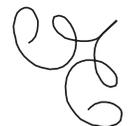
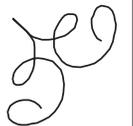


Comprehensive Annual Financial Report



City of Redondo Beach, California
For the year ending June 30, 2010



City of Redondo Beach

Redondo Beach, California

Comprehensive Annual Financial Report

For the year ended June 30, 2010

PREPARED BY THE CITY OF REDONDO BEACH, CALIFORNIA

FINANCIAL SERVICES DEPARTMENT

City of Redondo Beach
Comprehensive Annual Financial Report
For the year ended June 30, 2010

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December 21, 2010

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

The Financial Principles of the City of Redondo Beach require we issue the Comprehensive Annual Financial Report by the second Council meeting in December of each year. Pursuant to this requirement, we hereby submit the Comprehensive Annual Financial Report (CAFR) of the City of Redondo Beach, California (City), for the fiscal year ended June 30, 2010. These financial statements are presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants.

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

Responsibility for the accuracy of the data presented and completeness and fairness of the presentation, including disclosures, rests with the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformance with GAAP. Because the cost of internal controls should not outweigh the benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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

PROFILE OF THE CITY OF REDONDO BEACH

The City of Redondo Beach, incorporated in 1892, is located in the South Bay part of Los Angeles County and spans 6.3 square miles. According to the State of California's Department of Finance, Redondo Beach has a population of 68,105 as of January 1, 2010, remaining relatively flat with 2009. The City remains a highly residential, non-industrial community. It is a highly-educated, upscale community where the median cost of a home is \$640,000.

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

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

In addition to sitting as the governing board of the City, the Mayor and City Council act as the Board of Directors for various component units of the City: the Redondo Beach Housing Authority, the Redondo Beach Public Financing Authority, the Parking Authority of the City of Redondo Beach, and the Redevelopment Agency of the City of Redondo Beach. The City Manager is responsible for carrying out the policies and ordinances of the City Council and for appointing the heads of the City's various departments. In May 2008, the Mayor and City Council established an audit committee to enhance the City's communication with its independent accounting firm, ensuring increased involvement by the governing board in City's accounting processes.

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

Economic Outlook

Since the recession officially ended in June 2009, Redondo Beach has realized an increase of 0.99% in real property assessed valuations for FY 2009-2010; however, other areas of the local economy provided evidence of disappointingly slow economic growth. For example, transient occupancy rates declined slightly from 76% in FY 2008-2009 to 75% in FY 2009-2010, and sales tax revenue declined 10.6% in FY 2009-2010 from the prior year, a result of persistently low consumer confidence, weak consumer spending, local competition, stagnant population growth, and rising unemployment. Still, Redondo Beach continues to exceed the countywide average in total taxable retail sales, ranking 31 out of 89 cities. Fortunately, the local economy has not seen massive job losses, as evidenced in other parts of the state. Although Redondo Beach experienced an increase in its unemployment rate from 6.2% in FY 2008-2009 to 7.2% in FY 2009-2010, this is well below the Los Angeles County and State of California FY 2009-2010 unemployment rates of 12.3% and 12.4%, respectively.

Economic Development

All sectors of the national and regional economy have been impacted by the current recession. Fortunately, the South Bay region has not been negatively impacted nearly as much as other areas of Southern California. Opportunities still exist to further minimize the impacts and set the stage for improvement.

The City's emphasis on economic development is targeted on a number of key strategic goals:

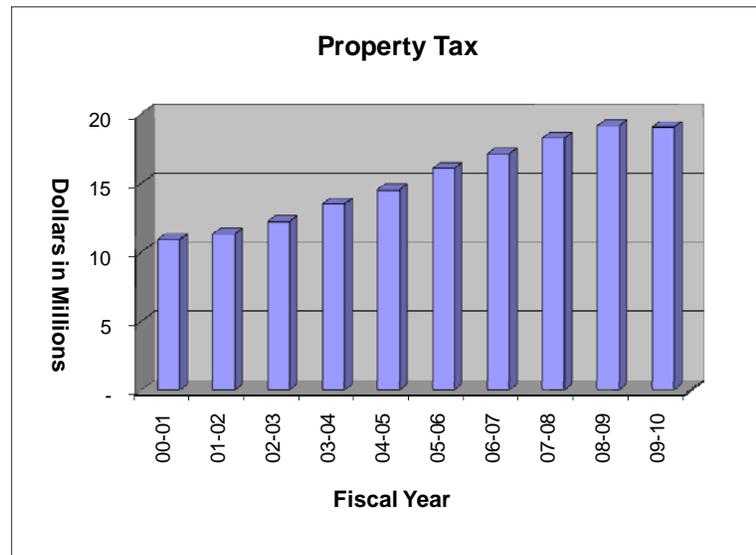
- Revitalizing the Harbor and Pier with a new lease for a boutique hotel, enhanced signage, and public improvements, which have already been completed.
- Reinforcing the desirability of the Riviera Village as a destination for shopping, dining, and services through a variety of activities, including a pilot streetscape project.
- Encouraging the continued success of the Galleria and Artesia Boulevard business districts with a new Kohl's having replaced Mervyn's, Living Spaces replacing Expo Design Center, and the construction of the South Bay South Project with Nordstrom Rack, Total Wine, and Sprouts Market.
- Leveraging public assets to facilitate economic development such as the approved reuse of the City's Marine Avenue parcel to construct a Residence Inn by Marriot and a Hilton Garden Inn.
- Ensuring growth in the business community through business retention, expansion, and attraction, such as with Del Amo Motor Sports and Land Rover.
- Making investments in infrastructure, such as public facilities and road improvements to support the local economy.

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

Property Tax

The City's largest revenue source, property tax, is imposed on real property (land and permanently attached improvements, such as buildings) and tangible personal property (moveable property) located within the City. Property is initially assessed by the County Assessor at a tax rate of 1.0% of the assessed value and rising no more than 2.0% each year. The City receives revenues equal to 16.6% of the tax rate from the County of Los Angeles - Auditor/Controller's Office.

Although property tax revenues and real estate sales continue to reflect a general malaise in the housing market as a result of the approximately 2% GDP takedown, City property tax valuations, while slowing, continue to be positive. With Redondo Beach being a desirable location, coupled with continued low mortgage interest rates, the FY 2009-2010 citywide assessed valuation increased \$116 million, or 0.99%, to \$11.83 billion. The City's assessed valuation is derived 80.8% from single-family residential properties, 8.6% from commercial properties, 3.6% from industrial properties, and the remaining 7.0% from vacant and institutional properties. During FY 2009-2010, property tax revenue decreased 0.54%, or \$102,855, to \$19.05 million. While the recession officially ended in June 2009, the pace of economic growth and the annual increase in property tax revenue continues to slow, influenced by the weak labor market, tightened credit conditions, and supply demand factors.

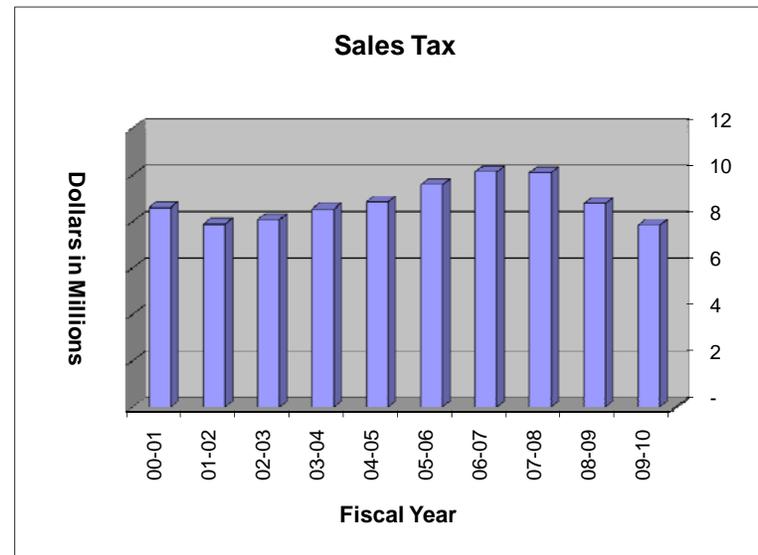


Sales Tax

The City's second largest revenue source is sales tax. Sales tax in Los Angeles County is 9.75% of the sale price of taxable goods and services sold at retail. Redondo Beach receives 1% of taxable sales from the State Board of Equalization.

During the five-year period spanning FY 2002-2003 through FY 2007-2008, local sales tax revenue had shown a consistent strengthening trend, increasing from \$8.07 million in FY 2002-2003 to \$10.10 million in FY 2007-2008, an increase of 25.15%. However, with the onset of the 2008 recession and slow economic growth that has followed, the City has experienced a 22.37% decrease in sales tax revenue from FY 2008-2009 through FY 2009-2010. During FY 2009-2010, the City received only \$7.84 million in sales tax revenue, reflecting a reduction of \$929,073, or 10.60%, from FY 2008-2009. Although twenty-seven percent of the City's FY 2009-2010 traditional sales tax base is now committed to the State for deficit reduction bonds, this amount is backfilled by the State to the City with a revenue swapping procedure commonly referred to as the "triple flip". For this year, sales tax revenue consisted of \$6.10 million in local sales tax revenue and \$1.74 million in State "triple flip" funds. Stagnant population growth, local competition, declines in consumer confidence, and rising unemployment has negatively impacted this key tax-based operating revenue.

The City is committed to re-establishing a strong local economy through both business retention and business expansion, thereby enhancing the community's overall economic base. Although sales related to current retail vendors are likely to remain flat or show slight increases as the pace of economic growth remains disappointingly slow, the City anticipates an increase in sales tax revenue in the coming years. This anticipated increase is mainly due to the opening of new retail stores, such as Living Spaces, Nordstrom Rack, Sprouts, and Total Wine. The City continues to closely monitor progress with respect to the streamlined sales tax project, designed to simplify and modernize sales and use tax collection and administration for both traditional "Main Street" and remote sellers for all types of commerce, with particular attention to internet sales transactions.

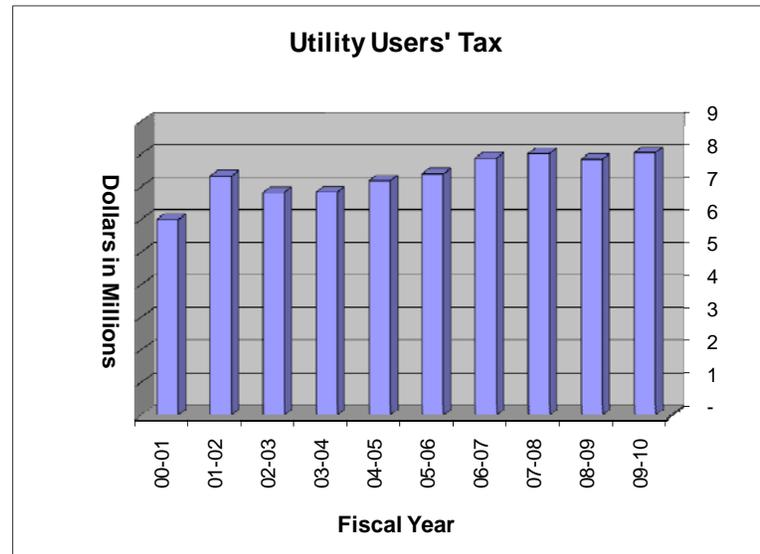


Utility Users' Tax

The City's third largest revenue source, utility users' tax (UUT), is imposed on consumers of electric, gas, cable services, water and telephone services. Federal and state governmental agencies and pay telephone users are exempt. UUT consists of approximately 34% telecommunications and 37% electricity. Each city sets its UUT rate, and Redondo Beach's is 4.75%.

For fiscal years 1999 through 2001, revenues derived from UUT were fairly level. The spike in UUT revenue for FY 2001-2002 reflects the impact of the energy shortage in California and the corresponding dramatic short term increase in energy rates. UUT revenue was reduced in FY 2002-2003 due to utility rate reductions and State mandated energy rebates to consumers. Although there were increases in UUT telecommunications revenue in FY 2003-2004 due to the application of UUT to wireless communications services, these increases were offset by reductions in energy-related UUT sources, flattening the overall performance of UUT for FY 2003-2004.

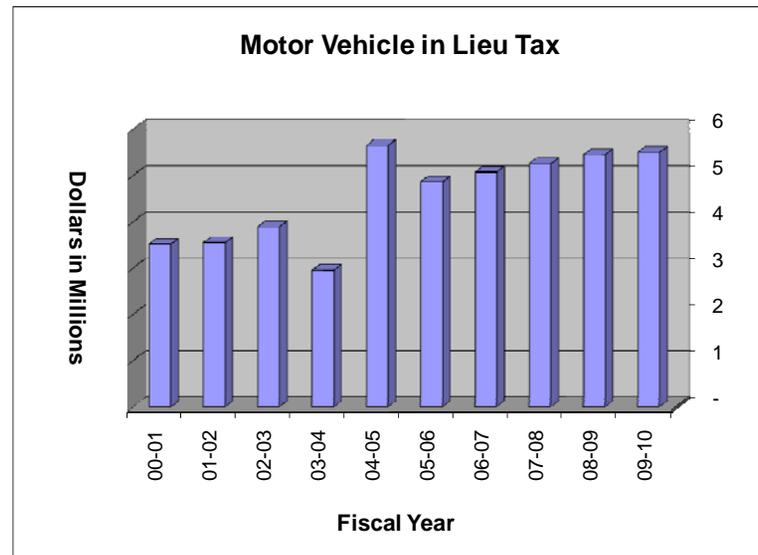
UUT revenue for FY 2009-2010 totaled \$8.04 million, reflecting a slight increase from the prior year of \$195,051, or 2.49%. With 34%, or \$2.73 million of the City's UUT revenue derived from telecommunications services, the City successfully protected the long-term viability of telecommunications-based UUT revenue by placing a measure on the March 2009 ballot to modernize the City's UUT ordinance. This important ballot measure was strongly endorsed by the citizens, who passed it by 75%.



Motor Vehicle in Lieu Tax (previously Vehicle License Fees)

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

Since FY 2000-2001, the City experienced a steady increase in Vehicle License Fee (VLF) until FY 2003-2004, when revenue decreased by \$937,000 as a result of State budgetary realignment reducing the VLF apportionment to a tax rate of 0.65%. In FY 2003-2004, the State Budget Act of 2004 substantially changed the allocation of VLF revenues to cities and counties. With this, the backfill of 1.35% referenced above was distributed in the form of property tax revenues and the official name of the tax was changed to Motor Vehicle in Lieu Tax. In FY 2004-2005, the MVIL revenue increased by \$2.7 million to \$5.7 million. This increase was attributed to the State's advance repayment of \$1.1 million in MVIL funds loaned to the State from prior year, adjustments to prior period apportionments, and implementation of the revised State allocation formula. Since FY 2005-2006, the City has experienced steady increases in MVIL revenue, primarily due to the growth in the property tax portion of the vehicle license fees. In FY 2009-2010, MVIL revenue totaled \$5.50 million, increasing \$53,288 from prior year and consisting of \$5.31 million of additional property tax revenue and \$198,745 in VLF revenue.

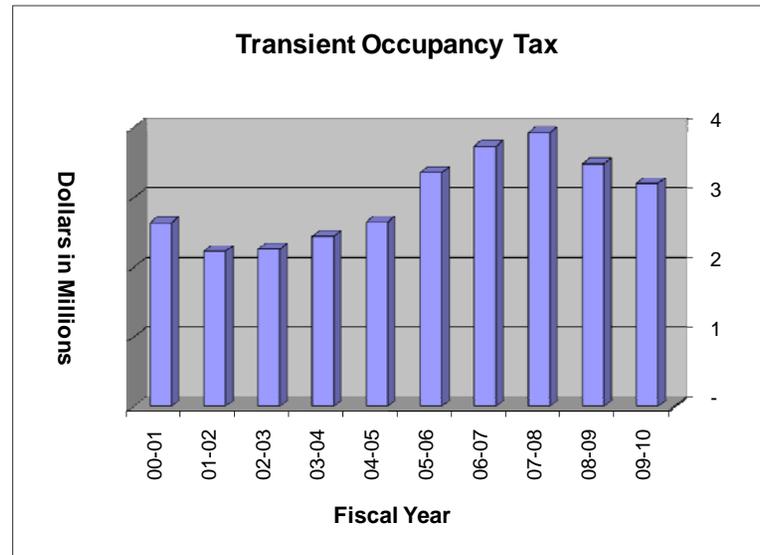


Transient Occupancy Tax

The City's fifth largest revenue source, transient occupancy tax (TOT), is imposed on occupants of hotel, motel, inn, tourist home or other lodging facilities unless such occupancy is for 30 days or longer. The tax is applied to the customer's lodging bill at a rate of 12%, which increased 2% in July 2005, and substantially enhanced revenues. One percent (1%) of the TOT collected is contributed to the Redondo Beach Chamber of Commerce and Visitors Bureau to support marketing and tourism in the City. This 1% is not netted against revenues, but rather reflected in the City's expenditures.

Redondo Beach experienced steady increases in TOT revenue year-over-year through FY 2000-2001; however, this favorable trend was hampered by the adverse impact of 9/11 during FY 2001-2002, in which TOT revenue declined by 15.7% from the prior fiscal year.

From FY 2003-2004 through FY 2007-2008, TOT revenues more than recovered from the adverse impacts of 9/11, reflecting an increase of 61.2% over the five-year period. In 2008, Redondo Beach tourism demand did not escape the affect of the global recession. From FY 2007-2008 to FY 2009-2010, TOT revenues reflected a decrease of 18.5%, or \$728,964. Although the current pace of economic growth has been disappointingly slow, occupancy rates are anticipated to increase; however, both business and leisure travelers are still bargain conscious, resulting in a reduction of average room rates. The City anticipates that these two factors will offset one another and not significantly impact TOT revenues in the upcoming fiscal year. At this time, we do not believe the positive impacts to TOT from the Shade Hotel, Residence Inn by Marriot, and Hilton Garden Inn will be felt until FY 2012-2013.



LONG-TERM CAPITAL IMPROVEMENT PLANNING

The City annually adopts a Five-Year Capital Improvement Program. The first-year funding of capital improvement projects is included in the fiscal year 2009-2010 adopted budget. These projects, however, should not be viewed as immediate resolution to existing infrastructure problems, but instead as part of “setting the table” for the future. It will take time to rehabilitate the City’s capital assets, and we anticipate our long-range replacement program will protect the City’s valuable assets for future generations. Meanwhile, the City continues to invest in a number of significant projects:

Street Resurfacing

- ♦ Residential Street Rehabilitation - In FY 2009-2010, the City spent \$804,000 on its multi-year residential street rehabilitation program. For FY 2010-2011, the City budgeted \$682,726 to continue the residential resurfacing effort, and \$154,000 to continue the citywide curb ramp improvement program.
- ♦ Arterial Street Resurfacing - In FY 2009-2010, the City spent over \$3 million resurfacing City arterials, which included \$1 million in federal stimulus funds for the Inglewood Avenue project. During FY 2009-2010, the City awarded a contract for the Prospect Avenue project, funded by Federal stimulus in the amount of \$920,000. For FY 2010-2011, the City budget includes almost \$2.5 million for additional arterial resurfacing.
- ♦ School Safety Zone Improvements - In FY 2009-2010, the City spent over \$150,000 on school area traffic controls. Improvements included the installation of high visibility signs, solar powered flashing beacons, and new striping and pavement markings. In addition, the City spent \$19,000 implementing traffic calming projects, and plans to spend \$40,000 more in FY 2010-2011.

Storm Drain System Improvements

- ♦ Water Quality Improvements - The City is continuing to implement an aggressive program to improve the quality of water discharged from the City’s storm drain system. In FY 2005-2006, a “Water Quality Task Force” was formed to recommend solutions to recurring “red tides” and water quality issues in the City’s harbor. The Task Force developed an extensive list of short and long-term action recommendations, with several items considered in the City’s Capital Improvement Program. In FY 2009-2010 the City spent \$115,000 to implement two of the Task Force’s recommendations –the pier building gutter rerouting project and the parking lot debris catchers project.
- ♦ Alta Vista Diversion and Re-use – In FY 2009-2010, construction was completed on the \$700,000 Sapphire storm drain diversion project. Also, construction began on the Alta Vista Diversion and Re-use project. This \$2.2 million project is funded with Federal stimulus funds.
- ♦ Storm Drain Line Replacement – In FY 2009-2010, the City spent \$170,000 on storm drain improvements and replacements. The FY 2010-2011 budget includes approximately \$120,000 for additional storm drain improvements.

Sewer Improvements

- ♦ Sewer Line Replacement - In FY 2009-2010, the City spent \$1.05 million on upgrades to the City’s sewer facilities system. The FY 2010-2011 budget includes \$5.4 million in continuing funding for sewer facility improvements.

Facility Improvements

- ♦ City Facility Improvements - In FY 2009-2010, several projects were completed to improve City facilities. The repairs to the City Council Chambers were completed at a cost of \$94,000. Also, the City Channel Broadcast Facility Retrofit was completed at a cost of \$104,000.
- ♦ Park Improvements – In FY 2009-2010, the City completed improvements at Anderson Park and Franklin Park at a cost of \$400,000 and \$165,000, respectively.

CASH MANAGEMENT POLICIES AND PRACTICES

Under the direction of the elected City Treasurer, cash temporarily idle during the year is invested in securities as specified in the City's investment policy. The Treasurer's cash management philosophy is to buy and hold both Federal Agency instruments and high-grade Corporate Medium-Term notes within a structured investment maturity ladder of one to five years. Complimenting these investment instruments, the Treasurer ensures sufficient investment portfolio liquidity by maintaining approximately 33% of the portfolio's assets in the state managed Local Agency Investment Fund (LAIF).

All investments comply with state law and the City's Statement of Investment Policy, which is reviewed and approved by the City Council and the Budget and Finance Commission on an annual basis. In addition, the City's Statement of Investment Policy was recertified for excellence by the Association of Public Treasurers of the United States and Canada (APT-US&C) in August 2007. This recertification insures that the investment policy is in full legal and reporting compliance.

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

In order to ensure liquidity within the investment portfolio, the City maintains \$15 million to \$30 million in LAIF, on average. The yield provided by LAIF over the past year has decreased in line with the overall decline in interest rates available in the marketplace. Excess investment funds above the liquidity threshold are placed primarily in Federal Agency investments within the one-to-five-year investment maturity range. The continued reduction in market interest rates experienced during fiscal year 2009-2010 constrained investment opportunities that would have served to improve the overall investment yield on the portfolio. As of June 30, 2010, the City's idle funds were invested as follows:

Investment	Market Value*	% of Portfolio	Yield to Maturity
Federal Agency Issues - Coupon	\$ 23,159,751	38.8%	2.27%
LAIF	20,000,000	33.6%	0.53%
Corporate Medium-Term Notes	16,444,757	27.6%	4.71%
Total Investments/Averages	\$ 59,604,508	100.0%	2.34%
Average Term of Investments			1.83 years

*As required by GASB 31, the City recorded the unrealized gain on certain investments to account for the market value on June 30, 2010. The amount, \$833,734, represents 1.40% of the current market value of the investments within the City's investment portfolio – an insignificant unrealized increase in the City's overall level of financial resources. This unrealized gain in the value of investments results from structural improvements and lower interest rates within the financial marketplace over the past year impacting the market valuation of the City's Federal Agency and Corporate Medium Term Notes. The value of the City's fixed income investments have an inverse relationship to market interest rates, i.e., when market rates rise, investment valuations fall. As stated in the City's Investment Policy, the City utilizes a buy and hold investment strategy, whereby fixed income investments are held to maturity. This results in the return of the full value of the original investment, including associated interest, at the maturity date of the investment.

