways						
Construction Loan 89-21-147	2,774,521	-	(161,687)	2,612,834	168,962	2,443,872
Total business-type activities	\$ 13,476,752	\$ -	\$ (435,553)	\$ 13,041,199	\$ 456,259	\$ 12,584,940

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

8. LONG-TERM DEBT, Continued

Public Financing Authority 2000 Tax Allocation Bonds

The Financing Authority issued variable rate demand tax allocation bonds dated December 1, 2000, totaling \$4,735,000. The purpose of the bonds was to provide funds to finance redevelopment projects, 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. At June 30, 2009, the bonds had been called in full.

Public Financing Authority 2001 Refunding Revenue Bonds

The Financing 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 Financing Authority to the Agency pursuant to a loan agreement (Loan), dated November 1, 2001, by and between the Financing Authority and Agency. The proceeds of the Loan are used to provide funds to refinance certain redevelopment activities of the Agency within or benefit of 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, 2009, the balance outstanding was \$2,135,000.

The interest on the bonds is payable at a fixed interest rate until September 2, 2006 and then converts to an adjustable interest rate. The interest rate as of June 30, 2009 was 0.18%. 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.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

8. LONG-TERM DEBT, Continued

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2009, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 125,000	\$ 3,618	\$ 128,618
2011	135,000	3,375	138,375
2012	135,000	3,132	138,132
2013	140,000	2,880	142,880
2014	150,000	2,610	152,610
2015-2019	820,000	8,703	828,703
2020-2023	630,000	1,395	631,395
Total	\$ 2,135,000	\$ 25,713	\$ 2,160,713

Public Financing Authority 2008 Refunding Revenue Bonds

The Financing Authority issued refunding revenue bonds dated January 2008, totaling \$7,645,000. The proceeds of the bonds were used to refund the Financing Authority's 1996 Revenue Bonds and pay the costs of issuance of the bonds. As of June 30, 2009, the balance outstanding was \$7,260,000, with an unamortized premium of \$189,884.

The Bonds shall bear interest at rates between 3.00% and 4.00% and 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.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

8. LONG-TERM DEBT, Continued

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2009, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 570,000	\$ 277,575	\$ 847,575
2011	590,000	255,800	845,800
2012	615,000	231,700	846,700
2013	640,000	206,600	846,600
2014	665,000	620,300	1,285,300
2015-2019	3,735,000	42,800	3,777,800
2020	445,000	-	445,000
Total	\$ 7,260,000	\$ 1,634,775	\$ 8,894,775

The following is a summary of the 2008 Refunding Revenue unamortized premium outstanding at June 30, 2009:

Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
\$ 208,873	\$ -	\$ (18,989)	\$ 189,884

For the 2001 and 2008 Refunding Bonds, 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 \$11,055,488. 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 \$3,478,930 and \$869,732, respectively. Principal and interest paid for the current year and total tax increment revenues were \$842,596 and \$4,348,662, respectively, 19.38%.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

8. LONG-TERM DEBT, Continued

Redevelopment Agency 2008 Tax Allocation Refunding Bonds

The Agency issued tax allocation refunding bonds dated October 2008, totaling \$700,000. The proceeds of the bonds were used to refund the Financing Authority's 2000 Tax Allocation Bonds. The Bonds shall mature on August 1, 2010, and shall bear interest at the rate of 5.43% per annum, payable on each February 1 and August 1, commencing February 1, 2009. The Bonds shall be subject to redemption as set forth in the Bond Resolution. As of June 30, 2009, the balance outstanding was \$175,000. Principal and interest paid for the current year and total tax increment revenues were \$534,687 and \$3,478,930, respectively, 15.37%.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2009, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 135,000	\$ 9,503	\$ 144,503
2011	40,000	2,172	42,172
Total	\$ 175,000	\$ 11,675	\$ 186,675

The purpose of the refunding was based on necessity resulting from termination of a renewable letter of credit due to the dollar amount requested being below the financial institution's minimum amounts. Additionally, because of variable interest rate factors, the economic gain/loss was not determinable.

South Bay Bank Loan

On April 21, 1999, the Financing Authority entered into a \$1,750,000 loan agreement with South Bay Bank which is amortized at an interest rate of 8.750%. In January 2003, the Financing Authority refinanced the loan at a rate of 7%. Proceeds of the original loan were used to purchase a building on the Redondo Beach Municipal Pier Deck, leased by Kincaid's Restaurant. There is no fixed payment schedule to repay this loan. As of June 30, 2009, the balance outstanding was \$1,465,285.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

8. LONG-TERM DEBT, Continued

County Deferral Loans

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
1983 Tax Increment Deferral	\$ 7,265,748	\$ -	\$ (122,005)	\$ 7,143,743
1984 Tax Increment Deferral	5,716,070	547,789	-	6,263,859
Total	\$ 12,981,818	\$ 547,789	\$ (122,005)	\$ 13,407,602

1983 Tax Increment Deferral - On November 15, 1983, the Agency and the County of Los Angeles (County) entered into an agreement for reimbursement of tax increment funds. It was recognized that the South Bay Center 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 and is non-interest bearing. The balance outstanding at June 30, 2009, was \$7,143,743.

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 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 and is non-interest bearing. The balance outstanding at June 30, 2009, was \$6,263,859.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

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. The related assets have been capitalized in the government-wide financial statements at the initial present value of the lease payments. The balance outstanding at June 30, 2009, was \$33,169.

The total leased assets by major asset class consisted of the following:

	<u>June 30, 2009</u>
Equipment	<u>\$ 55,051</u>
Equipment under capitalized lease, at cost	55,051
Accumulated depreciation	-
Equipment under capitalized lease, net	<u><u>\$ 55,051</u></u>

The annual debt service requirements outstanding at June 30, 2009 were as follows:

<u>For the Years</u> <u>Ending June 30,</u>	<u>Payment</u> <u>Amount</u>
2010	\$ 12,770
2011	20,399
Total	<u><u>\$ 33,169</u></u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

8. LONG-TERM DEBT, Continued

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 Fund. As of June 30, 2009, the balance outstanding was \$9,385,000, with an unamortized bond discount of \$59,354. Principal and interest paid for the current year and total revenues for the Wastewater Fund were \$660,963 and \$2,516,012, respectively, 26.27%.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2009, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 210,000	\$ 452,963	\$ 662,963
2011	215,000	444,563	659,563
2012	225,000	435,963	660,963
2013	235,000	426,963	661,963
2014	245,000	417,269	662,269
2015-2019	1,390,000	1,913,981	3,303,981
2020-2024	1,760,000	1,547,700	3,307,700
2025-2029	2,240,000	1,063,500	3,303,500
2030-2034	2,865,000	443,500	3,308,500
Total	\$ 9,385,000	\$ 7,146,402	\$ 16,531,402

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

8. LONG-TERM DEBT, Continued

The following is a summary of the 2004 Revenue Bond Series A unamortized discount outstanding at June 30, 2009:

Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
\$ (61,728)	\$ -	\$ 2,374	\$ (59,354)

Boating and Waterways Construction Loan 88-21-84

On July 25, 1988, the City entered into a \$2,000,000 loan agreement with the California Department of Boating and Waterways (Contract No. 88-21-84). Proceeds of the loan were used to finance harbor dredging, storm recovery repairs and hazard-mitigation projects. The loan bears interest at 4.5%. As of June 30, 2009, the balance outstanding was \$1,102,719.