Investment Portfolio value is enhanced by maintaining a well diversified mix of investments consisting of AAA rated Federal Agency Issues, AA rated Corporate Medium-Term Notes, liquid investments within the state's LAIF Investment pool, and participation, when qualified, in the California Statewide Communities Development Authority Tax and Revenue Anticipation Note (TRAN) financing program.

RISK MANAGEMENT

The City maintains a self-insurance program for workers' compensation and liability claims. The program accumulates resources in the Self-Insurance Program internal service fund to meet potential losses. For fiscal year 2009-2010, the self-insurance retention (SIR) is \$750,000 for workers' compensation and \$500,000 for liability. Excess coverage up to \$100,000,000 for each workers' compensation claim is provided by a third-party private insurer, and excess liability up to \$20,000,000 each occurrence is covered by the Independent Cities Risk Management Authority (ICRMA).

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

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

As of June 30, 2010, the City recorded the following:

Workers' Compensation Claim

Claims payable totaled \$10,886,580, representing a decrease of \$2.9 million, or 19.82%, from the prior period. This decrease is attributable to a decrease in estimated reserves.

Liability Claims

Claims payable totaled \$ 2,567,734, representing an increase of \$232,028, or 8.93%, from the prior period. This increase is attributable to an increase in estimated reserves.

Unemployment Insurance

The City participates in a direct-cost reimbursement method for unemployment insurance. This program is administered by the State Employment Development Department to provide salary continuance for employees who were terminated involuntarily. For fiscal year 2009-2010, the total reimbursed cost was \$138,074.

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

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

After a number of years of rate volatility given a variety of causes, the CalPERS Board adopted a Rate Stabilization Plan in April, 2005. This Rate Stabilization Plan provides for a more manageable ability to fund pension obligations over short and long terms. The Rate Stabilization Plan features an asset smoothing method, an amortization period for gains and losses, and a minimum contribution when the Plan has a surplus. The Rate Stabilization Plan resulted in a reduction in the City's PERS employer contribution rates, after a number of years with significant increases. The rate for safety employees in fiscal year 2009-2010 was 32.091%, up from 32.849% in 2008-2009, with the miscellaneous employees' rate increasing from 11.485% to 11.671%. Rates are projected to increase from 2009-2010 levels for the 2010-2011 fiscal year to 32.713% for safety employees and 11.804% for miscellaneous employees.

The total contribution paid by the City toward pension benefits was \$10.0 million, which includes the employer and employer-paid member contributions, along with prior-period adjustments determined by CalPERS. Approximately 79.0%, or \$7.9 million, was charged to the General Fund. The anticipated total contribution, excluding prior-period CalPERS adjustments, for fiscal year 2010-2011 is estimated to be approximately \$10.8 million, and is expected to significantly increase in fiscal year 2011-2012.

Aside from contributing to CalPERS, the City also contributes to Social Security. The fiscal year 2009-2010 total cost for Social Security and Medicare coverage was \$1.6 million, of which \$1.0 million, or 62.5%, is from the General Fund. Safety employees do not participate in Social Security and Medicare, except for those employees hired after 1986, which are required to participate in Medicare.

The City also provides post-retirement health care benefits to its employees in accordance with agreements reached with various employee bargaining groups. The City pays for retirees' health care premiums in these plans up to limits established in the agreements with the bargaining units. These payments are paid through an Other Post Employment Benefits (OPEB) trust, which was established by the City in FY 2009-2010 to comply with GASB 45. The OPEB trust allows the City to prefund actuarially derived OPEB costs that are expected to be incurred in future periods. In fiscal year 2009-2010, the City contributed \$992,809 to the OPEB trust to cover current and future retiree medical benefits; however, future contributions may vary based on future actuarial studies. As of June 30, 2010, the City was providing benefits to 214 participants.

AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Redondo Beach for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2009. In order to be awarded this certificate, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

For FY 2009-2010, the City will again apply to the GFOA for the Certificate of Achievement for Excellence in Financial Reporting. We believe that our current comprehensive annual financial report continues to meet the criteria to receive this certificate, and we will be submitting it to GFOA for consideration.

ACKNOWLEDGMENTS

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

Respectfully submitted,



WILLIAM P. WORKMAN
City Manager



DIANA MORENO
Financial Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Redondo Beach
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

CITY OF REDONDO BEACH

MAYOR AND CITY COUNCIL



Michael A. Gin
Mayor



Steve Aspel
Councilmember
District 1



Bill Brand
Councilmember
District 2



Pat Aust
Councilmember
District 3



Steven Diels
Councilmember
District 4



Matt Kilroy
Councilmember
District 5

CITY OFFICIALS

William P. Workman
City Manager

David Biggs
Assistant City Manager



Michael Webb
City Attorney



Eleanor Manzano
City Clerk



Ernie O'Dell
City Treasurer

Michael Witzansky
Director of Recreation & Community Services

Daniel P. Madrigal
Fire Chief

Steve Huang
City Engineer/Chief Building Official

Gwendolyn Parker
Harbor, Business and Transit Director

Chris Benson
Information Technology Director

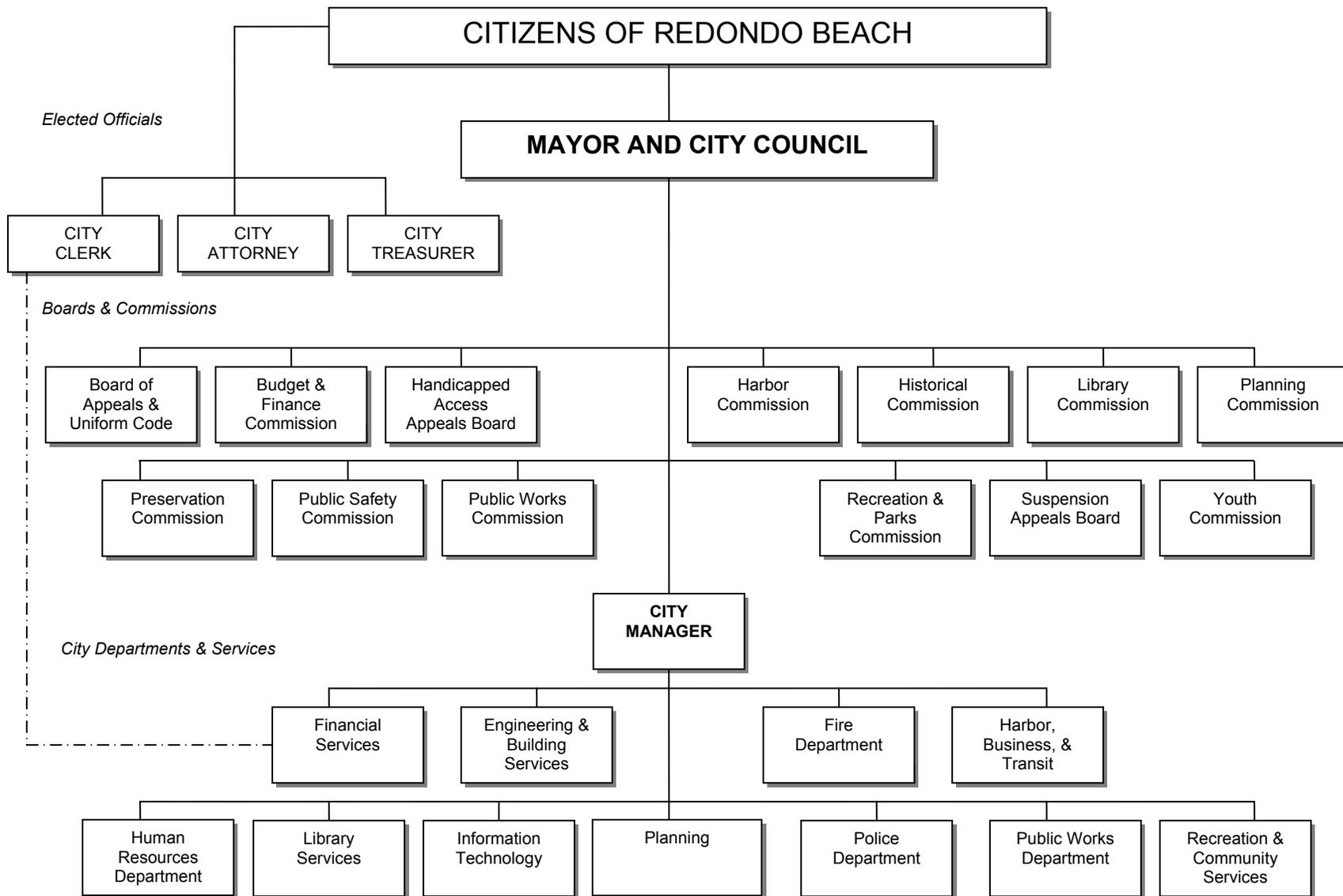
Aaron Jones
Planning Director

W. Joseph Leonardi
Chief of Police

Jean Scully
Director of Library Services

Sylvia Glazer
Public Works Director

Diana Moreno
Financial Services Director



ORGANIZATIONAL CHART
FY 2009-2010

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redondo Beach, California (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

On June 22, 2010, the City declared a fiscal emergency. For more detailed information, see Note 15 in the Notes to the Financial Statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis and other information as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on the Required Supplementary Information.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
Irvine, California
December 10, 2010

CITY OF REDONDO BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Redondo Beach (the "City") provides the Management Discussion and Analysis of the City's Comprehensive Annual Financial Report (CAFR) for readers of the City's financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found preceding this narrative, and with the City's financial statements, which follow. Keep in mind that the Financial Highlights, immediately following, are strictly snapshots of information. Net assets, changes in net assets, and fund disclosures are discussed in more detail later in the report.

Financial Highlights - Primary Government

♦ *Government-Wide Highlights*

Net Assets - Assets of the City exceeded its liabilities at fiscal year ending June 30, 2010 by \$215.3 million - assets for governmental activities exceeded liabilities by \$153.8 million and assets for business-type activities exceeded liabilities by \$61.5 million.

Changes in Net Assets - The City's net assets increased \$462,650 in fiscal year 2009-2010. Net assets of governmental activities decreased \$145,306, while net assets of business-type activities increased \$557,956.

♦ *Fund Highlights*

Governmental Funds - At the close of fiscal year 2009-2010, the City's total governmental funds reported a fund balance of \$29.2 million, a decrease of \$8.8 million from the prior year. Highlighted below are this year's six major funds included in this grouping.

General Fund - The fund balance of the General fund on June 30, 2010 was \$9.9 million, a decrease of \$131,245 from the prior year.

Special Revenue – Other Intergovernmental Grants Fund - The fund balance of the Special Revenue – Other Intergovernmental Grants fund on June 30, 2010 was (\$2.3) million, increasing the negative fund balance by \$1.3 million when compared to prior year.

Special Revenue – Redevelopment Agency Fund – The fund balance of the Special Revenue – Redevelopment Agency Fund on June 30, 2010 was \$13.3 million, an increase of \$575,101 from the prior year.

Capital Projects – Capital Improvement Projects Fund - The fund balance of the Capital Projects – Capital Improvement Projects Fund on June 30, 2010, was \$6.5 million, a decrease of \$6.0 million from the prior year.

Debt Service – Public Financing Authority Fund - The fund balance of the Debt Service – Public Financing Authority Fund on June 30, 2010, was \$8.4 million, a decrease of \$1.7 million from the prior year.

Debt Service - Redevelopment Agency Fund - The fund balance of the Debt Service - Redevelopment Agency Fund on June 30, 2010, was (\$15.8) million, increasing the negative fund balance by \$53,011 when compared to prior year.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

- ◆ *Statement of Net Assets*

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

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

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

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

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

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

Fund Financial Statements

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

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

- ♦ *Governmental Funds*

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation of both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance with the government-wide financial statements can be found on pages behind the tab section titled Government-Wide Financial Statements.

The City has 26 governmental funds, of which six are considered major funds for presentation purposes. Each major fund is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The City's six major funds are: General Fund, Special Revenue – Other Intergovernmental Grants Fund, Special Revenue – Redevelopment Agency Fund, Capital Projects – Capital Improvement Projects Fund, Debt Service - Public Financing Authority Fund, and Debt Service - Redevelopment Agency Fund. Data from the non-major governmental funds (e.g., State Gas Tax Fund, Local Transit Fund, Storm Drain Fund, Disaster Recovery Fund) are combined into a single, aggregated presentation. The governmental funds financial statements can be found on pages behind the tab section titled Fund Financial Statements. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages behind the tab section titled Non-Major Governmental Funds.

- ♦ *Proprietary Funds*

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

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

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

- ♦ *Fiduciary Funds*

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

Notes to the Financial Statements

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

Required Supplementary Information

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

City of Redondo Beach's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009
Current and Other Assets	\$ 63,085,693	\$ 67,145,078	\$ 35,999,882	\$ 36,137,332	\$ 99,085,575	\$ 103,282,410
Capital Assets, net depre	137,764,053	136,668,830	39,643,363	39,243,111	177,407,416	175,911,941
Total assets	200,849,746	203,813,908	75,643,245	75,380,443	276,492,991	279,194,351
Long-Term Liabilities						
Outstanding	38,765,368	43,229,908	12,890,738	13,313,353	51,656,106	56,543,261
Other Liabilities	8,354,326	6,708,642	1,215,666	1,088,205	9,569,992	7,796,847
Total Liabilities	47,119,694	49,938,550	14,106,404	14,401,558	61,226,098	64,340,108
Investments in Capital						
Net of Related Debt	137,743,367	135,170,376	35,985,952	35,414,035	173,729,319	170,584,411
Restricted	16,803,437	17,828,013	-	-	16,803,437	17,828,013
Unrestricted	(816,752)	876,969	25,550,889	25,564,850	24,734,137	26,441,819
Total Net Assets	\$ 153,730,052	\$ 153,875,358	\$ 61,536,841	\$ 60,978,885	\$ 215,266,893	\$ 214,854,243

Total Assets:

Current and Other Assets include: Cash and Investments; Accounts Receivable and Receivables for Taxes, Interest, and Loans; Prepaid costs;

Unamortized debt issuance costs; Deposits; Due from other governments; and Restricted assets of Cash with fiscal agent; and Internal Balances (Due to/from and Advances between the business activities and governmental activities).

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

Total Liabilities:

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

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

Net Assets

The chart above reflects the City's combined net assets (governmental and business-type activities) of \$215.3 million at the close of fiscal year ending June 30, 2010.

The largest portion of the City's total net assets (80.7%) reflects investment in capital assets (e.g., land, streets, sewers, buildings, machinery, and equipment) net of outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining City net assets (19.3%) represent resources that are subject to external restrictions (e.g., certain capital projects, community development, debt services).

Changes in Net Assets

As noted in the chart above, the City's fiscal year 2009-2010 total net assets increased by \$412,650, or 0.2%, from the prior year. The governmental activities net assets decreased \$145,306, or 0.1%, while the business-type activities net assets increased \$557,956, or 0.9%.

The decrease in net assets of governmental activities of \$145,306 was due to a decrease in total assets of \$3.0 million offset by a decrease in liabilities of \$2.8 million. Within total assets, the decrease in current and other assets was attributable to decreases in revenues. Decreases to general revenues were mainly due to significant reductions in sales tax, transient occupancy tax, franchise tax, and other revenues. The substantial decrease in other revenues is due to a one-time release of bond reserve proceeds (revenue) to the Redevelopment Agency's low and moderate housing income fund in the amount of \$905,418 in the prior year that was not repeated in FY 2009-2010. The offset to these general revenue reductions was an increase in program revenues, primarily driven by increases in capital grants and contributions related to public safety, public works, and housing and community development. The substantial increase in capital grants and contributions related to public works and housing and community development is due to the awarding of American Reinvestment and Recovery Act (ARRA) funds for three transit bus purchases and various street improvement projects. The decrease in total liabilities was principally attributable to decreases in long-term liabilities. The reasons for this decrease are as follows: (1) general government, public safety, and cultural and leisure services related expenses decreased, primarily due to reductions in personnel related costs as a result of a citywide hiring freeze, employee concessions, and elimination of funding for selected filled and vacant positions and (2) long-term debt payable diminished due to the principal payments made on the City's various bonds and loans, which reduces the interest expense on those debts. Other liabilities, specifically accounts payable, increased mainly due to the timing of payments to vendors. Business-type activities showed a 0.9% increase in net assets primarily due to increased revenue from charges for services.

City of Redondo Beach's Changes in Net Assets
Fiscal Year Ended June 30, 2010 and 2009

	Governmental Activities		Business-Type Activities		Total	
	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009
Revenues:						
Program revenues:						
Charges for services	\$ 16,592,335	\$ 17,262,299	\$ 15,138,056	\$ 14,593,882	\$ 31,730,391	\$ 31,856,181
Operating grants and contributions	8,715,661	9,137,687	17,769	162,512	8,733,430	9,300,199
Capital grants and contributions	6,605,139	3,486,113	-	-	6,605,139	3,486,113
Total program revenues	<u>31,913,135</u>	<u>29,886,099</u>	<u>15,155,825</u>	<u>14,756,394</u>	<u>47,068,960</u>	<u>44,642,493</u>
General revenues:						
Property taxes	29,598,821	28,612,395	-	-	29,598,821	28,612,395
Sales taxes	7,839,179	9,329,872	-	-	7,839,179	9,329,872
Utilities users taxes	8,043,207	7,848,157	-	-	8,043,207	7,848,157
Motor vehicle license	198,745	205,403	-	-	198,745	205,403
Transient occupancy taxes	3,204,045	3,485,290	-	-	3,204,045	3,485,290
Franchise taxes	1,673,632	1,970,548	-	-	1,673,632	1,970,548
Business license taxes	1,256,462	1,293,056	-	-	1,256,462	1,293,056
Use of money and property ¹	5,118,217	4,948,736	801,184	944,480	5,919,401	5,893,216
Other revenues	1,089,627	1,599,388	176,052	195,080	1,265,679	1,794,468
Gain (loss) on sale of capital asset	26,396	28,288	(16,398)	-	9,998	28,288
Total general revenues	<u>58,048,331</u>	<u>59,321,133</u>	<u>960,838</u>	<u>1,139,560</u>	<u>59,009,169</u>	<u>60,460,693</u>
Total revenue	<u>89,961,466</u>	<u>89,207,232</u>	<u>16,116,663</u>	<u>15,895,954</u>	<u>106,078,129</u>	<u>105,103,186</u>
Expenses:						
General government	7,618,055	9,234,672	-	-	7,618,055	9,234,672
Public safety	40,737,832	42,293,976	-	-	40,737,832	42,293,976
Public works	17,980,811	12,538,423	-	-	17,980,811	12,538,423
Cultural and leisure services	6,543,884	7,586,649	-	-	6,543,884	7,586,649
Housing and community development	16,227,602	17,696,101	-	-	16,227,602	17,696,101
Interest on long-term debt	1,077,588	1,747,427	-	-	1,077,588	1,747,427
Harbor Tidelands	-	-	5,372,721	5,360,523	5,372,721	5,360,523
Harbor Uplands	-	-	4,441,227	5,288,345	4,441,227	5,288,345
Wastewater	-	-	3,364,549	2,092,245	3,364,549	2,092,245
Solid Waste	-	-	2,207,319	3,228,498	2,207,319	3,228,498
Total expenses	<u>90,185,772</u>	<u>91,097,248</u>	<u>15,385,816</u>	<u>15,969,611</u>	<u>105,571,588</u>	<u>107,066,859</u>
Change in net assets before transfers	<u>(224,306)</u>	<u>(1,890,016)</u>	<u>730,847</u>	<u>(73,657)</u>	<u>506,541</u>	<u>(1,963,673)</u>
Transfers	79,000	1,142,313	(79,000)	(1,142,313)	-	-
f Change in net assets	<u>(145,306)</u>	<u>(747,703)</u>	<u>651,847</u>	<u>(1,215,970)</u>	<u>506,541</u>	<u>(1,963,673)</u>
Net assets, beginning of year as restated	<u>153,875,358</u>	<u>154,623,061</u>	<u>60,884,994</u>	<u>62,194,855</u>	<u>214,760,352</u>	<u>216,817,916</u>
Net assets, end of year	<u>\$ 153,730,052</u>	<u>\$ 153,875,358</u>	<u>\$ 61,536,841</u>	<u>\$ 60,978,885</u>	<u>\$ 215,266,893</u>	<u>\$ 214,854,243</u>

¹ Includes investment earnings

Levels of revenues and expenditures also impact current assets and other liabilities and, therefore, cause changes in net assets. As reflected above, total revenues increased in fiscal year 2009-2010 by \$974,943, or 1.6%. The increase in revenues was mainly due to capital grants and contributions. The substantial increase in capital grants and contributions related to public works and housing and community development is due to the awarding of American Reinvestment and Recovery Act (ARRA) funds for three transit bus purchases and various street improvement projects. Offsetting the substantial increase in capital grants and contributions were significant reductions in sales tax, transient occupancy tax, franchise tax, and other revenues, a result of disappointingly slow economic growth and a one-time release of bond reserve proceeds to the Redevelopment Agency's low and moderate housing income fund in the amount of \$905,418 in the prior year that was not repeated in fiscal year 2009-2010.

Citywide total expenses decreased \$1.5 million, or 1.4%, when compared to fiscal year 2008-2009. The decreases in general government, public safety, and cultural and leisure services resulted primarily from reductions in personnel related costs as a result of a citywide hiring freeze, employee concessions and elimination of funding for selected filled and vacant positions. The decrease in housing and community development is due to reduced personnel costs resulting from a citywide hiring freeze, employee concessions, and a decrease in transit related contracts and projects as a result of reduced Proposition A funding. Offsetting these decreases is a substantial increase in public works expenses, primarily due to construction related expenses of the North Branch Library/Hayward Center and numerous ARRA funded street improvement projects, such as the Aviation Blvd Resurfacing Project and the Esplanade Streetscapes Project.

Governmental Activities

As reflected in the Changes in Net Assets schedule above, the total governmental activity expenses were \$90.2 million in fiscal year 2009-2010; whereas, total revenues from governmental activities were \$90.0 million, of which 35.5% were derived from program revenues consisting of charges for services and grants.