The annual debt service requirements for the Boating and Waterways Construction indebtedness outstanding at June 30, 2009, are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 79,671	\$ 49,622	\$ 129,293
2011	83,256	46,037	129,293
2012	87,002	42,291	129,293
2013	90,917	38,376	129,293
2014	95,009	34,284	129,293
2015-2019	543,154	103,310	646,464
2020	123,710	5,567	129,277
Total	\$ 1,102,719	\$ 319,487	\$ 1,422,206

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

8. LONG-TERM DEBT, Continued

Boating and Waterways Construction Loan 89-21-147

In 1989, the City entered into a \$4,500,000 construction loan agreement with the California Department of Boating and Waterways (Contract No. 89-21-147) at an interest rate of 4.5%. Proceeds of the loan were used to finance the City's cost-sharing obligations in connection with the Federal breakwater improvement program, storm repairs and hazard-mitigation projects. As of June 30, 2009, the balance outstanding was \$2,612,834.

The annual debt service requirements for the Boating and Waterways Construction indebtedness outstanding at June 30, 2009, are as follows:

Year Ending			
June 30,	Principal	Interest	Total
2010	\$ 168,962	\$ 117,578	\$ 286,540
2011	176,566	109,974	286,540
2012	184,511	102,029	286,540
2013	192,814	93,726	286,540
2014	201,491	85,049	286,540
2015-2019	1,151,902	280,798	1,432,700
2020-2021	536,588	36,485	573,073
Total	\$ 2,612,834	\$ 825,639	\$ 3,438,473

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

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 Agency, the State of California or any political subdivision thereof, is pledged for payment of these bonds.

	<u>Original Amount</u>	<u>Outstanding June 30, 2009</u>
<i>A. Redevelopment Agency of the City of Redondo Beach Residential Mortgage Revenue Refunding Bonds:</i>		
1993 Series B	\$ 5,315,000	\$ 220,000
 <i>B. Multifamily Housing Revenue Bonds /Notes Heritage Pointe Project:</i>		
Series 2004A	\$ 11,390,000	\$ 10,890,000
 <i>C. Multifamily Housing Revenue Refunding Bonds SEASONS at Redondo Beach</i>		
Series 2008 A	\$ 6,425,000	\$ 6,118,107

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

10. OPERATING LEASES

A. Computer Equipment Operating Leases

The City entered into various non-cancellable operating lease agreements with Dell Marketing, L.P. In fiscal year 2007-2008, the City had leased equipment that included 374 Dell Optiplex computers, 56 Dell Latitude laptops, 20 monitors, and 4 printers. The current year rental cost was \$363,689. The terms of the lease agreements range from ending September 1, 2010 to ending February 1, 2011, as follows.

Year Ending June 30,	Minimum Future Lease Rentals
2010	\$ 314,600
2011	124,000
Total	\$ 438,600

B. Harbor Enterprise Operating Leases

The Harbor Uplands Enterprise Fund 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 Tidelands and Harbor Uplands Enterprise Funds operate as landlords, 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 which 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 \$824,020 for those assets giving a carrying amount of \$9,581,975 at June 30, 2009.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

10. OPERATING LEASES, Continued

B. Harbor Enterprise Operating Leases, Continued

The following is a schedule, by year, of minimum future lease rentals on non-cancellable operating leases as of June 30, 2009:

Year Ending June 30,	Minimum Future Lease Rentals
2010	\$ 3,334,459
2011	3,252,179
2012	3,179,949
2013	3,053,410
2014	3,053,410
2015-2019	15,521,298
2020-2024	13,805,486
2025-2029	11,247,772
2030-2034	9,605,216
2035-2039	9,186,522
2040-2044	8,726,742
2045-2049	6,082,902
2050-2054	6,082,902
2055-2059	6,082,902
2060-2063	3,425,818
Total	\$ 105,640,967

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.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

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, AdminSure. The self-insurance coverage for each claim is limited to \$750,000. Excess coverage of up to \$5,000,000 for each claim is provided by the Independent Cities Risk Management Authority (ICRMA), an insurance pool, in which a consortium of cities has agreed to share risks and losses. As of June 30, 2009, the estimated claims payable for workers' compensation was \$13,827,918, which included claims incurred but not reported (IBNR) of \$5,317,660. The current year's portion of the claims was \$820,709.

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, AdminSure. Each claim in excess of the self-insured retention of up to \$2,000,000 is covered by the ICRMA. There is also excess coverage in the amount of \$18 million.

As of June 30, 2009, the estimated claims payable for general liability was \$2,335,705, which included Incurred But Not Reported (IBNR) estimates of \$957,049. The current year's portion was \$109,583. Governmental activities claims and judgments are generally liquidated by the general fund.

	Liability on June 30, 2009
General Liability	\$ 2,335,705
Workers' Compensation	<u>13,827,918</u>
Total	<u>\$ 16,163,623</u>

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.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

11. RISK MANAGEMENT, Continued

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
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
2009	17,441,721	620,390	(1,898,488)	16,163,623	2,690,237	13,473,386

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.

Condensed Financial Information of the ICRMA

Condensed audited financial information of ICRMA as of June 30, 2009 (most recent information available) is as follows:

	Total
Assets	<u>\$ 60,175,337</u>
Liabilities of member cities	\$ 27,354,364
Net assets	<u>32,820,973</u>
Total liabilities and net assets	<u>\$ 60,175,337</u>
Revenues	\$ 21,148,449
Cost and expenses	<u>19,308,178</u>
Net income	1,840,271
Net assets - July 1, 2008	<u>30,980,702</u>
Net assets - June 30, 2009	<u>\$ 32,820,973</u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

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.

Funding Policy - Active plan members are required by State statute to contribute 7% for miscellaneous and 9% for safety employees of their annual covered salary. The City, as employer, makes the contributions required of City employees on their behalf and for their account, which amounted to \$2,882,236 for the year ended June 30, 2009. The City is required to contribute for fiscal year 2008-2009 at an actuarially determined rate of 11.485% and 32.849% of annual covered payroll for miscellaneous and safety employees, respectively.

Annual Pension Cost - For 2008-2009, the City's annual pension cost of \$10,576,990 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2006, 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) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. 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, 2006, was 22 years for miscellaneous and 32 years for safety employees for prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/07	\$ 7,366,175	100%	\$ -
6/30/08	10,130,700	100%	-
6/30/09	10,576,990	100%	-

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

12. EMPLOYEE RETIREMENT PLANS, Continued

A. Pension Plan, Continued

Funding Status as of the Most Recent Actuarial Date:

The amounts reflected herein represent the City's portion as reported by CALPERS.

<u>Safety Plan</u>						
(A)	(B)	(C)	(D)	(E)	(F)	
Actuarial Valuation Date*	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
6/30/2008	\$ 195,959,373	\$ 232,567,064	\$ 36,607,691	84.3%	\$ 15,118,770	242.1%

<u>Miscellaneous Plan</u>						
(A)	(B)	(C)	(D)	(E)	(F)	
Actuarial Valuation Date*	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
6/30/2008	\$ 114,865,498	\$ 124,542,795	\$ 9,677,297	92.2%	\$ 20,641,265	46.9%

* Most recent information available

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

12. EMPLOYEE RETIREMENT PLANS, Continued

B. Other Post Employment Benefits

Plan Descriptions and Eligibility. 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. At June 30, 2009, approximately 99 employees are eligible to receive post-employment benefits.

Funding Policy. The required contribution of the City is based on a percentage of PERSable payroll. For fiscal year 2009, the City contributed \$1,643,640 to the plan.