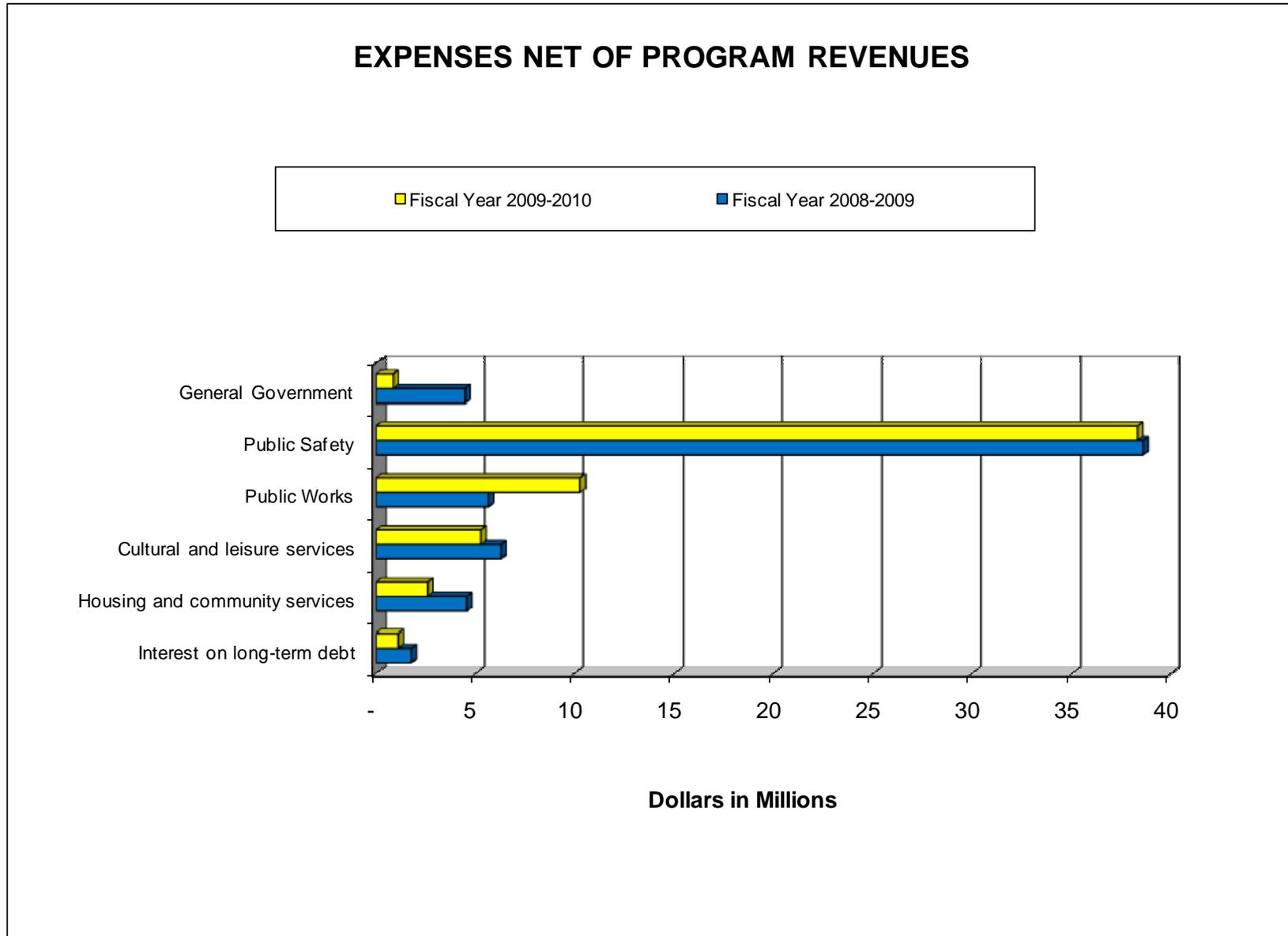
On the following chart, the governmental activity expenses net of program revenues, decreased \$3.0 million, or 4.9%, in fiscal year 2009-2010. Net expenses related to public safety remained relatively flat versus prior year. General government net expenses decreased substantially due to reductions in personnel related costs as a result of a citywide hiring freeze, employee concessions, elimination of funding for selected filled and vacant positions, decreased attorneys fees, and reduced election related expenses, as well as increases in charges for services specifically related to parking meter fees, planning fees, and plan check fees. Decreases in cultural and leisure services and housing and community development net expenses are primarily due to reduced personnel costs resulting from a citywide hiring freeze employee concessions, elimination of funding for selected filled and vacant positions, and increases in grants and contributions. Interest on long-term debt decreased due to the retirement of the outstanding Public Financing Authority 2000 Tax Allocation Bonds and the Redevelopment Agency 2008 Tax Allocation Refunding Bonds.

Offsetting these decreases is a substantial increase in public works net expenses. The increase in public works of \$4.6 million, or 81.9%, is primarily due to construction related expenses of the North Branch Library/Hayward Center and numerous ARRA funded street improvement projects, such as the Aviation Blvd Resurfacing Project and the Esplanade Streetscapes Project.

	Impact to Net Assets		Percent Increase (Decrease)
	2009-2010	2008-2009	
Governmental Activities:			
<i>Expenses Net of Program Revenues*</i>			
General government	\$ (813,713)	\$ (4,435,073)	(81.7%)
Public safety	(38,289,774)	(38,574,472)	(0.7%)
Public works	(10,254,869)	(5,638,152)	81.9%
Cultural and leisure services	(5,247,332)	(6,293,912)	(16.6%)
Housing and community development	(2,589,361)	(4,522,113)	(42.7%)
Interest on long-term debt	(1,077,588)	(1,747,427)	(38.3%)
Total Governmental Activity Expenses			
Net of Program Revenues	<u>\$ (58,272,637)</u>	<u>\$ (61,211,149)</u>	(4.8%)

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

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



General Revenues Related to Governmental Activities

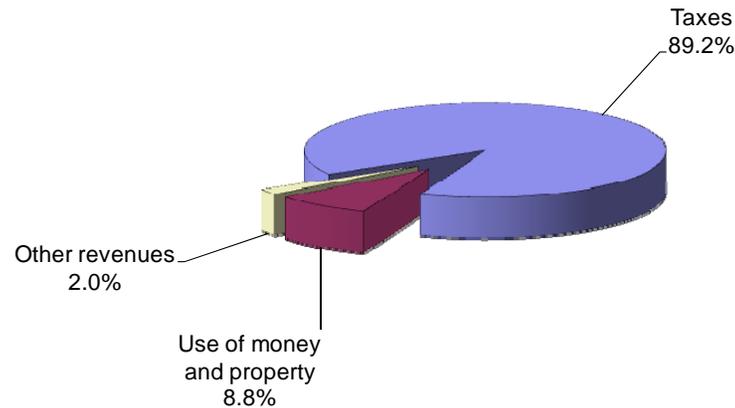
<u>General Revenues</u>	<u>2009-2010</u>	<u>2008-2009</u>
Taxes	\$ 51,836,491	\$ 52,744,721
Use of money and property ¹	5,118,217	4,948,736
Other revenues ²	1,172,623	2,769,989
Total General Revenues	<u>\$ 58,127,331</u>	<u>\$ 60,463,446</u>

¹ Includes investment earnings

² Includes gain (loss) on sale of assets and transfers

General revenues are all other revenues not attributable to a specific program and, therefore, not categorized as program revenues. These revenues include taxes, use of money and property, and other revenues. Total general revenues from governmental activities were \$58.1 million in fiscal year 2009-2010. The largest percentage of these revenues for fiscal year 2009-2010 (89.2%) was derived from taxes, decreasing 1.7% versus prior year. This includes property taxes, transient occupancy taxes, sales taxes, franchise taxes, business license taxes, utility users' taxes, and motor vehicle in lieu license fees. Although the remaining items makeup only 10.8% of General Revenues, these items in total reflected a decrease of 18.4% over the prior year. The largest decrease was experienced in other revenues, primarily resulting from two, one-time transactions that substantially enhanced revenues in fiscal year 2008-2009. They were as follows: (1) in fiscal year 2008-2009, Heritage Pointe bond reserve proceeds were released to the Redevelopment Agency's low and moderate housing income fund, increasing other revenues by \$905,418 and (2) in fiscal year 2008-2009, transfers to governmental activities (specifically general fund) from business-type activities - \$877,000 from the Solid Waste Fund and \$200,313 from the Wastewater Fund.

GENERAL REVENUES



Business-Type Activities

The City has four business-type activities: Harbor Tidelands, Harbor Uplands, Wastewater, and Solid Waste. These business-type activities increased the City's total net assets by \$557,956 from the prior year, after consideration of a prior period adjustment totaling \$93,981.

Harbor Tidelands is used for the operations of small boat harbor facilities available to the general public, including related pier activities. This fund is restricted under the City Tidelands Trust Agreement with the State of California. In fiscal year 2009-2010, the total net assets of the Harbor Tidelands, after consideration of a prior period adjustment of \$57,738 increased \$521,132 from prior year.

Harbor Uplands is also used for the operations of small boat harbor facilities available to the general public, including related pier activities. However, the use of these funds is subject only to the decisions of the City Council. In fiscal year 2009-2010, the assets of Harbor Uplands decreased by \$400,396 from prior year. The major causes for the decrease were to due prior period adjustments of \$36,153 relating to amounts that were erroneously recorded as revenue in prior years, which are now properly classified as deposits payable; depreciation of capital assets; and an increase in harbor operating lease deposits, a liability to the City.

Wastewater is funded by a capital facility charge, or more commonly referred to as a sewer user fee. These funds are substantially used to service the City's debt relative to the sewer bond, which is restricted to sewer infrastructure improvements. The total net assets of Wastewater increased \$333,522 from the prior year.

Solid Waste is the City's comprehensive solid waste program, which includes refuse collection, recycling, and hazardous waste disposal services. The solid waste program is supported through user service fees. The total net assets of Solid Waste increased \$103,698 from prior year.

INTERNAL SERVICE FUNDS

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

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

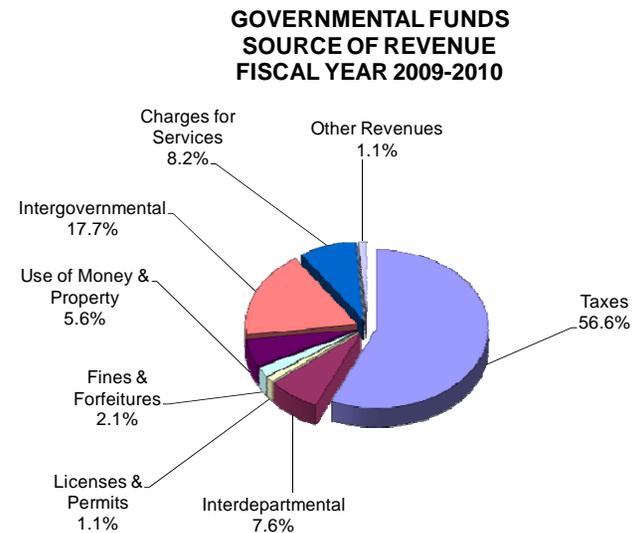
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Please note that unlike the Government-Wide financial statements displayed previously, the fund financial statements which follow are not reflected on a full accrual basis. Therefore,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

Governmental Funds

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

Governmental Funds - The following schedule is a summary of governmental fund revenues for fiscal year ended June 30, 2010, and includes Major and Non-Major Funds. It reflects the amount and percent of increase or decrease of each source of revenue compared to the prior year.

Source of Revenue	Amount FY 09-10	Percent of Total	Increase (Decrease) FY 08-09	Percent Increase (Decrease)
Taxes	\$ 49,946,499	56.6%	\$ (2,383,518)	(4.6%)
Interdepartmental	6,681,277	7.6%	25,819	0.4%
Licenses & permits	930,523	1.1%	(75,552)	(7.5%)
Fines & forfeitures	1,875,287	2.1%	29,449	1.6%
Use of money & property	4,929,845	5.6%	(750,488)	(13.2%)
Intergovernmental	15,619,990	17.7%	1,628,579	11.6%
Charges for services	7,279,164	8.2%	332,091	4.8%
Other revenues	999,916	1.1%	(704,068)	(41.3%)
Total	\$ 88,262,501	100.0%	\$ (1,897,688)	(2.1%)

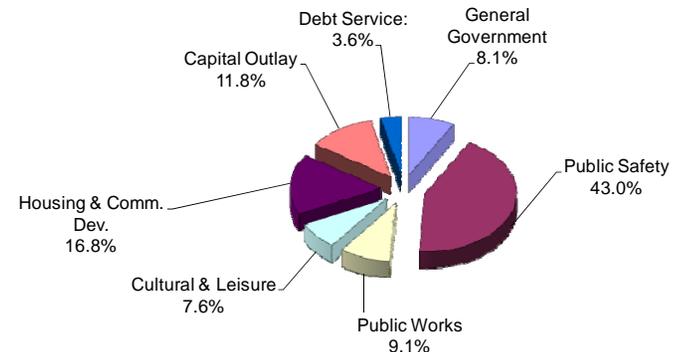


Total governmental fund revenues decreased \$1.9 million, or 2.1%, from fiscal year 2008-2009. The largest source of revenue was taxes, which decreased \$2.4 million, or 4.6%, which was primarily due to decreases in sales tax, transient occupancy tax, and franchise tax resulting from persistently low consumer confidence and disappointingly slow economic growth. Interdepartmental and fines and forfeitures revenue remained relatively flat from fiscal year 2008-2009. Licenses and permits revenue decreased \$75,552, or 7.5%, due entirely to decreases in plumbing, electric, and mechanical permit fees. Use of money and property revenue decreased \$750,488, or 13.2%, due to declines in investment earnings and rents and percentages. Intergovernmental increased \$1.6 million, or 11.6%, due to a substantial increase in capital grants and contributions related to the awarding of American Reinvestment and Recovery Act (ARRA) funds for three transit bus purchases and various street improvement projects. Charges for services increased \$332,091, or 4.8%, due to increases in parking meter fees, planning fees, and plan check fees. Other revenues decreased \$704,068, or 41.3%, due primarily from the one-time release of the Heritage Pointe bond reserve proceeds to the Redevelopment Agency's low and moderate housing income fund in fiscal year 2008-2009.

The following schedule is a summary of governmental fund expenditures by function for fiscal year ended June 30, 2010, and includes both Major and Non-Major Funds. It reflects the amount and percent of increase or decrease for each functional category of expenditures compared to the prior year.

Expenditures	Amount FY 09-10	Percent Total	Increase (Decrease) FY 08-09	Percent Increase (Decrease)
Current:				
General government	\$ 7,901,358	8.1%	\$ (792,531)	(9.1%)
Public safety	41,964,634	43.0%	(905,164)	(2.1%)
Public works	8,837,700	9.1%	(717,293)	(7.5%)
Cultural and leisure services	7,427,423	7.6%	54,732	0.7%
Housing and community development	16,392,441	16.8%	(1,176,608)	(6.7%)
Capital outlay	11,562,615	11.8%	5,878,888	103.4%
Debt service	3,561,095	3.6%	(1,626,266)	(31.4%)
Total	\$ 97,647,266	100.0%	\$ 715,758	0.7%

**GOVERNMENTAL FUNDS
EXPENDITURES BY CATEGORIES
FISCAL YEAR 2009-2010**



Total governmental fund expenditures increased \$715,758, or 0.7%, from fiscal year 2008-2009. As mentioned earlier, the variances are attributable to:

- General government decreased by \$792,531, or 9.1%; Public safety decreased by \$905,164, or 2.1%; and public works decreased by \$717,293, or 7.5%; due primarily to reduced personnel costs resulting from a citywide hiring freeze, employee concessions, and elimination of funding for selected filled and vacant positions.
- Housing and community development decreased by \$1.2 million, or 6.7%, due to reduced personnel costs resulting from a citywide hiring freeze, employee concessions, elimination of funding for selected filled and vacant positions, and a decrease in transit related contracts and projects as a result of reduced Proposition A funding.
- Capital outlay expenditures increased by \$5.9 million, or 103.4%, primarily due to construction related expenses of the North Branch Library and numerous ARRA funded street improvement projects, such as the Aviation Blvd. Resurfacing Project and the Sapphire Storm Drain Project.
- Debt service expenditures decreased by \$1.6 million, or 31.4%. The substantial decrease is due to the retirement of the outstanding Public Financing Authority 2000 Tax Allocation Bonds in fiscal year 2008-2009.

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

Special Revenue – Other Intergovernmental Grants Fund - The fund balance of the Special Revenue – Other Intergovernmental Grants fund on June 30, 2010 was (\$2.3) million, increasing the negative fund balance by \$1.3 million when compared to prior year. The increase in negative fund balance is due to an increase in capital outlay related to ARRA funded street improvement projects, such as the Aviation Blvd. Resurfacing Project and the Esplanade Streetscapes Project.

Special Revenue – Redevelopment Agency Fund – The fund balance of the Special Revenue – Redevelopment Agency Fund on June 30, 2010 was \$13.3 million, an increase of \$575,101 from the prior year. The increase is due to greater tax revenue and lower housing and community development related expenses versus prior year.

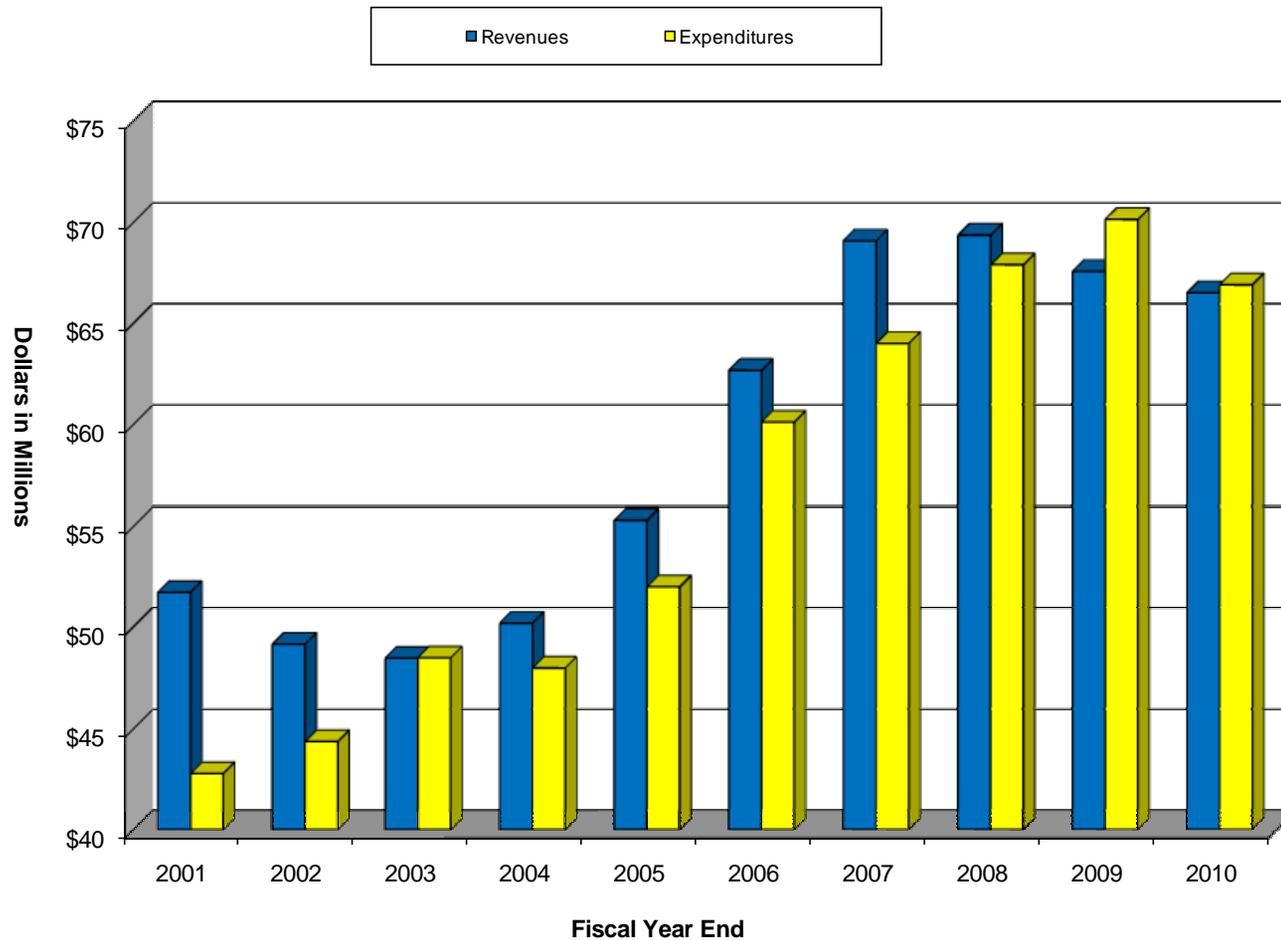
Capital Projects – Capital Improvement Projects Fund - The fund balance of the Capital Projects – Capital Improvement Projects Fund on June 30, 2010, was \$6.5 million, a decrease of \$6.0 million from the prior year. The decrease is primarily due to an increase in capital outlay related to construction of the North Branch Library/Hayward Center

Debt Service – Public Financing Authority Fund - The fund balance of the Debt Service – Public Financing Authority Fund on June 30, 2010, was \$8.4 million, a decrease of \$1.7 million from the prior year. The decrease is primarily due to the retirement of the Redevelopment Agency 2008 Tax Allocation Refunding Bonds, decreased investment earnings, and a reduction in rents and percentages.

Debt Service - Redevelopment Agency Fund - The fund balance of the Debt Service - Redevelopment Agency Fund on June 30, 2010, was (\$15.8) million, increasing the negative fund balance by \$53,011 when compared to prior year.

General Fund - The following graph illustrates the ten-year trend of General Fund revenues and expenditures. Interfund transfers have been excluded from this graphic presentation. The discussion which follows focuses on changes from fiscal year 2008-2009 to fiscal year 2009-2010.

REVENUES VS. EXPENDITURES General Fund – Last Ten Years



Impacts of both increases and decreases to General Fund revenues resulted in a net decrease of \$1.0 million, or 1.5%, from fiscal year 2008-2009. The majority of the decrease in revenue was due to declines in taxes, specifically sales tax, transient occupancy tax, and franchise tax resulting from persistently low consumer confidence and disappointingly slow economic growth. The decrease in these revenues was slightly offset by an increase in revenues related to charges for services.

General Fund expenditures decreased by \$3.2 million, or 4.7%. As mentioned earlier, decreases were due primarily to reduced personnel costs resulting from a citywide hiring freeze, employee concessions, and elimination of funding for selected filled and vacant positions.

General Fund Balance

The fund balance of the General Fund, which includes net transfers in of \$252,658, as of June 30, 2010 was \$9.9 million, a decrease of \$131,245, when compared to the prior year. The City Council approved the designations of the General Fund balance reflected below.

	<u>FY 07-08</u>	<u>FY 08-09</u>	<u>FY 09-10</u>
General Fund Contingency	\$ 5,773,725	\$ 5,673,587	\$ 5,570,473
Compensated Absences	179,361	1,004,104	972,424
Carryover Designations	1,265,352	814,129	990,746
Legal Fees	-	-	313,000
Self-Insurance Program Fund Allocation	-	1,010,000	-
Economic Contingency	332,897	-	-
Street Landscaping & Lighting	200,000	-	-
Health Ins Premium Increases	186,000	180,000	160,000
Future Labor Negotiations	840,000	-	-
Future Years' Appropriations	2,569,817	653,982	-
AB1805 - Booking Fees Paid to Sheriff	-	-	5,000
PERS	-	-	1,333,167
Undesignated Balance	331,726	37,327	21,644

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended fiscal year 2009-2010 budget totaled \$70.7 million, including net amendments of \$1,458,115 to the originally adopted budget. The City Council adopts budget adjustments during the year to reflect both changed priorities and consideration of events that took place subsequent to the budget adoption. The amendments can be briefly summarized as follows:

- Appropriation of \$200,000 for the November 2009 election.
- Appropriation of \$27,287 for replacement of damaged equipment for which insurance proceeds were received.
- Funding of prior-year encumbrances of \$500,716.
- Funding of carry-over appropriations of \$814,129.
- Reduced mid-year appropriations by \$198,763.

Budget amendments were funded from/credited to available fund balance. During the year, however, revenues exceeded budgetary estimates by approximately \$700,000 and expenditures were \$2.7 million less than budgetary estimates, primarily due to contractual services that were not completed by year-end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets of the City, including infrastructure assets are those assets used in the performance of the City's functions. At June 30, 2010, net capital assets of the governmental and business-type activities totaled \$137.8 million and \$39.6 million, respectively. Depreciation on capital assets is recognized in the Government-Wide financial statements.

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

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

Prior to FY 2008-2009, the City's PQI rating, an amalgam of the PCR and the International Roughness Index (IRI) established by the World Bank, was based on a 10.0 scale. In fiscal year 2008-2009, the PQI rating was converted to a 100 point scale to make it comparable to alternative pavement rating methods. City policy was to achieve an average rating of 80 for all streets by fiscal year 2008-2009 and maintain this rating on a go-forward basis. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds. As of June 30, 2010 the City's street system was rated at a PQI of 83.

The City's budget for street maintenance for the fiscal year ended June 30, 2010 was \$11.8 million. Actual expenditures were \$4.4 million, with the remaining budget carried forward as continuing appropriations. The City is judiciously investing in this infrastructure asset as part of the five-year Capital Improvement Program and will continue to rehabilitate and maintain its streets in order to achieve this goal. The expenditure required to maintain and improve the overall condition of the streets from July 1, 2010 through June 30, 2012 is a minimum of \$10.2 million.

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

Description	Original Cost	Accumulated Depreciation	Book Value
Capital Assets - Governmental Activities			
Land	\$ 16,522,947	\$ -	\$ 16,522,947
Buildings and Improvements	38,780,752	(13,839,481)	24,941,271
Equipment, Vehicles, Machinery	21,128,142	(13,209,879)	7,918,263
Work in Progress	1,003,491	-	1,003,491
Construction in Progress	3,654,121	-	3,654,121
Infrastructure	123,172,058	(39,448,098)	83,723,960
Total	\$ 204,261,511	\$ (66,497,458)	\$ 137,764,053
Capital Assets - Business-Type Activities			
Land	\$ 11,323,255	\$ -	\$ 11,323,255
Buildings and Improvements	27,969,309	(13,418,724)	14,550,585
Equipment, Vehicles, Machinery	1,010,698	(885,894)	124,804
Infrastructure	23,480,306	(9,835,587)	13,644,719
Total	\$ 63,783,568	\$ (24,140,205)	\$ 39,643,363

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

DEBT ADMINISTRATION

Debt service funds are used to account for the accumulation of resources for payment of interest and principal on bonds issued by the City. The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita for the fiscal year 2009-2010 are provided below. These indicators provide important information for management and concerned citizens, as well as potential investors.

	Amount	Ratio of Debt to Assessed Value of Property	Debt per Capita
Net Direct: Bonded Debt	\$ 17,875,000	0.15%	\$ 262.46

Bonds issued by the Public Financing Authority (PFA), also a component unit of the City, were originally issued to provide funds to acquire the 1996 Tax Allocation Bonds of the Redevelopment Agency, to finance certain redevelopment activities with respect to the South Bay Center project area and to provide new monies for certain public capital improvements within the City. In addition, bonds were issued to refinance the Redevelopment Agency's Pier Reconstruction bonds and to finance various improvements to, and to remedy a variety of deficiencies in the facilities of the Wastewater Enterprise. The City has no general obligation bond indebtedness.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Because the "Great Recession" has ravaged the City's revenue sources, the City developed its fiscal year 2010-2011 budget as a retrenchment budget that reduces municipal services. General Fund revenues from outside sources are projected to decrease \$14,287 from the fiscal year 2009-2010 final budget. Budgetary expectations reflect:

- Property Tax revenue for FY 2010-11 is projected to decrease by \$375,000, or 2.0%, to \$18,340,000, excluding property tax in lieu of VLF and homeowners' exemptions. This slight decrease in FY 2010-11 has its roots in a general devaluation of the housing market and a weakening economy. As well, a negative CPI has been used in the Proposition 13 calculation. Redondo Beach revenue loss reflects only modest decreases in the value of coastal dwellings due to location advantages. Property tax should continue to decrease into 2011 as more properties are adjusted down in value. Property tax revenue is the City's number one source of operating revenue.
- Sales and Use Tax revenue is projected to increase \$350,000, or 4.5%, to \$8,162,000. Sales tax revenue is generally up due to an increase in consumer spending and new businesses replacing closures. This projection is conservatively based on analysis of current trends, including annual adjustments to the State "triple flip" sales tax apportionment, receipts from the City's largest sales tax sources, levels of consumer disposable income, heightened regional sales tax competition and moderating consumer confidence.
- Utility Users' Tax (UUT) revenue is projected to increase by \$100,000 to \$8,300,000, mainly attributable to an increase in energy costs. This estimate is based upon analysis of the projected performance from each of the categorical components of the City's UUT tax base, including electricity, natural gas, telecommunications, water, and cable television. In FY 2008-09 the citizens of Redondo Beach overwhelmingly (75%) passed a measure to maintain the UUT at the current rate. Competition among utility providers and growth in the overall demand for services will gradually increase UUT revenue provided to support the provision of essential City operational services.
- Franchise Fees are projected to increase by \$70,000, or 3.8%, to \$1,925,000 for FY 2010-11. Components of franchise fee revenue include Time Warner cable television operations, Southern California Edison electricity franchise, Southern California Gas operations, Verizon, and taxicab franchise operations. With the exception of revenues from Southern California Gas, revenues from franchise fees reflect moderate increases, which is in line with growth in local operations. Cable television franchise revenue represents 48% of the overall franchise fee revenue estimate for FY 2010-11, while projected revenue from the electricity franchise represents 22%. The franchise revenue generated from the sale and transport of natural gas utilized to power the local AES power plant represents 26% of the total franchise fee estimate. Cyclical uncertainties of the deregulated energy environment and their impacts upon the productive utilization rate of the AES power plant require a conservative estimate from this revenue source.

- Investment Earnings for the General Fund for FY 2010-11 are projected to decrease by \$188,000, or 17.8%, to \$866,000. This decline is attributable to lower interest rates within the investment marketplace, a reduction in the overall size of the portfolio and the financial unfeasibility of the annual TRANS program. The three major components of the portfolio are: liquid investments with the State Local Agency Investment Fund, and both Federal Agency and high-grade corporate Medium-Term Note Investments structured with a 1 to 5 year investment maturity matrix. Enhanced cash management activities serve as core elements of the City Treasurer's comprehensive cash management program. In addition, implementation of a strategically focused capital improvement program (CIP) cash management plan will serve to enhance investment returns from CIP funding sources, while ensuring CIP program liquidity.
- Motor Vehicle/In-Lieu Fees are included in intergovernmental revenues and are projected to decrease by \$28,500, or 11.9%, to \$211,000. The projected decline in the amount of motor vehicle license fee revenue is attributable to the apportionment of current revenue from the State net of withholding for various State administrative costs.

Budgeted General Fund appropriations decreased 3.7%, or \$2.6 million, to \$66,872,426, from the prior final budget. Personnel costs decreased 2.6%, primarily due to the employee bargaining units continuing to forego cost of living increases, staff reductions, and a citywide hiring freeze. Internal service fund allocations remained the same; however, the allocation will be adjusted at the midyear review. There is a significant decrease in maintenance and operations expenditures of 16.8% from the prior year's final budget due to the prior year's final budget reflecting carryover appropriations of \$814,00, including carryover encumbrances of about \$501,000. Carryovers are not included in the FY 2010-2011 budget. While longer term projections indicate that the City must continue to keep a tight rein on spending, no reductions in City services are anticipated.

Since the recession officially ended in June 2009, Redondo Beach has realized an increase of 0.99% in real property assessed valuations for FY 2009-2010; however, other areas of the local economy provided evidence of disappointingly slow economic growth. For example, transient occupancy rates declined slightly from 76% in FY 2008-2009 to 75% in FY 2009-2010, and sales tax revenue declined 10.6% in FY 2009-2010 from the prior year, a result of persistently low consumer confidence, weak consumer spending, local competition, stagnant population growth, and rising unemployment. Still, Redondo Beach continues to exceed the countywide average in total taxable retail sales, ranking 31 out of 89 cities. Fortunately, the local economy has not seen massive job losses, as evidenced in other parts of the state. Although Redondo Beach experienced an increase in its unemployment rate from 6.2% in FY 2008-2009 to 7.2% in FY 2009-2010, this is well below the Los Angeles County and State of California FY 2009-2010 unemployment rates of 12.3% and 12.4%, respectively.

All sectors of the national and regional economy have been impacted by the current recession. Fortunately, the South Bay region has not been negatively impacted nearly as much as other areas of Southern California. Opportunities still exist to further minimize the impacts and set the stage for improvement.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Financial Services Department at 415 Diamond Street, Redondo Beach CA 90277, phone 310-318-0683, or e-mail FinanceMail@redondo.org

BASIC FINANCIAL STATEMENTS



BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Redondo Beach
Statement of Net Assets
June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 55,585,886	\$ 19,796,259	\$ 75,382,145
Receivables:			
Accounts	1,290,377	473,073	1,763,450
Interest	440,532	129,080	569,612
Taxes	3,303,689	153,149	3,456,838
Notes and loans	4,315,043	236,027	4,551,070
Internal balances	(8,674,731)	8,674,731	-
Due from other governments	4,868,014	8,886	4,876,900
Prepaid items	60,088	3,000	63,088
Deferred charges	220,300	305,119	525,419
Restricted cash and investments with fiscal agents	1,676,495	6,220,558	7,897,053
Capital assets:			
Nondepreciable	75,234,597	11,323,255	86,557,852
Depreciable, net	62,529,456	28,320,108	90,849,564
Total capital assets	137,764,053	39,643,363	177,407,416
Total assets	200,849,746	75,643,245	276,492,991

City of Redondo Beach
Statement of Net Assets
June 30, 2010

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
LIABILITIES			
Accounts payable	5,491,180	820,049	6,311,229
Accrued liabilities	1,619,410	214,490	1,833,900
Pollution remediation liability	150,000	-	150,000
Accrued interest	133,800	-	133,800
Unearned revenue	686,944	19,757	706,701
Deposits payable	108,487	161,370	269,857
Due to other governments	164,505	-	164,505
Noncurrent liabilities:			
Due within one year:			
Compensated absences payable	39,153	41,911	81,064
Claims and judgements payable	2,988,028	-	2,988,028
Other long-term debt	764,675	472,448	1,237,123
Due in more than one year:			
Compensated absences payable	2,540,174	263,887	2,804,061
Claims and judgements payable	10,466,286	-	10,466,286
Other long-term debt	21,967,052	12,112,492	34,079,544
Total noncurrent liabilities	38,765,368	12,890,738	51,656,106
Total liabilities	47,119,694	14,106,404	61,226,098
NET ASSETS			
Invested in capital assets, net of related debt	137,743,367	35,985,952	173,729,319
Restricted for:			
Capital projects	5,939,872	-	5,939,872
Debt service	8,403,843	-	8,403,843
Public safety	2,459,722	-	2,459,722
Total restricted	16,803,437	-	16,803,437
Unrestricted	(816,752)	25,550,889	24,734,137
Total net assets	\$ 153,730,052	\$ 61,536,841	\$ 215,266,893

See accompanying Notes to the Financial Statements.

City of Redondo Beach
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	Total
Primary government:								
Governmental activities:								
General government	\$ 7,618,055	\$ 6,804,342	\$ -	\$ -	\$ 6,804,342	\$ (813,713)	\$ -	\$ (813,713)
Public safety	40,737,832	2,097,003	183,016	168,039	2,448,058	(38,289,774)	-	(38,289,774)
Public works	17,980,811	1,923,289	1,664,710	4,137,943	7,725,942	(10,254,869)	-	(10,254,869)
Cultural and leisure services	6,543,884	1,211,155	85,397	-	1,296,552	(5,247,332)	-	(5,247,332)
Housing and community development	16,227,602	4,556,546	6,782,538	2,299,157	13,638,241	(2,589,361)	-	(2,589,361)
Interest on long-term debt	1,077,588	-	-	-	-	(1,077,588)	-	(1,077,588)
Total governmental activities	90,185,772	16,592,335	8,715,661	6,605,139	31,913,135	(58,272,637)	-	(58,272,637)
Business-type activities:								
Harbor tidelands	5,372,721	5,408,349	-	-	5,408,349	-	35,628	35,628
Harbor uplands	4,441,227	3,935,048	-	-	3,935,048	-	(506,179)	(506,179)
Wastewater	2,207,319	2,437,816	-	-	2,437,816	-	230,497	230,497
Solid waste	3,364,549	3,356,843	17,769	-	3,374,612	-	10,063	10,063
Total business-type activities	15,385,816	15,138,056	17,769	-	15,155,825	-	(229,991)	(229,991)
Total primary government	\$ 105,571,588	\$ 31,730,391	\$ 8,733,430	\$ 6,605,139	\$ 47,068,960	(58,272,637)	(229,991)	(58,502,628)

City of Redondo Beach
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2010

General Revenues and Transfers:

Taxes:

Property taxes	29,598,821	-	29,598,821
Transient occupancy taxes	3,204,045	-	3,204,045
Sales taxes	7,839,179	-	7,839,179
Franchise taxes	1,673,632	-	1,673,632
Business licenses taxes	1,256,462	-	1,256,462
Utilities users taxes	8,043,207	-	8,043,207
Other taxes	11,200	-	11,200
Motor vehicle license in lieu - unrestricted	198,745	-	198,745
Use of money and property	5,118,217	801,184	5,919,401
Other	1,078,427	176,052	1,254,479
Gain (loss) on sale of assets	26,396	(16,398)	9,998
Transfers	79,000	(79,000)	-
Total general revenues and transfers	58,127,331	881,838	59,009,169
Change in net assets	(145,306)	651,847	506,541
Net assets - beginning of year, as restated	153,875,358	60,884,994	214,760,352
Net assets - end of year	\$ 153,730,052	\$ 61,536,841	\$ 215,266,893

See accompanying Notes to the Financial Statements.

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FUND FINANCIAL STATEMENTS



FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

Other Intergovernmental Grants Fund - To account for federal, state and other governmental agencies grant funding that supplements local funding.

Redevelopment Agency Special Revenue Fund - To account for the accumulation of resources for, and the payment of, interest and principal on tax allocation bonds and other debt issued to finance redevelopment activities within the project areas and to account for the general redevelopment operations of the Redevelopment Agency of the City.

Capital Improvement Projects Fund - To account for capital improvements of the City.

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

Redevelopment Agency Debt Service Fund - To account for the accumulation of resources for, and the payment of, interest and principal on tax allocation bonds and other debt issued to finance redevelopment activities within the projects areas.

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

City of Redondo Beach

Balance Sheet

Governmental Funds

June 30, 2010

							Total Non-Major Funds	Total Governmental Funds
	Special Revenue Fund		Capital Projects Fund	Debt Service Funds				
	General	Other Intergovernmental Grants	Redevelopment Agency	Capital Improvement Projects	Public Financing Authority	Redevelopment Agency		
ASSETS								
Pooled cash and investments	\$ 3,959,951	\$ -	\$ 9,904,901	\$ 7,790,795	\$ 305,705	\$ 1,355,011	\$ 10,209,915	\$ 33,526,278
Receivables:								
Accounts	597,575	278,399	-	46,925	8,036	-	349,341	1,280,276
Interest	323,056	1,094	56,896	-	327	-	59,159	440,532
Taxes	3,070,220	-	18,304	-	-	42,239	172,926	3,303,689
Notes and loans	19,974	-	3,809,806	-	-	-	485,263	4,315,043
Prepaid costs	58,487	-	-	-	-	-	488	58,975
Due from other funds	3,742,870	-	78,825	750,000	148,105	-	25,018	4,744,818
Due from other governments	1,159,879	2,731,702	-	-	-	-	976,433	4,868,014
Advances to other funds	1,415,237	-	505,014	-	8,040,345	-	-	9,960,596
Restricted assets:								
Cash and investments with fiscal agents	-	-	-	-	1,676,495	-	-	1,676,495
Total assets	\$ 14,347,249	\$ 3,011,195	\$ 14,373,746	\$ 8,587,720	\$ 10,179,013	\$ 1,397,250	\$ 12,278,543	\$ 64,174,716
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 757,750	\$ 913,463	\$ -	\$ 1,340,752	\$ 6,120	\$ -	\$ 1,496,464	\$ 4,514,549
Accrued liabilities	1,374,422	13,714	-	3,097	-	-	70,261	1,461,494
Pollution remediation liability	150,000	-	-	-	-	-	-	150,000
Unearned revenue	393,415	275,659	-	-	-	-	17,870	686,944
Deposits payable	108,487	-	-	-	-	-	-	108,487
Due to other funds	853,924	2,011,929	130,657	933,167	358,867	370,311	656,860	5,315,715
Due to other governments	-	-	-	-	-	164,505	-	164,505
Deferred revenue	815,174	2,141,024	985,274	-	-	-	597,601	4,539,073
Advances from other funds	-	-	-	-	1,415,237	16,649,193	-	18,064,430
Total liabilities	4,453,172	5,355,789	1,115,931	2,277,016	1,780,224	17,184,009	2,839,056	35,005,197

City of Redondo Beach
Balance Sheet
Governmental Funds
June 30, 2010

	Special Revenue Fund		Capital	Debt Service Funds		Total Non-Major Funds	Total Governmental Funds
	Other	Redevelopment Agency	Capital	Public	Redevelopment Agency		
	Intergovernmental Grants		Improvement Projects	Financing Authority			
General							
Fund Balances:							
Reserved:							
Encumbrances	431,762	-	1,128,268	-	-	474,594	2,034,624
Prepaid costs	58,487	-	-	-	-	488	58,975
Notes and loans	19,974	-	-	-	-	485,263	3,329,769
Advances to other funds	-	-	-	8,040,345	-	-	8,040,345
Low income programs	-	-	1,948,260	-	-	-	1,948,260
Unreserved:							
Unreserved, reported in nonmajor:							
Special revenue funds	-	-	-	-	-	5,067,696	5,067,696
Capital projects funds	-	-	-	-	-	5,054	5,054
Debt service funds	-	-	-	-	-	1,165,476	1,165,476
BBR Legal Fees	313,000	-	-	-	-	-	313,000
Contingencies	5,570,473	-	2,756,163	-	-	-	8,326,636
Compensated absences	972,424	-	-	-	-	-	972,424
Petty cash	17,400	-	-	-	-	-	17,400
Continuing appropriations	990,746	-	-	-	-	2,240,916	3,231,662
AB1805 Booking	5,000	-	-	-	-	-	5,000
PERS	1,333,167	-	-	-	-	-	1,333,167
Health insurance premiums	160,000	-	-	-	-	-	160,000
Undesignated	21,644	(2,344,594)	8,485,023	2,426,273	358,444	(15,786,759)	(6,839,969)
Total fund balances	9,894,077	(2,344,594)	13,257,815	6,310,704	8,398,789	(15,786,759)	29,169,519
Total liabilities and fund balances	\$ 14,347,249	\$ 3,011,195	\$ 14,373,746	\$ 8,587,720	\$ 10,179,013	\$ 1,397,250	\$ 64,174,716

See accompanying Notes to the Financial Statements.

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City of Redondo Beach
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2010

Total Fund Balances - Total Governmental Funds \$ 29,169,519

Amounts reported for governmental activities in the Statement of Net Assets were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the governmental funds. Except for the internal service funds reported below, the capital assets were as follows:

	Government- Wide Statement of Net Assets	Internal Service Funds	
Non-depreciable	\$ 75,234,597	\$ -	75,234,597
Depreciable, net	62,529,456	(4,432,249)	58,097,207
Total capital assets	\$ 137,764,053	\$ (4,432,249)	133,331,804

Accrued interest payable on long-term debt did not require current financial resources. Therefore, accrued interest payable was not reported as a liability in governmental funds. (133,800)

Bond issuance costs from issuing debt were expenditures in the fund financial statements. However, they were deferred and subject to capitalization and amortization in the Government-Wide Financial Statements. 220,300

Revenues were recorded as deferred revenue in the governmental funds because they did not meet the revenue recognition criteria. However, they were reclassified as revenues in the Government-Wide Financial Statements. 4,539,073

Internal Service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the Internal Service funds were included in governmental activities in the Government-Wide Statement of Net Assets. 11,607,894

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental funds:

	Government- Wide Statement of Net Assets	Internal Service Funds	
Other long-term debt - due within one year	\$ (3,752,703)	\$ 3,008,714	(743,989)
Other long-term debt - due in more than one year	(32,433,338)	10,466,286	(21,967,052)
Compensated absences payable - due within one year	(39,153)	39,153	-
Compensated absences payable - due in more than one year	(2,540,174)	246,477	(2,293,697)
Total long-term liabilities	\$ (38,765,368)	\$ 13,760,630	(25,004,738)

Net Assets of Governmental Activities \$ 153,730,052

See accompanying Notes to the Financial Statements.