Annual OPEB Cost and Net OPEB Obligation. The City's annual Other Postemployment Benefit (OPEB) cost (expense) is calculated based on the *Annual Required Contribution of the Employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB Obligation to the Plan:

	<u>Total</u>
Annual required contribution	\$ 1,643,640
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>1,643,640</u>
Contributions made	<u>(1,643,640)</u>
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u><u>\$ -</u></u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

12. EMPLOYEE RETIREMENT PLANS, Continued

B. Other Post Employment Benefits, Continued

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual Contribution</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 1,643,640	\$ 1,643,640	100.0%	\$ -

Funded Status and Funding Progress. As of June 30, 2008, the most recent actuarial valuation date, the plan was zero percent funded. The Actuarial Accrued Liability for benefits was \$14,474,000, and the actuarial value of assets was \$0, resulting in an UAAL of \$14,474,000. The covered payroll (annual payroll of active employees covered by the plan) was \$36,525,000 and the ratio of UAAL to the covered payroll was 39.63%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The table below shows a one-year analysis of the actuarial value of assets as a percentage of the actuarial accrual liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30, 2009. This is the first year of the post employment obligation information being presented and so prior year's information is not available.

	(A)	(B)	(C)	(D)	(E)	(F)
	Actuarial	Actuarial	(Unfunded)	Funded	Covered	Unfunded
	Asset	Accrued	Actuarial	Ratio	Payroll	Actuarial
	Value	Liability	Accrued	(A / B)		Liability as
	(A)	Entry Age	Liability			Percentage of
<u>Actuarial Valuation Date</u>	<u>(A)</u>	<u>(B)</u>	<u>(A - B)</u>	<u>(A / B)</u>	<u>Payroll</u>	<u>(C / E)</u>
6/30/2008	\$ -	\$ 14,474,000	\$ (14,474,000)	0.0%	\$ 36,525,000	39.63%

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

12. EMPLOYEE RETIREMENT PLANS, Continued

B. Other Post Employment Benefits, Continued

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

In the June 30, 2008, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 7.75% investment rate of return which is based on the expected return on funds invested by CalPERS, and an annual healthcare cost trend rate of 9.1 and 9.8% initially and reduced to an ultimate rate of 4.5% thereafter. The actuarial assumption for inflation was 3 percent, and the aggregate payroll increases was 3.25 percent used in the actuarial valuation. The UAAL is being amortized as level percentage of projected payroll over a 30 year period. The remaining amortization period at June 30, 2008, was 30 years.

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.

B. Federal and State Grant Programs

The City participates in Federal and State grant programs. These programs are subject to audit. No cost disallowance is expected as a result of any audits. Expenditures which 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. Commitments

As of June 30, 2009, in the opinion of City management, there were no outstanding matters that would have a significant effect on the financial position of the funds of the City.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

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. As of June 30, 2009, the Notes were paid off.

Balance, July 1, 2008	\$	-
Additions		5,000,000
Deletions		<u>(5,000,000)</u>
Balance, June 30, 2009	\$	<u>-</u>

15. POLLUTION REMEDIATION OBLIGATIONS

The Department of Toxic Substances Control (DTSC) has filed regulatory Notice of Violations against the City regarding the Redondo Beach Police Department's gun range concerning issues with lead bullet fragments. As the totality of the DTSC's concerns are yet unknown at this time, current cleanup, fines and assessments are estimated at \$100,000.

16. SUBSEQUENT EVENTS

A. Declaration of Fiscal Emergency

On August 4, 2009, the City declared a fiscal emergency. The City faces an approximate \$5.5 million General Fund operating deficit for the 2009-2010 fiscal year due to the unprecedented downturn in the national and regional economies.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2009

16. SUBSEQUENT EVENTS, Continued

B. State of California Condition

Subsequent to June 30, 2009, the State of California has decided to borrow, to defer certain revenue payments and to take certain funds from local governments including the City. These amounts are significant to the City and are as follows:

8% of Property Taxes	\$2,136,807
Redevelopment Agency	\$1,691,071

Property Taxes borrowed by the State for fiscal year 2009-2010 were nearly \$2 billion statewide to help the State's budget shortfall. Legislators and the Governor promised to allow local agencies to sell their eventual repayment from the State to investors to cover the property taxes and to pay the full cost of the sale, known as securitization.

Redevelopment Agency funds have been estimated for a two year takeaway by the State. This decision is to be litigated by the California Redevelopment Association and other parties with hope that this will be considered unconstitutional as was last year's State proposed takeaway.