City of Redondo Beach
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010

	Special Revenue Fund			Capital Projects Fund	Debt Service Funds		Total Non-Major Funds	Total Governmental Funds
	General	Other	Redevelopment	Capital	Public	Redevelopment		
		Intergovernmental Grants	Agency	Improvement Projects	Financing Authority	Agency		
REVENUES:								
Taxes	\$ 48,542,165	\$ -	\$ 905,418	\$ -	\$ -	\$ 487,716	\$ 11,200	\$ 49,946,499
Interdepartmental	6,681,277	-	-	-	-	-	-	6,681,277
Licenses and permits	930,523	-	-	-	-	-	-	930,523
Intergovernmental	267,303	2,805,803	-	283,400	-	-	12,263,484	15,619,990
Charges for services	4,940,243	-	-	173,887	-	-	2,165,034	7,279,164
Use of money and property	2,821,282	-	389,337	-	1,044,360	-	674,866	4,929,845
Fines and forfeitures	1,875,287	-	-	-	-	-	-	1,875,287
Miscellaneous	497,596	-	177,732	1,000	-	-	323,588	999,916
Total revenues	66,555,676	2,805,803	1,472,487	458,287	1,044,360	487,716	15,438,172	88,262,501
EXPENDITURES:								
Current:								
General government	7,901,358	-	-	-	-	-	-	7,901,358
Public safety	41,527,591	410,872	-	-	-	-	26,171	41,964,634
Housing and community development	5,017,769	186,000	897,386	-	216,182	85,203	9,989,901	16,392,441
Public works	4,757,314	79,105	-	209,904	-	-	3,791,377	8,837,700
Cultural and leisure services	7,411,574	15,849	-	-	-	-	-	7,427,423
Capital outlay	323,973	3,377,305	-	5,204,020	-	-	2,657,317	11,562,615
Debt service:								
Principal retirement	-	-	-	-	2,160,285	331,770	-	2,492,055
Interest and fiscal charges	-	-	-	-	355,972	713,068	-	1,069,040
Total expenditures	66,939,579	4,069,131	897,386	5,413,924	2,732,439	1,130,041	16,464,766	97,647,266
EXCESS (DEFICIENCY) OF REVENUES								
OVER (UNDER) EXPENDITURES	(383,903)	(1,263,328)	575,101	(4,955,637)	(1,688,079)	(642,325)	(1,026,594)	(9,384,765)

City of Redondo Beach
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010

	Special Revenue Fund		Capital	Debt Service Funds		Total Non-Major Funds	Total Governmental Funds	
	Other		Projects Fund	Public				
	General	Intergovernmental Grants	Redevelopment Agency	Capital Improvement Projects	Financing Authority			Redevelopment Agency
OTHER FINANCING SOURCES (USES):								
Transfers in	2,057,480	-	-	750,000	-	-	1,583,366	4,390,846
Transfers out	(1,804,822)	-	-	(1,978,480)	-	-	(643,290)	(4,426,592)
Refunding bonds issued	-	-	-	-	-	-	-	-
Refunding bonds redeemed	-	-	-	-	-	-	-	-
Other debt issued	-	-	-	-	-	589,314	-	589,314
Total other financing sources (uses)	252,658	-	-	(1,228,480)	-	589,314	940,076	553,568
Net change in fund balances	(131,245)	(1,263,328)	575,101	(6,184,117)	(1,688,079)	(53,011)	(86,518)	(8,831,197)
FUND BALANCES:								
Beginning of year	10,025,322	(1,081,266)	12,682,714	12,494,821	10,086,868	(15,733,748)	9,526,005	38,000,716
End of year	<u>\$ 9,894,077</u>	<u>\$ (2,344,594)</u>	<u>\$ 13,257,815</u>	<u>\$ 6,310,704</u>	<u>\$ 8,398,789</u>	<u>\$ (15,786,759)</u>	<u>\$ 9,439,487</u>	<u>\$ 29,169,519</u>

See accompanying Notes to the Financial Statements.

City of Redondo Beach

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets

For the year ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (8,831,197)

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:

	Funds Capital Outlay	Government-Wide Expenses	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.	\$ 11,562,615	\$ 6,806,170	4,756,445
The net effect of sales transactions involving capital assets is to decrease net assets.			(1,937)
	Government- Wide Statement of Net Assets	Internal Service Funds	
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds.	\$ (4,637,596)	\$ 1,014,588	(3,623,008)
Long-term compensated absences was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, long-term compensated absences was not reported as expenditures in the governmental funds.			(148,743)
Issuance of long-term debt (e.g. bonds, leases) provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Assets:			
Other debt issued			(589,314)
Repayment of principal of long-term debt was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets:			
Principal retirement			2,492,055

City of Redondo Beach

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2010

Amortization expense was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, amortization expense was not reported as an expenditure in the governmental funds:

Amortization of bond premium	18,989
Amortization of deferred charges	(27,537)

Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the change in accrued interest from the prior year.

-

Certain revenues were recorded as deferred revenue in the governmental funds because they did not meet the revenue recognition criteria of availability. However, they were included as revenue in the Governmental-Wide Statement of Activities and Changes in Net Assets under the full accrual basis.

1,594,058

Internal service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds was reported with governmental activities.

4,214,883

Change in Net Assets of Governmental Activities

\$ (145,306)

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PROPRIETARY FUND FINANCIAL STATEMENTS

Harbor Tidelands Fund - To account for the operations of small boat harbor facilities available to the general public, including related pier activities. The use of this fund is restricted under the City Tidelands Trust Agreement with the State of California.

Harbor Uplands Fund - To account for the operations of small boat harbor facilities available to the general public, including related pier activities. The use of this fund is subject only to the decisions of the City Council.

Wastewater Fund - To account for the capital facility charge, more commonly referred to as a sewer user fee. The capital facility charge is designed to reimburse the City's wastewater system for the capital costs to provide wastewater capacity to new system users. This charge is associated with the expansion of the system required over time to address increases in wastewater flow generated by new development.

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

Internal Service Funds - These funds are used to account for interdepartmental operations where it is the stated intent that costs of providing services to the departments of the City on a continuing basis be financed or recovered primarily by charges to the user departments.

City of Redondo Beach
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-Type Activities - Enterprise Funds					Governmental
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Total	Activities Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 13,229,125	\$ 2,831,299	\$ 2,768,299	\$ 967,536	\$ 19,796,259	\$ 22,059,608
Receivables:						
Accounts	259,102	114,485	35,036	64,450	473,073	10,101
Interest	108,198	20,882	-	-	129,080	-
Taxes	-	-	66,852	86,297	153,149	-
Notes and loans	236,027	-	-	-	236,027	-
Due from other funds	570,897	-	-	-	570,897	-
Due from other governments	-	-	-	8,886	8,886	-
Prepaid items	125	2,375	-	500	3,000	1,113
Deferred charges	-	-	305,119	-	305,119	-
Restricted:						
Cash with fiscal agent	-	-	6,220,558	-	6,220,558	-
Total current assets	<u>14,403,474</u>	<u>2,969,041</u>	<u>9,395,864</u>	<u>1,127,669</u>	<u>27,896,048</u>	<u>22,070,822</u>
Noncurrent assets:						
Advances to other funds	6,015,464	2,088,370	-	-	8,103,834	-
Capital assets:						
Non-depreciable	3,776,802	7,546,453	-	-	11,323,255	-
Depreciable, net	13,830,970	5,390,293	9,043,169	55,676	28,320,108	4,432,249
Total capital assets	<u>17,607,772</u>	<u>12,936,746</u>	<u>9,043,169</u>	<u>55,676</u>	<u>39,643,363</u>	<u>4,432,249</u>
Total noncurrent assets	<u>23,623,236</u>	<u>15,025,116</u>	<u>9,043,169</u>	<u>55,676</u>	<u>47,747,197</u>	<u>4,432,249</u>
Total assets	<u>38,026,710</u>	<u>17,994,157</u>	<u>18,439,033</u>	<u>1,183,345</u>	<u>75,643,245</u>	<u>26,503,071</u>

City of Redondo Beach
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-Type Activities - Enterprise Funds					Governmental
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Total	Activities Internal Service Funds
LIABILITIES						
Current liabilities:						
Accounts payable	256,950	160,383	128,182	274,534	820,049	976,631
Accrued liabilities	97,098	72,534	22,060	22,798	214,490	157,916
Deposits payable	121,575	39,795	-	-	161,370	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	19,757	-	19,757	-
Accrued compensated absences	18,959	12,855	7,693	2,404	41,911	39,153
Accrued claims and judgments	-	-	-	-	-	2,988,028
Bonds, notes, and capital leases	259,822	-	212,626	-	472,448	20,686
Total current liabilities	754,404	285,567	390,318	299,736	1,730,025	4,182,414
Noncurrent liabilities:						
Accrued claims and judgments	-	-	-	-	-	10,466,286
Accrued compensated absences	119,377	80,945	48,434	15,131	263,887	246,477
Bonds, notes, and capital leases	3,207,098	-	8,905,394	-	12,112,492	-
Total noncurrent liabilities	3,326,475	80,945	8,953,828	15,131	12,376,379	10,712,763
Total liabilities	4,080,879	366,512	9,344,146	314,867	14,106,404	14,895,177
NET ASSETS						
Invested in capital assets, net of related debt	16,847,823	12,936,746	6,145,707	55,676	35,985,952	4,411,563
Unrestricted	17,098,008	4,690,899	2,949,180	812,802	25,550,889	7,196,331
Total net assets	\$ 33,945,831	\$ 17,627,645	\$ 9,094,887	\$ 868,478	\$ 61,536,841	\$ 11,607,894

See accompanying Notes to the Financial Statements.

City of Redondo Beach

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

For the year ended June 30, 2010

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste		
OPERATING REVENUES:						
Sales and service charges	\$ -	\$ -	\$ 2,437,816	\$ 3,356,843	\$ 5,794,659	\$ 16,377,776
Harbor rentals	4,471,903	2,284,183	-	-	6,756,086	-
Use of property	936,446	1,650,865	-	-	2,587,311	-
Miscellaneous	42,133	18,530	21,754	93,635	176,052	78,511
Total operating revenues	5,450,482	3,953,578	2,459,570	3,450,478	15,314,108	16,456,287
OPERATING EXPENSES:						
Personnel services	2,732,289	2,085,208	768,143	587,347	6,172,987	4,646,643
Contractual services	273,449	541,550	94,809	2,510,705	3,420,513	3,164,155
Administrative and general expenses	1,573,080	1,450,985	773,545	261,825	4,059,435	3,559,097
Depreciation expense	626,703	363,484	102,772	4,672	1,097,631	1,014,588
Total operating expenses	5,205,521	4,441,227	1,739,269	3,364,549	14,750,566	12,384,483
OPERATING INCOME (LOSS)	244,961	(487,649)	720,301	85,929	563,542	4,071,804
NONOPERATING REVENUES (EXPENSES):						
Intergovernmental	-	-	-	17,769	17,769	-
Investment income	580,109	123,406	97,669	-	801,184	-
Interest expense	(167,200)	-	(468,050)	-	(635,250)	-
Gain (loss) on sale of fixed assets	-	-	(16,398)	-	(16,398)	28,333
Total nonoperating revenues (expenses)	412,909	123,406	(386,779)	17,769	167,305	28,333

City of Redondo Beach

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

For the year ended June 30, 2010

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds	
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste		Total
INCOME (LOSS) BEFORE TRANSFERS	657,870	(364,243)	333,522	103,698	730,847	4,100,137
Transfers in	-	-	-	-	-	114,746
Transfers out	(79,000)	-	-	-	(79,000)	-
Total transfers	(79,000)	-	-	-	(79,000)	114,746
Change in net assets	578,870	(364,243)	333,522	103,698	651,847	4,214,883
NET ASSETS:						
Beginning of year, as restated	33,366,961	17,991,888	8,761,365	764,780	60,884,994	7,393,011
End of year	<u>\$ 33,945,831</u>	<u>\$ 17,627,645</u>	<u>\$ 9,094,887</u>	<u>\$ 868,478</u>	<u>\$ 61,536,841</u>	<u>\$ 11,607,894</u>

See accompanying Notes to the Financial Statements.

City of Redondo Beach
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2010

	Business-Type Activities - Enterprise Funds					Governmental
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Total	Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers and users	\$ 5,360,566	\$ 3,966,485	\$ 2,454,735	\$ 3,384,080	\$ 15,165,866	\$ 16,456,128
Cash payments to suppliers for goods and services	(1,752,948)	(2,007,198)	(819,735)	(2,707,015)	(7,286,896)	(9,341,053)
Cash payments to employees for services	(2,712,370)	(2,084,571)	(761,604)	(576,601)	(6,135,146)	(4,596,489)
Net cash provided (used) by operating activities	895,248	(125,284)	873,396	100,464	1,743,824	2,518,586
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers in	-	-	-	-	-	114,746
Transfers out	(79,000)	-	-	-	(79,000)	-
Repayment received from other funds	30,072	-	-	-	30,072	(208,940)
Repayment made to other funds	-	-	-	-	-	-
Advance from other funds	-	-	-	-	-	-
Advance to other funds	185,083	(12,455)	-	-	172,628	-
Subsidy from grants	-	-	-	15,984	15,984	-
Net cash provided (used) by noncapital financing activities	136,155	(12,455)	-	15,984	139,684	(94,194)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(336,253)	(8,423)	(1,169,604)	(1)	(1,514,281)	(978,311)
Principal paid on capital debt	(248,633)	-	(194,913)	-	(443,546)	(12,483)
Interest paid on capital debt	(167,200)	-	(468,050)	-	(635,250)	-
Proceeds from sales of capital assets	-	-	(16,398)	-	(16,398)	28,333
Net cash provided (used) by capital and related financing activities	(752,086)	(8,423)	(1,848,965)	(1)	(2,609,475)	(962,461)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Loan collections	22,796	-	-	-	22,796	-
Interest received	570,927	126,064	97,669	102	794,762	-
Net cash provided (used) by investing activities	593,723	126,064	97,669	102	817,558	-
Net increase (decrease) in cash and cash equivalents	873,040	(20,098)	(877,900)	116,549	91,591	1,461,931

City of Redondo Beach
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2010

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste		
CASH AND CASH EQUIVALENTS:						
Beginning of year	12,356,085	2,851,397	9,850,359	850,987	25,908,828	20,597,677
End of year	<u>\$ 13,229,125</u>	<u>\$ 2,831,299</u>	<u>\$ 8,988,857</u>	<u>\$ 967,536</u>	<u>\$ 26,000,419</u>	<u>\$ 22,059,608</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ 244,961	\$ (487,649)	\$ 720,301	\$ 85,929	\$ 563,542	\$ 4,071,804
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	626,703	363,484	102,772	4,672	1,097,631	1,014,588
Prior period adjustments	(57,738)	(36,153)	-	-	(93,891)	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	43,600	39,624	(5,162)	(28,751)	49,311	(159)
(Increase) decrease in taxes receivable	-	-	(3,391)	(30,036)	(33,427)	-
(Increase) decrease in due from other governments	-	-	-	-	-	-
(Increase) decrease in prepaid expense	1,185	(1,266)	109	(475)	(447)	2,066
Increase (decrease) in accounts payable	92,396	(13,397)	48,510	65,990	193,499	89,442
Increase (decrease) in due to other governments	-	-	-	-	-	-
Increase (decrease) in deposits payable	57,738	36,154	-	-	93,892	-
Increase (decrease) in accrued liabilities	7,180	(9,850)	198	6,669	4,197	19,915
Increase (decrease) in claims and judgments	-	-	-	-	-	(2,709,309)
Increase (decrease) in compensated absences	12,739	10,487	6,341	4,077	33,644	30,239
Increase (decrease) in unearned revenue	(133,516)	(26,718)	3,718	(7,611)	(164,127)	-
Total adjustments	<u>650,287</u>	<u>362,365</u>	<u>153,095</u>	<u>14,535</u>	<u>1,180,282</u>	<u>(1,553,218)</u>
Net cash provided (used) by operating activities	<u>\$ 895,248</u>	<u>\$ (125,284)</u>	<u>\$ 873,396</u>	<u>\$ 100,464</u>	<u>\$ 1,743,824</u>	<u>\$ 2,518,586</u>

See accompanying Notes to the Financial Statements.

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FIDUCIARY FUND FINANCIAL STATEMENTS

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

City of Redondo Beach
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2010

	Agency Funds
	<u> </u>
ASSETS	
Pooled cash and investments	\$ 570,651
Receivables:	
Accounts	43,457
Interest	1,047
	<u> </u>
Total assets	<u> </u> <u> </u>
LIABILITIES	
Accounts payable	\$ 45,002
Accrued liabilities	(142,956)
Deposits payable	713,109
	<u> </u>
Total liabilities	<u> </u> <u> </u>

See accompanying Notes to the Financial Statements.

NOTES TO FINANCIAL STATEMENTS



City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2010

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, 2010

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, 2010

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, 2010

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.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

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, 2010

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, 2010

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 the statement of cash flows of the proprietary fund types, cash and cash equivalents include all investments, as the City operates an internal cash management pool which maintains the general characteristics of a demand deposit account.

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, 2010

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

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

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Capital Assets, Continued

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 2010, 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 100. A PQI of 0 would correspond to badly deteriorated pavement with virtually no remaining life; a PQI of 100 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

In line with the Capital Improvement Program and as presented to the 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 2008, 2009, and 2010, the City's street system was rated at a PQI of 82 on the average.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Capital Assets, Continued

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.

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.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

M. Long-Term Debt

Government-Wide Financial Statements

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

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

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Long-Term Debt, Continued

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."

O. Fund Balances - Reservations and Designations

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

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. Property Taxes

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

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

Distribution Dates:

November 20, 2009	Unsecured, redemptions, and SB813 taxes
December 18, 2009	Homeowners' exemption, secured, and SB813 taxes
January 20, 2010	Homeowners' exemption, secured, and SB813 taxes
February 19, 2010	Redemptions, secured, and SB813 taxes
March 19, 2010	Secured and SB813 taxes
April 20, 2010	Secured and SB813 taxes
May 20, 2010	Redemptions, homeowners' exemption, secured, and SB813 taxes
June 18, 2010	Homeowners' exemption, SB813 taxes
July 20, 2010	Secured and SB813 taxes
August 20, 2010	Secured, redemptions, unsecured, and SB813 taxes

Q. Use of Estimates

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

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

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:			
Public safety	\$ 41,381,175	\$ 41,527,591	\$ (146,416)
Transfers out	1,198,957	1,804,822	(605,865)
Capital Improvements:			
Public works	117,946	209,904	(91,958)
Transfers out	1,045,313	1,978,480	(933,167)
Public Financing Authority:			
Principal retirement	442,685	2,160,285	(1,717,600)
Redevelopment Agency - Debt Service:			
Housing and community development	44,800	85,203	(40,403)
Non-Major Funds:			
Parks and Recreation Facilities:			
Public works	-	7,821	(7,821)
Proposition C:			
Housing and community development	-	29,375	(29,375)
Local Transit:			
Public works	-	5,829	(5,829)
Storm Drain:			
Public works	-	167	(167)
Workforce Investment Act:			
Housing and community development	-	2,374	(2,374)
Disaster Recovery:			
Housing and community development	4,120	68,933	(64,813)
Housing Authority:			
Housing and community development	5,534,833	6,054,129	(519,296)
Subdivision Park Trust:			
Housing and community development	-	39,260	(39,260)

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, Continued

B. Deficit Fund Balance

The unrestricted net assets had a deficit balance of (\$816,752) for the governmental activities at June 30, 2010.

The following funds had a deficit balance as of June 30, 2010:

Major Funds:	
Other Intergovernmental Grants	\$ (2,344,594)
Redevelopment Agency - Debt Service Fund	(15,786,759)
Non-Major Funds:	
Transit Fund	(62,730)
Street Landscaping & Lighting District	(362)
Workforce Investment Act	(2,374)
Community Development Block Grant	(64,373)

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, 2010

3. CASH AND INVESTMENTS

Cash and investments are presented on the Statement of Net Assets as follows at June 30, 2010:

	Government-Wide Statement of Net Assets			Fiduciary Funds	
	Governmental	Business-	Total	Statement of	Total
	Activities	Type Activities		Net Assets	
Cash and investments	\$ 55,585,886	\$ 19,796,259	\$ 75,382,145	\$ 570,651	\$ 75,952,796
Restricted cash and investments with fiscal agents	1,676,495	6,220,558	7,897,053	-	7,897,053
Total	\$ 57,262,381	\$ 26,016,817	\$ 83,279,198	\$ 570,651	\$ 83,849,849

Cash, cash equivalents, and investments consisted of the following at June 30, 2010:

Cash and cash equivalents:	
Petty cash	\$ 17,400
Demand deposits	4,799,988
Total cash and cash equivalents	4,817,388
Investments:	
Local Agency Investment Fund (LAIF)	25,368,168
Corporate Bonds	27,170,190
U.S. Government Securities	18,597,050
Total investments	71,135,408
Total cash and investments	75,952,796
Cash and investments with fiscal agent	7,897,053
Total	\$ 83,849,849

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

3. CASH AND INVESTMENTS, Continued

A. Cash Deposits

The carrying amounts of the City's cash deposits were \$4,799,988 at June 30, 2010. Bank balances at June 30, 2010, were \$4,813,196 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, 2010

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, 2010, 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, 2010, the City had \$25,368,168 invested in LAIF, which had invested 5.42% of the pool investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 1.001643776 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, 2010, all MTN's were rated "BAA2" or higher by Moody's. As of June 30, 2010, 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, 2010, 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, 2010

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, 2010, 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, 2010, 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 Farm Credit Bank	\$ 5,051,560	7.10%
Federal Home Loan Bank	\$ 7,046,570	9.91%
Federal Home Loan Mortgage Corp.	\$ 5,018,130	7.05%
Federal National Mortgage Association	\$ 9,058,880	12.73%

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, 2010

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, 2010, the City had the following investments and remaining maturities:

Investment Types	Investment Maturities					Fair value
	Up to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	More than 5 years	
External Investment Pools -						
Local Agency Investment Fund	\$ 25,368,168	\$ -	\$ -	\$ -	\$ -	\$ 25,368,168
Non-U.S. Securities	-	-	-	995,050	-	995,050
Federal Agencies -						
Federal Farm Credit Bank	-	-	1,017,810	4,033,750	-	5,051,560
Federal Home Loan Bank	-	-	4,028,130	3,018,440	-	7,046,570
Federal Home Loan Mortgage Corp.	-	-	1,004,830	4,013,300	-	5,018,130
Federal National Mortgage Assoc.	-	3,230	4,025,630	5,030,020	-	9,058,880
Corporate Bonds	1,013,320	2,061,000	12,384,850	3,137,880	-	18,597,050
Total Investments	\$ 26,381,488	\$ 2,064,230	\$ 22,461,250	\$ 20,228,440	\$ -	\$ 71,135,408

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

4. RECEIVABLES

The following is a summary of receivables net of allowances for uncollectible amounts at June 30, 2010:

	Government-Wide Statement of Net Assets		Fiduciary Funds	Total
	Governmental Activities	Business-Type Activities	Statement of Net Assets	
Accounts Receivable	\$ 1,290,377	\$ 473,073	\$ 43,457	\$ 1,806,907
Interest Receivable	440,532	129,080	1,047	570,659
Taxes Receivable	3,303,689	153,149	-	3,456,838
Loans Receivable	4,315,043	236,027	-	4,551,070
Total	\$ 9,349,641	\$ 991,329	\$ 44,504	\$ 10,385,474

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

4. RECEIVABLES, Continued

A. Fund Financial Statements

At June 30, 2010, 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, 2010, was as follows:

Governmental Funds:

General Fund	\$ 597,575
Other Intergovernmental Grants - Special Revenue	278,399
Capital Improvement Projects - Capital Projects	46,925
Public Financing Authority - Debt Service	8,036
Non-Major Funds	<u>349,341</u>
Total Governmental Funds	<u>1,280,276</u>

Proprietary Funds:

Harbor Tidelands - Enterprise Fund	259,102
Harbor Uplands - Enterprise Fund	114,485
Wastewater - Enterprise Fund	35,036
Solid Waste - Enterprise Fund	64,450
Internal Service Funds	<u>10,101</u>
Total Proprietary Funds	<u>483,174</u>

Fiduciary Funds:

Agency Funds	<u>43,457</u>
Total Fiduciary Funds	<u>43,457</u>
Total Accounts Receivable	<u><u>\$ 1,806,907</u></u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

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, 2010, was as follows:

Governmental Funds:	
General Fund	\$ 323,056
Other Intergovernmental Grants - Special Revenue	1,094
Redevelopment Agency Fund - Special Revenue	56,896
Public Financing Authority - Debt Service	327
Non-Major Funds	<u>59,159</u>
Total Governmental Funds	<u>440,532</u>
Proprietary Funds:	
Harbor Tidelands - Enterprise Fund	108,198
Harbor Uplands - Enterprise Fund	<u>20,882</u>
Total Proprietary Funds	<u>129,080</u>
Fiduciary Funds:	
Agency Funds	<u>1,047</u>
Total	<u><u>\$ 570,659</u></u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

4. RECEIVABLES, Continued

C. Taxes Receivable

At June 30, 2010, the City had the following taxes receivable:

	Governmental Funds				Proprietary Funds		Total
	General Fund	Redevelopment Agency Fund Special Revenue	Redevelopment Agency Fund Debt Service	Non-Major Governmental Funds	Waste-Water	Solid Waste	
Type of Taxes:							
Property Taxes	\$ 1,073,873	\$ 18,304	\$ 42,239	\$ 70,638	\$ 66,852	\$ 86,297	\$ 1,358,203
Sales Taxes	805,176	-	-	-	-	-	805,176
Transient Occupancy Taxes	281,913	-	-	-	-	-	281,913
Utility Users Taxes	623,697	-	-	-	-	-	623,697
Transfer Taxes	152,160	-	-	-	-	-	152,160
Gas Taxes	-	-	-	102,288	-	-	102,288
PSAF	93,637	-	-	-	-	-	93,637
Franchise Fees	39,764	-	-	-	-	-	39,764
Total taxes	\$ 3,070,220	\$ 18,304	\$ 42,239	\$ 172,926	\$ 66,852	\$ 86,297	\$ 3,456,838

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

4. RECEIVABLES, Continued

D. Loans Receivable

At June 30, 2010, 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	\$ -	\$ 985,274	\$ 191,913	\$ -	\$ 1,177,187
Rental Rehab Program	-	-	271,682	-	271,682
Landlord Program	-	-	21,668	-	21,668
Senior Housing Program	-	2,824,532	-	-	2,824,532
Computer Loan Program	19,974	-	-	-	19,974
Harbor Area Business Loans	-	-	-	236,027	236,027
Total	\$ 19,974	\$ 3,809,806	\$ 485,263	\$ 236,027	\$ 4,551,070

Home Rehabilitation Loans

At June 30, 2010, the City was owed, in its Redevelopment Agency Special Revenue Fund, \$985,274 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, 2010, the City was owed, in its Community Development Block Grant Special Revenue Fund, \$485,263 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, 2010

4. RECEIVABLES, Continued

D. Loans Receivable, Continued

Harbor Area Business Loans

At June 30, 2010, the City's Harbor Tidelands Enterprise Fund was owed \$181,679 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 \$54,348 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 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, 2010, the loan receivable, including accrued interest of \$624,532 and a corresponding fund balance reservation was \$2,824,532.

Computer Loan Program

The City has a computer loan program for employees to purchase computers. The maximum loan amount per employee is \$1,500 with a repayment term maximum of two years. Repayments from the employees are made through payroll deductions. At June 30, 2010, the loan receivable balance was \$19,974.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

5. INTERFUND TRANSACTIONS

A. Government-Wide Financial Statements

Internal Balances

At June 30, 2010, the City had the following internal receivables and payables for covering cash shortfalls:

	Internal Balances Receivable
	Business-Type Activities
Internal Balances Payable	_____
Governmental Activities	\$ 8,674,731
	=====

Transfers

The City had the following transfers as of June 30, 2010:

	Transfers In
	Governmental Activities
Transfers Out	_____
Business-Type Activities	\$ 79,000
	=====

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

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, 2010:

	Due from Other Funds						Total
	General Fund	Redevelopment Agency Fund Special Revenue	Capital Improvement Projects	Public Financing Authority	Non-Major Governmental Funds	Harbor Tidelands Enterprise Fund	
Due to Other Funds							
General Fund	\$ -	\$ 78,825	\$ 750,000	\$ 81	\$ 25,018	\$ -	\$ 853,924
Other Intergovernmental Grants	2,011,929	-	-	-	-	-	2,011,929
Redevelopment Agency Fund - Special Revenue	130,657	-	-	-	-	-	130,657
Capital Improvement Projects	933,167	-	-	-	-	-	933,167
Public Financing Authority	10,257	-	-	-	-	348,610	358,867
Redevelopment Agency Fund - Debt Service	-	-	-	148,024	-	222,287	370,311
Non-Major Governmental Funds	656,860	-	-	-	-	-	656,860
Total	\$ 3,742,870	\$ 78,825	\$ 750,000	\$ 148,105	\$ 25,018	\$ 570,897	\$ 5,315,715

The General Fund has a due from the Other Intergovernmental Grants Fund of \$2,011,929, and from the Non-Major Governmental Funds of \$556,195 for temporary cash deficits.

The General Fund has a due from the Redevelopment Agency - Special Revenue Fund of \$130,657 to reimburse the City for expenditures made on the Agency's behalf.

The General Fund has a due from the Capital Improvement Projects Fund of \$933,167 to assist in funding the 2012-13 CalPERS rate increases.

The General Fund has a due from the Financing Authority of \$10,257 to reimburse the City for expenditures made on the Financing Authority's behalf.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

The General Fund has a due from Non-Major Governmental Funds of \$100,665 to reimburse the City for expenditures made on the Housing Authority's behalf.

The Redevelopment Agency - Special Revenue Fund has a due from the General Fund of \$78,825 for reimbursement of expenditures made on the Agency's behalf.

The Capital Improvement Projects Fund has a due from the General Fund of \$750,000 to fund future capital improvement projects.

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 \$19,280 for reimbursement of expenditures made on the Housing Authority's behalf, and \$5,738 for reimbursement of expenditures made on the Agency's behalf.

The Harbor Tidelands Enterprise Fund has a due from the Financing Authority of \$348,610 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 \$222,287 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, 2010

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Long-Term Advances

The City had the following long-term advances as of June 30, 2010:

	Advances To Other Funds					Total
	Governmental Funds			Enterprise Funds		
	General Fund	RDA Special Revenue	Public Financing Authority	Harbor Tidelands	Harbor Uplands	
Advances From Other Funds						
Redevelopment Agency						
Debt Service Fund	\$ -	\$ 505,014	\$ 8,040,345	\$ 6,015,464	\$ 2,088,370	\$ 16,649,193
Public Financing Authority	1,415,237	-	-	-	-	1,415,237
	<u>\$ 1,415,237</u>	<u>\$ 505,014</u>	<u>\$ 8,040,345</u>	<u>\$ 6,015,464</u>	<u>\$ 2,088,370</u>	<u>\$ 18,064,430</u>

During the current fiscal year, the City made a loan to the Authority for the internal refinancing of the remaining loan principal to repay First California Bank for the South Bay Bank loan. As of June 30, 2010, the amount owed on the loan was \$1,415,237.

During the current fiscal year, the Agency's Low and Moderate Income Housing Special Revenue Fund loaned the Agency's Aviation High School Tax Increment Debt Service Fund monies for the purposes of paying the Agency's allocation of the Supplemental Education Revenue Augmentation Fund (SERAF) for fiscal year 2009-2010. As of June 30, 2010, the amount owed on those loans was \$505,014.

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, 2010, were as follows:

1996 Revenue Bond	\$ 6,980,000
2001 Pier Refinancing Bond	<u>1,060,345</u>
Total	<u>\$ 8,040,345</u>

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, 2010, loans and accrued unpaid interest owed on those loans were \$8,103,834.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Transfers

The City had the following transfers as of June 30, 2010:

		Transfers In				Total
		General Fund	Capital Improvement Projects	Non-Major Governmental Funds	Internal Service Funds	
Transfers Out	General Fund	\$ -	\$ 750,000	\$ 940,076	\$ 114,746	\$ 1,804,822
	Capital Improvement Projects Fund	1,978,480	-	-	-	1,978,480
	Non-Major Governmental Funds	-	-	643,290	-	643,290
	Enterprise Funds: Harbor Tidelands	79,000	-	-	-	79,000
	Total	<u>\$ 2,057,480</u>	<u>\$ 750,000</u>	<u>\$ 1,583,366</u>	<u>\$ 114,746</u>	<u>\$ 4,505,592</u>

The General Fund transferred out a total of \$1,804,822 to various funds consisting of \$750,000 to fund future capital improvement projects in the Capital Improvement Projects Fund, \$940,076 to cover expenditures in the Street Landscaping and Lighting District Non-major governmental fund, and \$114,746 to the Self-Insurance Program Internal Service Fund for the Wilderness Park restitution.

The Capital Improvement Projects Fund transferred out a total of \$1,978,480 to the General Fund consisting of \$1,045,313 to fund capital improvement projects and \$933,167 to assist in funding 2012-13 CalPERS rate increases.

Transfers between the Harbor Tidelands Enterprise Fund and the General Fund of \$79,000 were for the property tax in lieu fee.

Transfers were made within Non-major governmental funds of \$643,290 which consisted of Proposition A revenues to cover Transit Fund expenditures.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

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, 2010, 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	3,654,123	-	3,654,123
Work in progress	1,003,491	-	1,003,491
Infrastructure - streets	54,054,036	-	54,054,036
Total non-depreciable assets	<u>75,234,597</u>	<u>11,323,255</u>	<u>86,557,852</u>
Depreciable assets:			
Buildings and improvements	38,780,752	27,969,309	66,750,061
Furniture and equipment	9,058,064	648,679	9,706,743
Automotive equipment	12,015,025	362,019	12,377,044
Leased equipment	55,051	-	55,051
Infrastructure	69,118,022	23,480,306	92,598,328
Total depreciable assets	<u>129,026,914</u>	<u>52,460,313</u>	<u>181,487,227</u>
Less accumulated depreciation:			
Buildings and improvements	(13,839,481)	(13,418,724)	(27,258,205)
Furniture and equipment	(6,292,161)	(637,724)	(6,929,885)
Automotive equipment	(6,884,688)	(248,170)	(7,132,858)
Leased equipment	(33,030)	-	(33,030)
Infrastructure	(39,448,098)	(9,835,587)	(49,283,685)
Total accumulated depreciation	<u>(66,497,458)</u>	<u>(24,140,205)</u>	<u>(90,637,663)</u>
Total depreciable assets, net	<u>62,529,456</u>	<u>28,320,108</u>	<u>90,849,564</u>
Total capital assets	<u>\$ 137,764,053</u>	<u>\$ 39,643,363</u>	<u>\$ 177,407,416</u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

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, 2009	Additions	Deletions	Balance June 30, 2010
Non-depreciable assets:				
Land	\$ 16,522,947	\$ -	\$ -	\$ 16,522,947
Construction in progress	833,053	2,821,070	-	3,654,123
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>2,821,070</u>	<u>-</u>	<u>75,234,597</u>
Depreciable assets:				
Buildings and improvements	37,694,084	1,086,668	-	38,780,752
Furniture and equipment	8,908,356	163,098	(13,390)	9,058,064
Automotive equipment	11,378,975	1,266,032	(629,982)	12,015,025
Leased equipment	55,051	-	-	55,051
Infrastructure	68,712,747	411,839	(6,564)	69,118,022
Total depreciable assets	<u>126,749,213</u>	<u>2,927,637</u>	<u>(649,936)</u>	<u>129,026,914</u>
Less accumulated depreciation:				
Buildings and improvements	(12,863,036)	(976,445)	-	(13,839,481)
Furniture and equipment	(5,727,068)	(578,483)	13,390	(6,292,161)
Automotive equipment	(6,487,503)	(1,033,015)	635,830	(6,884,688)
Leased equipment	-	(33,030)	-	(33,030)
Infrastructure	(37,416,303)	(2,036,422)	4,627	(39,448,098)
Total accumulated depreciation	<u>(62,493,910)</u>	<u>(4,657,395)</u>	<u>653,847</u>	<u>(66,497,458)</u>
Total depreciable assets, net	<u>64,255,303</u>	<u>(1,729,758)</u>	<u>3,911</u>	<u>62,529,456</u>
Governmental activities capital assets, net	<u>\$ 136,668,830</u>	<u>\$ 1,091,312</u>	<u>\$ 3,911</u>	<u>\$ 137,764,053</u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

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, 2010 as follows:

Governmental Activities:	
General government	\$ 128,471
Public safety	213,059
Public works	2,885,427
Culture and leisure services	150,463
Housing and community development	265,387
Internal Service Funds:	
Vehicle Replacement	794,503
Building Occupancy	3,139
Information Technology	105,329
Printing and Graphics	38,396
Communications Equipment Replacement	73,221
Total depreciation expense	<u><u>\$ 4,657,395</u></u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

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, 2010:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
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	27,969,309	-	-	27,969,309
Furniture and equipment	648,679	-	-	648,679
Automotive equipment	376,774	-	(14,755)	362,019
Infrastructure	22,060,032	1,514,281	(94,007)	23,480,306
Total depreciable assets	51,054,794	1,514,281	(108,762)	52,460,313
Less accumulated depreciation:				
Buildings and improvements	(12,801,109)	(617,615)	-	(13,418,724)
Furniture and equipment	(535,481)	(102,243)	-	(637,724)
Automotive equipment	(247,367)	(15,558)	14,755	(248,170)
Infrastructure	(9,550,981)	(362,215)	77,609	(9,835,587)
Total accumulated depreciation	(23,134,938)	(1,097,631)	92,364	(24,140,205)
Total depreciable assets, net	27,919,856	416,650	(16,398)	28,320,108
Business-type activities capital assets, net	\$ 39,243,111	\$ 416,650	\$ (16,398)	\$ 39,643,363

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

6. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

Depreciation expense for business-type activities for the fiscal year ended June 30, 2010 was charged as follows:

Harbor Tidelands	\$ 626,703
Harbor Uplands	363,484
Wastewater	102,772
Solid Waste	4,672
Total depreciation expense	\$ 1,097,631

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, 2010:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Classification	
					Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities:						
Compensated absences payable	\$ 2,400,345	\$ 4,655,065	\$ (4,476,083)	\$ 2,579,327	\$ 39,153	\$ 2,540,174
Business-Type Activities:						
Compensated absences payable	272,154	515,014	(481,370)	305,798	41,911	263,887
Total	\$ 2,672,499	\$ 5,170,079	\$ (4,957,453)	\$ 2,885,125	\$ 81,064	\$ 2,804,061

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, 2010

8. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended June 30, 2010:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Classification	
					Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities:						
PFA 2001 Refunding Revenue Bonds	\$ 2,135,000	\$ -	\$ (125,000)	\$ 2,010,000	\$ 135,000	\$ 1,875,000
PFA 2008 Refunding Revenue Bonds	7,260,000	-	(570,000)	6,690,000	590,000	6,100,000
Unamortized bond premium	189,884	-	(18,989)	170,895	18,989	151,906
RDA 2008 Tax Allocation Refunding Bonds	175,000	-	(175,000)	-	-	-
South Bay Bank Loan	1,465,285	-	(1,465,285)	-	-	-
County Deferral Loans	13,407,602	589,314	(156,770)	13,840,146	-	13,840,146
Capital Leases	33,169	-	(12,483)	20,686	20,686	-
Total governmental activities	\$ 24,665,940	\$ 589,314	\$ (2,523,527)	\$ 22,731,727	\$ 764,675	\$ 21,967,052
Business-Type Activities:						
Wastewater Revenue Bond 2004, Series A	\$ 9,385,000	\$ -	\$ (210,000)	\$ 9,175,000	\$ 215,000	\$ 8,960,000
Unamortized bond discount	(59,354)	-	2,374	(56,980)	(2,374)	(54,606)
Boating and Waterways						
Construction Loan 88-21-84	1,102,719	-	(79,671)	1,023,048	83,256	939,792
Boating and Waterways						
Construction Loan 89-21-147	2,612,834	-	(168,962)	2,443,872	176,566	2,267,306
Total business-type activities	\$ 13,041,199	\$ -	\$ (456,259)	\$ 12,584,940	\$ 472,448	\$ 12,112,492

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

8. LONG-TERM DEBT, Continued

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, 2010, the balance outstanding was \$2,010,000.

The interest on the bonds was payable at a fixed interest rate until September 2, 2006 and then converted to an adjustable interest rate. The interest rate as of June 30, 2010 was 0.33%. Interest on the bonds during the initial interest period and from and after the conversion date, is payable on each March 1 and September 1, commencing March 1, 2002 and after the initial interest period is payable on the first day of each month, commencing November 1, 2006. The bonds are payable from and secured by a pledge of tax revenues within the Project Area. Principal is due annually beginning on September 1, 2002, in amounts ranging from \$65,000 to \$195,000. The bonds mature on September 1, 2022. The bonds are subject to optional and mandatory early redemption provisions.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2010, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 135,000	\$ 6,633	\$ 141,633
2012	135,000	6,188	141,188
2013	140,000	5,742	145,742
2014	150,000	5,280	155,280
2015	155,000	4,785	159,785
2016-2020	845,000	15,956	860,956
2021-2023	450,000	2,558	452,558
Total	\$ 2,010,000	\$ 47,141	\$ 2,057,141

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

8. LONG-TERM DEBT, Continued

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, 2010, the balance outstanding was \$6,690,000, with an unamortized premium of \$170,895.

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.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2010, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 590,000	\$ 255,800	\$ 845,800
2012	615,000	231,700	846,700
2013	640,000	206,600	846,600
2014	665,000	180,500	845,500
2015	695,000	153,300	848,300
2016-2019	3,485,000	329,300	3,814,300
Total	\$ 6,690,000	\$ 1,357,200	\$ 8,047,200

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

8. LONG-TERM DEBT, Continued

The following is a summary of the 2008 Refunding Revenue unamortized premium outstanding at June 30, 2010:

Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
\$ 189,884	\$ -	\$ (18,989)	\$ 170,895

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 \$10,104,341. 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 \$3,621,675 and \$905,418, respectively. Principal and interest paid for the current year and total tax increment revenues were \$978,688 and \$4,527,093, respectively, 21.62%.

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 mature on August 1, 2010, and 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, 2010, the bonds had been called in full. Principal and interest paid for the current year and total tax increment revenues were \$179,751 and \$3,621,675, respectively, 4.96%.

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.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

8. LONG-TERM DEBT, Continued

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. During the fiscal year, the City paid off the balance owed for the Financing Authority. As of June 30, 2010, the balance outstanding was \$0.

County Deferral Loans

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
1983 Tax Increment Deferral	\$ 7,143,743	\$ -	\$ (156,770)	\$ 6,986,973
1984 Tax Increment Deferral	6,263,859	589,314	-	6,853,173
Total	<u>\$ 13,407,602</u>	<u>\$ 589,314</u>	<u>\$ (156,770)</u>	<u>\$ 13,840,146</u>

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, 2010, was \$6,986,973.

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, 2010, was \$6,853,173.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

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, 2010, was \$20,686.

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

	<u>June 30, 2010</u>
Equipment	<u>\$ 55,051</u>
Equipment under capitalized lease, at cost	55,051
Accumulated depreciation	<u>(33,030)</u>
Equipment under capitalized lease, net	<u><u>\$ 22,021</u></u>

The annual debt service requirements outstanding at June 30, 2010 were as follows:

For the Years	Payment
<u>Ending June 30,</u>	<u>Amount</u>
2011	<u>\$ 20,686</u>
Total	<u><u>\$ 20,686</u></u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

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 Fund. 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, 2010, the balance outstanding was \$9,175,000, with an unamortized bond discount of \$56,980. Principal and interest paid for the current year and total revenues for the Wastewater Fund were \$662,963 and \$2,557,239, respectively, 25.92%.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2010, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	255,000	406,856	661,856
2016-2020	1,455,000	1,849,575	3,304,575
2021-2025	1,845,000	1,460,500	3,305,500
2026-2030	2,355,000	951,500	3,306,500
2031-2034	2,345,000	300,250	2,645,250
Total	\$ 9,175,000	\$ 6,693,439	\$ 15,868,439

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

8. LONG-TERM DEBT, Continued

The following is a summary of the 2004 Revenue Bond Series A unamortized discount outstanding at June 30, 2010:

Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
\$ (59,354)	\$ -	\$ 2,374	\$ (56,980)

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, 2010, the balance outstanding was \$1,023,048.

The annual debt service requirements for the Boating and Waterways Construction indebtedness outstanding at June 30, 2010, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	99,284	30,009	129,293
2016-2020	567,580	78,868	646,448
Total	\$ 1,023,048	\$ 269,865	\$ 1,292,913

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

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, 2010, the balance outstanding was \$2,443,872.

The annual debt service requirements for the Boating and Waterways Construction indebtedness outstanding at June 30, 2010, are as follows:

Year Ending	Principal	Interest	Total
June 30,			
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	210,558	75,982	286,540
2016-2020	1,203,738	228,962	1,432,700
2021	274,194	12,339	286,533
Total	\$ 2,443,872	\$ 708,061	\$ 3,151,933

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

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, 2010</u>
<i>A. Redevelopment Agency of the City of Redondo Beach Residential Mortgage Revenue Refunding Bonds:</i>		
1993 Series B	\$ 5,315,000	\$ -
 <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	\$ 5,854,874

The Redevelopment Agency of the City of Redondo Beach Residential Mortgage Revenue Refunding Bonds 1993 Series B were paid in full during fiscal year 2010.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

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 \$314,600. The terms of the lease agreements range from ending on September 1, 2010 through February 1, 2011, as follows:

Year Ending June 30,	Minimum Future Lease Rentals
2011	\$ 124,000
Total	\$ 124,000

B. Harbor Tidelands and Uplands 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 Tidelands and Uplands 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 \$884,235 for those assets giving a carrying amount of \$9,522,660 at June 30, 2010.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

10. OPERATING LEASES, Continued

B. Harbor Tidelands and Uplands 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, 2010:

Year Ending June 30,	Minimum Future Lease Rentals
2011	\$ 3,325,019
2012	3,179,949
2013	3,053,410
2014	3,053,410
2015	3,113,410
2016-2020	15,308,298
2021-2025	13,171,596
2026-2030	11,081,595
2031-2035	9,336,754
2036-2040	9,193,302
2041-2045	8,104,662
2045-2050	6,082,902
2051-2055	6,082,902
2056-2060	6,082,902
2061-2063	2,209,238
Total	\$ 102,379,349

The above accounts do not include lease rental income 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, 2010

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, 2010, the estimated claims payable for workers' compensation was \$10,886,580, which included claims incurred but not reported (IBNR) of \$6,493,164. The current year's portion of the claims was \$2,286,118.

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, 2010, the estimated claims payable for general liability was \$2,567,734, which included Incurred But Not Reported (IBNR) estimates of \$1,063,327. The current year's portion was \$701,910. Governmental activities claims and judgments are generally liquidated by the general fund.

	Liability on June 30, 2010
General Liability	\$ 2,567,734
Workers' Compensation	10,886,580
Total	<u>\$ 13,454,314</u>

Settled claims have not exceeded any of the City's coverage amounts in any of the last three fiscal years and there were 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, 2010

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
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
2010	16,163,623	521,697	(3,231,006)	13,454,314	2,988,028	10,466,286

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, 2010 (most recent information available) is as follows:

Assets	Total
	<u>\$ 59,651,720</u>
Liabilities of member cities	\$ 28,388,325
Net assets	<u>31,263,395</u>
Total liabilities and net assets	<u>\$ 59,651,720</u>
Revenues	\$ 20,657,596
Cost and expenses	<u>22,215,174</u>
Net income	(1,557,578)
Net assets - July 1, 2009	<u>32,820,973</u>
Net assets - June 30, 2010	<u>\$ 31,263,395</u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

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 \$2,755,319 for the year ended June 30, 2010. The City is required to contribute for fiscal year 2009-2010 at an actuarially determined rate of 11.671% and 32.091% of annual covered payroll for miscellaneous and safety employees, respectively.

Annual Pension Cost - For 2009-2010, the City's annual pension cost of \$10,024,453 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.25% to 14.45% for miscellaneous employees and from 3.25% to 13.15% for safety employees depending on age, service, and type of employment, and (c) 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, 2007, was 21 years for miscellaneous and 30 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
6/30/08	\$ 10,130,700	100%	\$ -
6/30/09	10,576,990	100%	-
6/30/10	10,024,453	100%	-

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

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)
			Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
Actuarial Valuation Date*	Actuarial Asset Value	Entry Age Actuarial Accrued Liability				
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)
			Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
Actuarial Valuation Date*	Actuarial Asset Value	Entry Age Actuarial Accrued Liability				
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, 2010

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 through the California Employers' Retiree Benefit Trust (CERBT) Fund, which is an agent multiple-employer plan administered by CalPERS. 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, 2010, approximately 114 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 2010, the City contributed \$1,490,893 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 (ARC) of the Employer, 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	\$ 1,490,893
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>1,490,893</u>
Contributions made	<u>(1,490,893)</u>
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	<u>-</u>
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, 2010

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 2010 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Contribution	% of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 1,490,893	\$ 1,490,893	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 rate. 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, 2010.

	(A)	(B)	(C)	(D)	(E)	(F)
	Actuarial Asset Value (A)	Actuarial Accrued Liability Entry Age (B)	(Unfunded) Actuarial Accrued Liability (A - B)	Funded Ratio (A / B)	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll (C / E)
Actuarial Valuation Date						
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, 2010

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 closed 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, 2010, 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, 2010

13. COMMITMENTS AND CONTINGENCIES, Continued

D. Contingencies

The Regional Water Quality Control Board (RWQCB) has filed regulatory Notice of Violations against the City regarding issues with Seaside Lagoon water quality discharges to the harbor. The RWQCB granted the City a moratorium on the water quality discharge standards. Thus, at this time, potential fines, assessments, and settlements are currently estimated to be \$0.

The RWQCB has filed regulatory Notice of Violations against the City regarding issues with storm drain water quality discharges to the ocean. As the RWQCB has granted the City's request for an abeyance to ascertain jurisdictional issues, any potential fines, assessments, and settlements are currently estimated to be \$0.

14. 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. Cleanup, potential fines, assessments, and settlements incurred by the City to date are approximately \$96,000. Cleanup is expected to be completed in fiscal year 2010-2011 with additional cleanup and settlements currently estimated to be \$150,000. This liability has been accrued in the General Fund.

15. DECLARATION OF FISCAL EMERGENCY

On August 4, 2009, the City declared a fiscal emergency. The City had faced 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. The City declared another fiscal emergency on June 22, 2010 for the 2010-2011 fiscal year.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2010

16. PRIOR PERIOD ADJUSTMENT

In the Harbor Tidelands and Harbor Uplands enterprise funds, there were prior period adjustments relating to amounts that were erroneously recorded as revenue in prior years. These amounts are properly classified as deposits payable.

Accordingly, the net assets as of July 1, 2009, have been restated as follows:

Proprietary Funds	Net Assets, as Previously Reported	Prior Period Adjustments Revenues	Net Assets, As Restated
Harbor Tidelands Fund	\$ 33,424,699	\$ (57,738)	\$ 33,366,961
Harbor Uplands Fund	18,028,041	(36,153)	17,991,888
Total	\$ 51,452,740	\$ (93,891)	\$ 51,358,849

17. SUBSEQUENT EVENTS

A. Harbor Area Zoning Map Lawsuit

Subsequent to June 30, 2010, a judge granted Building a Better Redondo, a Redondo Beach citizens group, \$313,000 in attorney fees in connection with its successful legal fight for a public vote on the harbor area zoning map. The City is in the process of appealing the judgment.

The harbor area zoning map was placed on the November 2, 2010 ballot as Measure G, and passed with 53% of the popular vote.

B. Claim for Refund of Redondo Beach Utility Users Tax

Subsequent to June 30, 2010, New Cingular Wireless PCS LLC, an affiliate of ATT Mobility LLC, filed a claim for refund for the amount of \$418,384 related to Utility Users Tax paid to the City during the period of November 1, 2005 through September 30, 2010. New Cingular Wireless PCS LLC asserts that they inappropriately collected excess tax from their customers and remitted the excess to the City. The City is investigating the claim for refund and has not determined the actual dollar amount refundable to New Cingular Wireless PCS LLC, if any.

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REQUIRED SUPPLEMENTAL INFORMATION



REQUIRED SUPPLEMENTARY INFORMATION

City of Redondo Beach
Required Supplementary Information
For the year ended June 30, 2010

1. BUDGETARY INFORMATION

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

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

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

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

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

The following are the budget comparison schedules for General Fund, Other Intergovernmental Grants Fund and Redevelopment Agency Special Revenue Fund.

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2010

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Fund Balance - Beginning	\$ 10,025,322	\$ 10,025,322	\$ 10,025,322	\$ -
Resources (inflows):				
Taxes	49,194,000	48,118,000	48,542,165	424,165
Interdepartmental	6,997,784	6,673,267	6,681,277	8,010
Licenses and permits	927,084	930,084	930,523	439
Intergovernmental	297,500	299,135	267,303	(31,832)
Charges for services	4,714,330	4,552,075	4,940,243	388,168
Use of money and property	2,586,660	2,324,495	2,821,282	496,787
Fines and forfeitures	1,668,000	1,788,886	1,875,287	86,401
Miscellaneous	1,109,842	1,166,547	497,596	(668,951)
Transfers in	1,045,313	1,124,313	2,057,480	933,167
Amount available for appropriation	78,565,835	77,002,124	78,638,478	1,636,354
Charges to appropriations (outflows):				
Current:				
General government	9,222,947	10,008,625	7,901,358	2,107,267
Public safety	41,521,251	41,381,175	41,527,591	(146,416)
Housing and community development	4,955,126	5,160,019	5,017,769	142,250
Public works	4,900,907	5,126,122	4,757,314	368,808
Cultural and leisure services	7,136,995	7,435,139	7,411,574	23,565
Capital outlay	373,058	342,573	323,973	18,600
Transfers out	1,084,211	1,198,957	1,804,822	(605,865)
Total charges to appropriations	69,194,495	70,652,610	68,744,401	1,908,209
Fund Balance - Ending	\$ 9,371,340	\$ 6,349,514	\$ 9,894,077	\$ 3,544,563

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2010

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule, Other Intergovernmental Grants

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund Balance - Beginning	\$ (1,081,266)	\$ (1,081,266)	\$ (1,081,266)	\$ -
Resources (inflows):				
Intergovernmental	6,988,603	8,597,163	2,805,803	(5,791,360)
Amount available for appropriation	5,907,337	7,515,897	1,724,537	(5,791,360)
Charges to appropriations (outflows):				
Current:				
Public safety	71,220	820,114	410,872	409,242
Housing and community development	-	186,000	186,000	-
Public works	68,577	95,501	79,105	16,396
Cultural and leisure services	-	40,466	15,849	24,617
Capital outlay	6,842,178	11,102,864	3,377,305	7,725,559
Total charges to appropriations	6,981,975	12,244,945	4,069,131	8,175,814
Fund Balance - Ending	\$ (1,074,638)	\$ (4,729,048)	\$ (2,344,594)	\$ 2,384,454

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2010

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule, Redevelopment Agency Special Revenue

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund Balance - Beginning	\$ 12,682,714	\$ 12,682,714	\$ 12,682,714	\$ -
Resources (inflows):				
Taxes	832,000	832,000	905,418	73,418
Use of money and property	358,531	358,531	389,337	30,806
Miscellaneous	-	-	177,732	177,732
Amount available for appropriation	13,873,245	13,873,245	14,155,201	281,956
Charges to appropriations (outflows):				
Current:				
Housing and community development	1,292,965	1,292,965	897,386	395,579
Total charges to appropriations	1,292,965	1,292,965	897,386	395,579
Fund Balance - Ending	\$ 12,580,280	\$ 12,580,280	\$ 13,257,815	\$ 677,535

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2010

2. DEFINED PENSION PLAN

A schedule of funding progress for the past three actuarial valuations is presented below.

Actuarial Valuation Date*	(A) Actuarial Asset Value	(B) Entry Age Actuarial Accrued Liability	Safety Plan		(E) Covered Payroll	(F) Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
			(C) Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	(D) Funded Ratio (A/B)		
6/30/2006	\$ 173,773,778	\$ 206,971,506	\$ 33,197,728	84.0%	\$ 13,871,365	239.3%
6/30/2007	185,561,290	220,319,464	34,758,174	84.2%	14,969,425	232.2%
6/30/2008	195,959,373	232,567,064	36,607,691	84.3%	15,118,770	242.1%

Actuarial Valuation Date*	(A) Actuarial Asset Value	(B) Entry Age Actuarial Accrued Liability	Miscellaneous Plan		(E) Covered Payroll	(F) Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
			(C) Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	(D) Funded Ratio (A/B)		
6/30/2006	\$ 99,965,770	\$ 108,578,292	\$ 8,612,522	92.1%	\$ 18,128,139	47.5%
6/30/2007	107,468,916	117,169,713	9,700,797	91.7%	20,093,839	48.3%
6/30/2008	114,865,498	124,542,795	9,677,297	92.2%	20,641,265	46.9%

* Latest information available.

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2010

3. OTHER POST EMPLOYMENT BENEFITS

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the City's Plan

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

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2010

4. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS

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

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

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

The City commissioned a physical assessment of the street conditions as of June 30, 2008. The study assisted the City by providing inspection data used to evaluate pavement condition. This helped to establish a City-defined target level of pavement performance, while optimizing the expenditure of limited fiscal resources. The entire pavement network within the City is composed of approximately 125 centerline miles of paved surfaces. The City's street system can be grouped by function class as follows: 22 centerline miles of arterial, 5 centerline miles of collector and 98 centerline miles of residential.

In June 2010, a visual survey of all pavement segments was conducted to assess the existing surface condition of each of the individual pavement segments. Upon completion of the study, a Pavement Quality Index (PQI) was calculated for each segment in the City's pavement network to reflect the overall pavement condition. Rating ranged from 0 and 100. A PQI of 0 would correspond to badly deteriorated pavement with virtually no remaining life; a PQI of 100 would correspond to pavement with proper engineering design and construction at the beginning of its life cycle. During the year, the visual survey is updated to reflect the pavement's current condition.

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2010

4. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, Continued

The following conditions were defined:

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

In line with the Capital Improvement Program and as presented to City Council on December 2002, City policy is to achieve an average rating of 80 for all streets by fiscal year 2008-2009. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds.

The City established the standard of 70 for the fiscal years of 2007, 2008, and 2009. The condition assessments for the most recent years since implementation are as follows:

<u>Year</u>	<u>PQI rate</u>	<u>Condition</u>	<u>% of Streets</u>
2007	77	Very Good	26%
		Good	51%
		Fair	11%
		Poor	12%
2008	84	Very Good	47%
		Good	37%
		Fair	10%
		Poor	6%
2009	79	Very Good	21%
		Good	61%
		Fair	8%
		Poor	10%
2010	83	Very Good	40%
		Good	47%
		Fair	6%
		Poor	7%

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2010

4. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, Continued

The City expended \$4,430,579 on street improvement projects for the fiscal year ended June 30, 2010. These capital improvement expenditures enhanced the condition of many streets and delayed deterioration on others. The estimated expenditures required to maintain and improve the overall condition of the streets from July 1, 2010 through June 30, 2012 is a minimum of \$10,200,000.

A schedule of budget versus actual for the most recent years since implementation, which preserved City streets at the current 83 rating is presented below.

<u>Fiscal Year</u>	<u>Final Budget</u>	Funded by <u>Capital Improvement Project Fund</u>	Funded by <u>Other Funds</u>	<u>Total Expenditures</u>
2005-2006	\$ 5,576,360	\$ 110,527	\$ 991,714	\$ 1,102,241
2006-2007	6,493,717	1,292,207	569,668	1,861,875
2007-2008	11,633,589	154,835	2,824,248	2,979,083
2008-2009	10,835,819	1,543,773	2,350,822	3,894,595
2009-2010	11,788,643	1,413,430	3,017,149	4,430,579

As of June 30, 2010, 21% of City streets were rated below the targeted average condition level of 80. However, as noted above, the City is investing in this infrastructure asset as part of the five-year Capital Improvement Program and will continue to rehabilitate and maintain its streets in order to achieve this goal.

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2010

4. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, Continued

Project	Project #	Budget	Capital Improvement		Total
			Project Fund Expenditures	Other Fund Expenditures	
Catalina Avenue Slurry Seal	40101	\$ 96,616	\$ -	\$ 695	\$ 695
Bus Shelters & Benches	40120	599,593	-	8,746	8,746
Pavement & Sidewalk Repairs	40140	143,432	-	-	-
Bike Paths Improvement	40150	-	-	66	66
Pavement Management Study	40170	105,065	-	851	851
Residential Street Rehabilitation	40190	1,013,363	188,978	614,923	803,901
Catalina/PCH Intersection Improvement	40220	47,330	8,991	22,950	31,941
Torrance Blvd/PCH Left Turn Signal	40320	9,900	-	-	-
Esplanade Streetscape Improvements	40380	2,770,755	43,611	-	43,611
Citywide Curb Ramp Improvements	40399	160,000	-	6,035	6,035
Torrance Blvd Streetscape Master Plan	40410	6,544	-	-	-
190th St. Resurf-Cluster to Hawthorne	40430	-	-	2	2
Catalina Corridor Beautification	40450	6,123	-	-	-
Target Community Improvements	40460	91,090	-	-	-
Traffic Calming Project	40470	60,290	-	18,888	18,888
School Safety Zone Program	40480	215,519	29,146	121,656	150,802
Bicycle Trans Plan Implementation	40510	77,708	-	-	-
Aviation Blvd Resurf-Carnegie/Harpr	40580	609,868	547,224	-	547,224
PV Blvd Resurf-Ave F/E City Limit	40590	475,449	475,449	-	475,449
Catalina/Harbor Advd Traf Sig Mgmt	40600	699,940	109,550	137,461	247,011
No Redondo Bikeway Light & Amenities	40610	206,651	-	171,095	171,095
RB Ave - Marine Ave to MBB	40620	794,376	-	488,447	488,447
Torrance Blvd Streetscape Improv	40630	9,944	8,384	-	8,384
Riviera Village Improvements	40640	167,088	2,097	-	2,097
Inglewood Ave Resurf/Artesia-MBB	40660	1,058,000	-	1,392,193	1,392,193
Prospect Ave Resurf / PV Blvd - Anita	40670	920,000	-	23,634	23,634
Bus Bench Replacement	40700	118,000	-	9,507	9,507
Grant/Artesia Countdown Ped Signal	40710	33,000	-	-	-
Harbor Drive Resurf - Beryl to Herondo	40720	675,000	-	-	-
LED Streetlight Replacement Project	40730	618,000	-	-	-
		<u>\$ 11,788,644</u>	<u>\$ 1,413,430</u>	<u>\$ 3,017,149</u>	<u>\$ 4,430,579</u>

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES



SUPPLEMENTARY INFORMATION

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MAJOR GOVERNMENTAL FUNDS

The following Governmental Funds have been classified as major funds in the accompanying financial statements:

Capital Improvement Projects Fund - To account for capital improvements of the City.

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

Redevelopment Agency Debt Service Fund - To account for the accumulation of resources for, and the payment of, interest and principal on tax allocation bonds and other debt issued to finance redevelopment activities within the projects areas.

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Capital Improvement Projects Capital Projects Fund (Major Fund)

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 12,494,821	\$ 12,494,821	\$ 12,494,821	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	-	283,400	283,400	-
Charges for services	-	155,000	173,887	18,887
Miscellaneous	64,000	64,000	1,000	(63,000)
Transfers in	-	-	750,000	750,000
Amount available for appropriation	12,558,821	12,997,221	13,703,108	705,887
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public works	117,946	117,946	209,904	(91,958)
Capital outlay	820,000	11,519,928	5,204,020	6,315,908
Transfers out	1,045,313	1,045,313	1,978,480	(933,167)
Total charges to appropriations	1,983,259	12,683,187	7,392,404	5,290,783
FUND BALANCE - ENDING	\$ 10,575,562	\$ 314,034	\$ 6,310,704	\$ 5,996,670

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Public Financing Authority Debt Service Fund (Major Fund)

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 10,086,868	\$ 10,086,868	\$ 10,086,868	\$ -
RESOURCES (INFLOWS):				
Use of money and property	718,547	718,547	1,044,360	325,813
Transfer in	-	-	-	-
Amount available for appropriation	10,805,415	10,805,415	11,131,228	325,813
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	418,960	418,960	216,182	202,778
Debt service:				
Principal retirement	442,685	442,685	2,160,285	(1,717,600)
Interest and fiscal charges	831,286	831,286	355,972	475,314
Transfers out	-	-	-	-
Total charges to appropriations	1,692,931	1,692,931	2,732,439	(1,039,508)
FUND BALANCE - ENDING	\$ 9,112,484	\$ 9,112,484	\$ 8,398,789	\$ (713,695)

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Redevelopment Agency Debt Service Fund (Major Fund)

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ (15,733,748)	\$ (15,733,748)	\$ (15,733,748)	\$ -
RESOURCES (INFLOWS):				
Taxes	2,546,751	1,143,080	487,716	(655,364)
Other debt issued	309,034	309,034	589,314	280,280
Transfer in	858,800	858,800	-	(858,800)
Amount available for appropriation	(12,019,163)	(13,422,834)	(14,656,718)	(1,233,884)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	44,800	44,800	85,203	(40,403)
Debt service:				
Principal retirement	572,053	397,053	331,770	65,283
Interest and fiscal charges	867,117	862,366	713,068	149,298
Transfers out	1,053,747	1,233,498	-	1,233,498
Total charges to appropriations	2,537,717	2,537,717	1,130,041	1,448,079
FUND BALANCE - ENDING	\$ (14,556,880)	\$ (15,960,551)	\$ (15,786,759)	\$ 173,792

NON-MAJOR GOVERNMENTAL FUNDS



NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

Measure R Fund - To account for monies received from the sales tax approved pursuant to Assembly Bill 2321, Measure R Ordinance of the Los Angeles County Metropolitan Transportation Authority for public transportation purposes.

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

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

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

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS, Continued

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

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

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

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

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

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

DEBT SERVICE FUND

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

CAPITAL PROJECTS FUNDS

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

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

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City of Redondo Beach
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010

	Special Revenue							
	Traffic Congestion Relief	State Gas Tax	Parks and Recreation Facilities	Narcotic Seizure/ Forfeiture	Transit Fund	Proposition A	Proposition C	Measure R
ASSETS								
Pooled cash and investments	\$ 1,015,941	\$ 498,174	\$ 16,576	\$ 954,434	\$ -	\$ 1,508,942	\$ 2,566,280	\$ 432,447
Receivables:								
Accounts	-	-	-	-	321,332	-	-	-
Taxes	-	102,288	-	-	-	-	-	-
Notes and loans	-	-	-	-	-	-	-	-
Accrued interest	7,197	3,414	-	7,776	-	8,366	20,376	-
Prepaid costs	-	125	-	-	250	-	-	-
Due from other governments	170,556	-	-	-	520,026	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Total assets	\$ 1,193,694	\$ 604,001	\$ 16,576	\$ 962,210	\$ 841,608	\$ 1,517,308	\$ 2,586,656	\$ 432,447
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 562,147	\$ 42,957	\$ 7,530	\$ 2,767	\$ 549,887	\$ -	\$ 10,306	\$ -
Accrued liabilities	-	22,895	-	-	10,195	-	212	-
Deferred revenue	-	-	-	-	48,708	-	-	-
Unearned revenues	-	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	295,548	-	-	-
Total liabilities	562,147	65,852	7,530	2,767	904,338	-	10,518	-
Fund Balances:								
Reserved:								
Encumbrances	52,296	202	-	20,795	-	-	261,629	-
Prepaid costs	-	125	-	-	250	-	-	-
Notes and loans	-	-	-	-	-	-	-	-
Unreserved:								
Designated:								
Continuing appropriation	39,443	307,560	-	95,174	-	-	1,465,208	-
Undesignated, reported in:								
Special revenue funds	539,808	230,262	9,046	843,474	(62,980)	1,517,308	849,301	432,447
Debt service funds	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-
Total fund balances	631,547	538,149	9,046	959,443	(62,730)	1,517,308	2,576,138	432,447
Total liabilities and fund balances	\$ 1,193,694	\$ 604,001	\$ 16,576	\$ 962,210	\$ 841,608	\$ 1,517,308	\$ 2,586,656	\$ 432,447

(Continued)

City of Redondo Beach
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2010

	Special Revenue							
	Local Transit	Air Quality Improvement	Storm Drain	Street Landscaping and Lighting District	Workforce Investment Act	Community Development Block Grant	Disaster Recovery	Housing Authority
ASSETS								
Pooled cash and investments	\$ -	\$ 144,170	\$ 390,658	\$ 122,727	\$ -	\$ -	\$ 25,000	\$ 998,234
Receivables:								
Accounts	-	-	-	21,772	-	-	-	-
Taxes	-	-	-	70,638	-	-	-	-
Notes and loans	-	-	-	-	-	485,263	-	-
Accrued interest	-	1,107	-	-	-	-	-	119
Prepaid costs	-	-	-	113	-	-	-	-
Due from other governments	6,663	20,570	-	-	-	235,587	22,497	-
Due from other funds	-	-	-	-	-	-	-	19,281
Total assets	\$ 6,663	\$ 165,847	\$ 390,658	\$ 215,250	\$ -	\$ 720,850	\$ 47,497	\$ 1,017,634
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 206	\$ 2,906	\$ 75,090	\$ 182,408	\$ -	\$ 40,122	\$ 62	\$ 2,274
Accrued liabilities	642	547	-	33,204	-	1,617	-	-
Deferred revenue	-	-	-	-	-	548,893	-	-
Unearned revenues	-	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-	-
Due to other funds	5,815	-	-	-	2,374	194,591	-	100,665
Total liabilities	6,663	3,453	75,090	215,612	2,374	785,223	62	102,939
Fund Balances:								
Reserved:								
Encumbrances	-	-	130,852	-	-	-	-	-
Prepaid costs	-	-	-	113	-	-	-	-
Notes and loans	-	-	-	-	-	485,263	-	-
Unreserved:								
Designated:								
Continuing appropriation	-	-	184,716	-	-	-	-	-
Undesignated, reported in:								
Special revenue funds	-	162,394	-	(475)	(2,374)	(549,636)	47,435	914,695
Debt service funds	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-
Total fund balances	-	162,394	315,568	(362)	(2,374)	(64,373)	47,435	914,695
Total liabilities and fund balances	\$ 6,663	\$ 165,847	\$ 390,658	\$ 215,250	\$ -	\$ 720,850	\$ 47,497	\$ 1,017,634

(Continued)

City of Redondo Beach
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2010

	Special Revenue	Debt Service	Capital Projects		Total Non-Major Funds
	Subdivision Park Trust	Parking Authority	Pier Parking Structure Rehabilitation	Redevelopment Agency	
ASSETS					
Pooled cash and investments	\$ 313,377	\$ 5,037	\$ 792	\$ 1,217,126	\$ 10,209,915
Receivables:					
Accounts	-	-	-	6,237	349,341
Taxes	-	-	-	-	172,926
Notes and loans	-	-	-	-	485,263
Accrued interest	-	17	6	10,781	59,159
Prepaid costs	-	-	-	-	488
Due from other governments	-	-	-	534	976,433
Due from other funds	-	-	-	5,737	25,018
Total assets	<u>\$ 313,377</u>	<u>\$ 5,054</u>	<u>\$ 798</u>	<u>\$ 1,240,415</u>	<u>\$ 12,278,543</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 17,802	\$ -	\$ -	\$ -	\$ 1,496,464
Accrued liabilities	949	-	-	-	70,261
Deferred revenue	-	-	-	-	597,601
Unearned revenues	-	-	-	17,870	17,870
Due to other governments	-	-	-	-	-
Due to other funds	-	-	-	57,867	656,860
Total liabilities	<u>18,751</u>	<u>-</u>	<u>-</u>	<u>75,737</u>	<u>2,839,056</u>
Fund Balances:					
Reserved:					
Encumbrances	8,820	-	-	-	474,594
Prepaid costs	-	-	-	-	488
Notes and loans	-	-	-	-	485,263
Unreserved:					
Designated:					
Continuing appropriation	148,815	-	-	-	2,240,916
Undesignated, reported in:					
Special revenue funds	136,991	-	-	-	5,067,696
Debt service funds	-	5,054	-	-	5,054
Capital projects funds	-	-	798	1,164,678	1,165,476
Total fund balances	<u>294,626</u>	<u>5,054</u>	<u>798</u>	<u>1,164,678</u>	<u>9,439,487</u>
Total liabilities and fund balances	<u>\$ 313,377</u>	<u>\$ 5,054</u>	<u>\$ 798</u>	<u>\$ 1,240,415</u>	<u>\$ 12,278,543</u>

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City of Redondo Beach
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2010

	Special Revenue							Measure R
	Traffic Congestion Relief	State Gas Tax	Parks and Recreation Facilities	Narcotic Seizure/ Forfeiture	Transit Fund	Proposition A	Proposition C	
REVENUES:								
Taxes	\$ -	\$ -	\$ 11,200	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	32,097	16,993	-	39,488	-	47,992	102,849	3,891
Intergovernmental	612,879	1,088,914	-	-	1,850,970	858,629	712,270	428,556
Charges for services	-	-	-	3,902	503,317	-	-	-
Miscellaneous	-	11,808	-	-	1,596	-	-	-
Total revenues	644,976	1,117,715	11,200	43,390	2,355,883	906,621	815,119	432,447
EXPENDITURES:								
Current:								
Public safety	-	-	-	26,171	-	-	-	-
Public works	-	1,238,386	7,821	-	-	-	-	-
Housing and community development	-	-	-	-	2,875,422	-	29,375	-
Capital outlay	614,442	-	195,787	78,028	123,750	-	778,108	-
Total expenditures	614,442	1,238,386	203,608	104,199	2,999,172	-	807,483	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	30,534	(120,671)	(192,408)	(60,809)	(643,289)	906,621	7,636	432,447
OTHER FINANCING SOURCES (USES):								
Transfers in	-	-	-	-	643,290	-	-	-
Transfers out	-	-	-	-	-	(643,290)	-	-
Total other financing sources (uses)	-	-	-	-	643,290	(643,290)	-	-
Net change in fund balances	30,534	(120,671)	(192,408)	(60,809)	1	263,331	7,636	432,447
FUND BALANCES:								
Beginning of year	601,013	658,820	201,454	1,020,252	(62,731)	1,253,977	2,568,502	-
End of year	\$ 631,547	\$ 538,149	\$ 9,046	\$ 959,443	\$ (62,730)	\$ 1,517,308	\$ 2,576,138	\$ 432,447

(Continued)

City of Redondo Beach
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2010

	Special Revenue							
	Local Transit	Air Quality Improvement	Storm Drain	Street Landscaping and Lighting District	Workforce Investment Act	Community Development Block Grant	Disaster Recovery	Housing Authority
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	-	5,675	-	1,761	-	-	-	1,018
Intergovernmental	6,663	-	-	-	-	406,879	-	6,192,724
Charges for services	-	97,692	14,960	1,542,733	-	-	2,430	-
Miscellaneous	-	-	-	54,227	-	10,640	146,712	96,939
Total revenues	6,663	103,367	14,960	1,598,721	-	417,519	149,142	6,290,681
EXPENDITURES:								
Current:								
Public safety	-	-	-	-	-	-	-	-
Public works	5,829	-	167	2,539,174	-	-	-	-
Housing and community development	-	43,487	-	-	2,374	400,368	68,933	6,054,129
Capital outlay	206	-	464,788	-	-	-	-	-
Total expenditures	6,035	43,487	464,955	2,539,174	2,374	400,368	68,933	6,054,129
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	628	59,880	(449,995)	(940,453)	(2,374)	17,151	80,209	236,552
OTHER FINANCING SOURCES (USES):								
Transfers in	-	-	-	940,076	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	940,076	-	-	-	-
Net change in fund balances	628	59,880	(449,995)	(377)	(2,374)	17,151	80,209	236,552
FUND BALANCES:								
Beginning of year	(628)	102,514	765,563	15	-	(81,524)	(32,774)	678,143
End of year	\$ -	\$ 162,394	\$ 315,568	\$ (362)	\$ (2,374)	\$ (64,373)	\$ 47,435	\$ 914,695

(Continued)

City of Redondo Beach
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2009

	Special Revenue	Debt Service	Capital Projects		
	Subdivision Park Trust	Parking Authority	Pier Parking Structure Rehabilitation	Redevelopment Agency	Total Non-Major Funds
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 11,200
Use of money and property	5,423	2	32	417,645	674,866
Intergovernmental	105,000	-	-	-	12,263,484
Charges for services	-	-	-	-	2,165,034
Miscellaneous	-	-	-	1,666	323,588
Total revenues	110,423	2	32	419,311	15,438,172
EXPENDITURES:					
Current:					
Public safety	-	-	-	-	26,171
Public works	-	-	-	-	3,791,377
Housing and community development	39,260	-	-	476,553	9,989,901
Capital outlay	402,208	-	-	-	2,657,317
Total expenditures	441,468	-	-	476,553	16,464,766
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(331,045)	2	32	(57,242)	(1,026,594)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	1,583,366
Transfers out	-	-	-	-	(643,290)
Total other financing sources (uses)	-	-	-	-	940,076
Net change in fund balances	(331,045)	2	32	(57,242)	(86,518)
FUND BALANCES:					
Beginning of year	625,671	5,052	766	1,221,920	9,526,005
End of year	\$ 294,626	\$ 5,054	\$ 798	\$ 1,164,678	\$ 9,439,487

(Concluded)

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Traffic Congestion Relief Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 601,013	\$ 601,013	\$ 601,013	\$ -
RESOURCES (INFLOWS):				
Use of money and property	16,700	13,940	32,097	18,157
Intergovernmental	-	607,726	612,879	5,153
Amount available for appropriation	<u>617,713</u>	<u>1,222,679</u>	<u>1,245,989</u>	<u>23,310</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	575,000	614,442	614,442	-
Total charges to appropriations	<u>575,000</u>	<u>614,442</u>	<u>614,442</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 42,713</u>	<u>\$ 608,237</u>	<u>\$ 631,547</u>	<u>\$ 23,310</u>

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

State Gas Tax Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 658,820	\$ 658,820	\$ 658,820	\$ -
RESOURCES (INFLOWS):				
Use of money and property	13,200	11,020	16,993	5,973
Intergovernmental	1,243,091	1,061,118	1,088,914	27,796
Miscellaneous	-	11,500	11,808	308
Amount available for appropriation	<u>1,915,111</u>	<u>1,742,458</u>	<u>1,776,535</u>	<u>34,077</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public works	<u>1,376,155</u>	<u>1,556,100</u>	<u>1,238,386</u>	<u>317,714</u>
Total charges to appropriations	<u>1,376,155</u>	<u>1,556,100</u>	<u>1,238,386</u>	<u>317,714</u>
FUND BALANCE - ENDING	<u>\$ 538,956</u>	<u>\$ 186,358</u>	<u>\$ 538,149</u>	<u>\$ 351,791</u>

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Parks and Recreation Facilities Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 201,454	\$ 201,454	\$ 201,454	\$ -
RESOURCES (INFLOWS):				
Taxes	7,500	7,500	11,200	3,700
Amount available for appropriation	<u>208,954</u>	<u>208,954</u>	<u>212,654</u>	<u>3,700</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	-	-	7,821	(7,821)
Capital outlay	-	198,599	195,787	2,812
Total charges to appropriations	<u>-</u>	<u>198,599</u>	<u>203,608</u>	<u>(5,009)</u>
FUND BALANCE - ENDING	<u>\$ 208,954</u>	<u>\$ 10,355</u>	<u>\$ 9,046</u>	<u>\$ (1,309)</u>

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Narcotic Seizure/Forfeiture Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 1,020,252	\$ 1,020,252	\$ 1,020,252	\$ -
RESOURCES (INFLOWS):				
Use of money and property	13,200	11,020	39,488	28,468
Charges for services	209,000	100,000	3,902	(96,098)
Amount available for appropriation	1,242,452	1,131,272	1,063,642	(67,630)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public safety	63,610	121,032	26,171	94,861
Capital outlay	-	138,216	78,028	60,188
Total charges to appropriations	63,610	259,248	104,199	155,049
FUND BALANCE - ENDING	\$ 1,178,842	\$ 872,024	\$ 959,443	\$ 87,419

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Transit Fund Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ (62,731)	\$ (62,731)	\$ (62,731)	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	500,000	1,170,715	1,850,970	680,255
Charges for services	616,500	616,500	503,317	(113,183)
Miscellaneous	-	1,500	1,596	96
Transfer in	1,868,123	2,218,123	643,290	(1,574,833)
Amount available for appropriation	2,921,892	3,944,107	2,936,442	(1,007,665)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	2,977,170	3,351,493	2,875,422	476,071
Capital outlay	-	123,750	123,750	-
Total charges to appropriations	2,977,170	3,475,243	2,999,172	476,071
FUND BALANCE - ENDING	\$ (55,278)	\$ 468,864	\$ (62,730)	\$ (531,594)

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Proposition A Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 1,253,977	\$ 1,253,977	\$ 1,253,977	\$ -
RESOURCES (INFLOWS):				
Use of money and property	27,200	22,710	47,992	25,282
Intergovernmental	1,100,000	1,100,000	858,629	(241,371)
Amount available for appropriation	2,381,177	2,376,687	2,160,598	(216,089)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Transfers out	1,868,123	2,218,123	643,290	1,574,833
Total charges to appropriations	1,868,123	2,218,123	643,290	1,574,833
FUND BALANCE - ENDING	\$ 513,054	\$ 158,564	\$ 1,517,308	\$ 1,358,744

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Proposition C Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 2,568,502	\$ 2,568,502	\$ 2,568,502	\$ -
RESOURCES (INFLOWS):				
Use of money and property	51,800	43,250	102,849	59,599
Intergovernmental	900,000	900,000	712,270	(187,730)
Amount available for appropriation	3,520,302	3,511,752	3,383,621	(128,131)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	-	-	29,375	(29,375)
Capital outlay	1,190,420	2,880,378	778,108	2,102,270
Total charges to appropriations	1,190,420	2,880,378	807,483	2,072,895
FUND BALANCE - ENDING	\$ 2,329,882	\$ 631,374	\$ 2,576,138	\$ 1,944,764

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Measure R Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ -	\$ -	\$ -	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	3,891	3,891
Intergovernmental	-	125,000	428,556	303,556
Amount available for appropriation	-	125,000	432,447	307,447
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Transfers out	-	-	-	-
Total charges to appropriations	-	-	-	-
FUND BALANCE - ENDING	\$ -	\$ 125,000	\$ 432,447	\$ 307,447

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Local Transit Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ (628)	\$ (628)	\$ (628)	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	40,000	40,000	6,663	(33,337)
Amount available for appropriation	39,372	39,372	6,035	(33,337)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	-	-	5,829	(5,829)
Capital outlay	80,000	80,000	206	79,794
Total charges to appropriations	80,000	80,000	6,035	73,965
FUND BALANCE - ENDING	\$ (40,628)	\$ (40,628)	\$ -	\$ 40,628

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Air Quality Improvement Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 102,514	\$ 102,514	\$ 102,514	\$ -
RESOURCES (INFLOWS):				
Use of money and property	1,700	1,420	5,675	4,255
Charges for services	70,000	70,000	97,692	27,692
Amount available for appropriation	174,214	173,934	205,881	31,947
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	49,142	49,161	43,487	5,674
Capital outlay	-	-	-	-
Total charges to appropriations	49,142	49,161	43,487	5,674
FUND BALANCE - ENDING	\$ 125,072	\$ 124,773	\$ 162,394	\$ 37,621

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Storm Drain Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 765,563	\$ 765,563	\$ 765,563	\$ -
RESOURCES (INFLOWS):				
Charges for services	5,000	5,000	14,960	9,960
Amount available for appropriation	<u>770,563</u>	<u>770,563</u>	<u>780,523</u>	<u>9,960</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	-	-	167	(167)
Capital outlay	-	788,510	464,788	323,722
Transfers out	-	-	-	-
Total charges to appropriations	<u>-</u>	<u>788,510</u>	<u>464,955</u>	<u>323,555</u>
FUND BALANCE - ENDING	<u>\$ 770,563</u>	<u>\$ (17,947)</u>	<u>\$ 315,568</u>	<u>\$ 333,515</u>

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Street Landscaping and Lighting District Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 15	\$ 15	\$ 15	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	1,761	1,761
Charges for services	1,542,530	1,542,530	1,542,733	203
Miscellaneous	58,000	75,000	54,227	(20,773)
Transfers in	1,084,211	1,084,211	940,076	(144,135)
Amount available for appropriation	2,684,756	2,701,756	2,538,812	(162,944)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public works	2,603,672	2,579,820	2,539,174	40,646
Total charges to appropriations	2,603,672	2,579,820	2,539,174	40,646
FUND BALANCE - ENDING	\$ 81,084	\$ 121,936	\$ (362)	\$ (122,298)

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Workforce Investment Act Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ -	\$ -	\$ -	\$ -
Amount available for appropriation	-	-	-	-
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	-	-	2,374	(2,374)
Transfers out	-	-	-	-
Total charges to appropriations	-	-	2,374	(2,374)
FUND BALANCE - ENDING	\$ -	\$ -	\$ (2,374)	\$ (2,374)

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Community Development Block Grant Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ (81,524)	\$ (81,524)	\$ (81,524)	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	649,805	699,596	406,879	(292,717)
Miscellaneous	-	-	10,640	10,640
Amount available for appropriation	568,281	618,072	335,995	(282,077)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	393,592	487,044	400,368	86,676
Total charges to appropriations	393,592	487,044	400,368	86,676
FUND BALANCE - ENDING	\$ 174,689	\$ 131,028	\$ (64,373)	\$ (195,401)

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Disaster Recovery

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ (32,774)	\$ (32,774)	\$ (32,774)	\$ -
RESOURCES (INFLOWS):				
Charges for services	-	-	2,430	2,430
Miscellaneous	75,000	124,214	146,712	22,498
Amount available for appropriation	42,226	91,440	116,368	24,928
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	4,120	4,120	68,933	(64,813)
Transfers out	-	-	-	-
Total charges to appropriations	4,120	4,120	68,933	(64,813)
FUND BALANCE - ENDING	\$ 38,106	\$ 87,320	\$ 47,435	\$ (39,885)

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Housing Authority Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 678,143	\$ 678,143	\$ 678,143	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	5,560,685	5,560,685	6,192,724	632,039
Use of money and property	-	-	1,018	1,018
Miscellaneous	-	-	96,939	96,939
Amount available for appropriation	<u>6,238,828</u>	<u>6,238,828</u>	<u>6,968,824</u>	<u>729,996</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	<u>5,566,297</u>	<u>5,534,833</u>	<u>6,054,129</u>	<u>(519,296)</u>
Total charges to appropriations	<u>5,566,297</u>	<u>5,534,833</u>	<u>6,054,129</u>	<u>(519,296)</u>
FUND BALANCE - ENDING	<u>\$ 672,531</u>	<u>\$ 703,995</u>	<u>\$ 914,695</u>	<u>\$ 210,700</u>

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Subdivision Park Trust Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 625,671	\$ 625,671	\$ 625,671	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	5,423	5,423
Intergovernmental	45,000	45,000	105,000	60,000
Amount available for appropriation	670,671	670,671	736,094	65,423
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Housing and community development	-	-	39,260	(39,260)
Capital outlay	294,420	616,079	402,208	213,871
Total charges to appropriations	294,420	616,079	441,468	174,611
FUND BALANCE - ENDING	\$ 376,251	\$ 54,592	\$ 294,626	\$ 240,034

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Parking Authority Debt Service Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 5,052	\$ 5,052	\$ 5,052	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	2	2
Amount available for appropriation	<u>5,052</u>	<u>5,052</u>	<u>5,054</u>	<u>2</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	-	-	-	-
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 5,052</u>	<u>\$ 5,052</u>	<u>\$ 5,054</u>	<u>\$ 2</u>

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Pier Parking Structure Rehabilitation Capital Projects Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 766	\$ 766	\$ 766	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	32	32
Amount available for appropriation	766	766	798	32
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	-	-	-	-
Total charges to appropriations	-	-	-	-
FUND BALANCE - ENDING	\$ 766	\$ 766	\$ 798	\$ 32

City of Redondo Beach

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Redevelopment Agency Capital Projects Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 1,221,920	\$ 1,221,920	\$ 1,221,920	\$ -
RESOURCES (INFLOWS):				
Use of money and property	400,626	400,626	417,645	17,019
Miscellaneous	-	-	1,666	1,666
Amount available for appropriation	<u>1,622,546</u>	<u>1,622,546</u>	<u>1,641,231</u>	<u>18,685</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	579,766	579,766	476,553	103,213
Total charges to appropriations	<u>579,766</u>	<u>579,766</u>	<u>476,553</u>	<u>103,213</u>
FUND BALANCE - ENDING	<u>\$ 1,042,780</u>	<u>\$ 1,042,780</u>	<u>\$ 1,164,678</u>	<u>\$ 121,898</u>

INTERNAL SERVICE FUNDS



INTERNAL SERVICE FUNDS

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

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

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

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

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

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

Major Facilities Repair Fund - To account for monies received from user departments within the City for major facilities repair costs.

City of Redondo Beach
Combining Statement of Net Assets
All Internal Service Funds
June 30, 2010

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Printing and Graphics	Emergency Communications	Major Facilities Repair	Total
ASSETS								
Current assets:								
Cash and investments	\$ 5,461,910	\$ 446,605	\$ 348,701	\$ 15,052,763	\$ 75,036	\$ 572,845	\$ 101,748	\$ 22,059,608
Accounts receivable	10,101	-	-	-	-	-	-	10,101
Prepaid costs	-	250	500	113	-	250	-	1,113
Total current assets	5,472,011	446,855	349,201	15,052,876	75,036	573,095	101,748	22,070,822
Noncurrent assets:								
Capital assets - net of accumulated depreciation	3,520,669	20,502	304,759	-	22,356	563,963	-	4,432,249
Total noncurrent assets	3,520,669	20,502	304,759	-	22,356	563,963	-	4,432,249
Total assets	8,992,680	467,357	653,960	15,052,876	97,392	1,137,058	101,748	26,503,071
LIABILITIES								
Liabilities:								
Current liabilities:								
Accounts payable	405,327	153,195	90,218	316,069	5,176	6,646	-	976,631
Accrued liabilities	14,642	35,604	25,986	10,737	4,173	66,774	-	157,916
Due to other funds	-	-	-	-	-	-	-	-
Accrued compensated absences	2,839	7,841	10,907	2,876	2,467	12,223	-	39,153
Accrued claims and judgments	-	-	-	2,988,028	-	-	-	2,988,028
Bonds, notes, and capital leases	-	-	-	-	20,686	-	-	20,686
Total current liabilities	422,808	196,640	127,111	3,317,710	32,502	85,643	-	4,182,414
Noncurrent liabilities:								
Accrued compensated absences	17,873	49,363	68,676	18,085	15,525	76,955	-	246,477
Accrued claims and judgments	-	-	-	10,466,286	-	-	-	10,466,286
Bonds, notes, and capital leases	-	-	-	-	-	-	-	-
Total noncurrent liabilities	17,873	49,363	68,676	10,484,371	15,525	76,955	-	10,712,763
Total liabilities	440,681	246,003	195,787	13,802,081	48,027	162,598	-	14,895,177
NET ASSETS								
Invested in capital assets	3,520,669	20,502	304,759	-	1,670	563,963	-	4,411,563
Unrestricted	5,031,330	200,852	153,414	1,250,795	47,695	410,497	101,748	7,196,331
Total net assets	\$ 8,551,999	\$ 221,354	\$ 458,173	\$ 1,250,795	\$ 49,365	\$ 974,460	\$ 101,748	\$ 11,607,894

City of Redondo Beach
Combining Statement of Revenues, Expenses and Changes in Net Assets
All Internal Service Funds
For the year ended June 30, 2010

	Vehicle Replacement	Building Occupancy	Information Technology	Self- Insurance Program	Printing and Graphics	Emergency Communications	Major Facilities Repair	Total
OPERATING REVENUES:								
Sales and service charges	\$ 2,835,907	\$ 3,121,591	\$ 2,778,082	\$ 4,472,025	\$ 386,522	\$ 2,681,901	\$ 101,748	\$ 16,377,776
Miscellaneous	75,155	-	3,152	204	-	-	-	78,511
Total operating revenues	2,911,062	3,121,591	2,781,234	4,472,229	386,522	2,681,901	101,748	16,456,287
OPERATING EXPENSES:								
Administrative and general expenses	926,063	1,253,964	715,023	-	124,781	539,266	-	3,559,097
Personnel services	444,383	969,932	754,899	469,873	120,605	1,886,951	-	4,646,643
Contractual services	237,521	230,004	1,035,220	1,560,104	25,086	76,220	-	3,164,155
Depreciation	794,503	3,139	105,329	-	38,396	73,221	-	1,014,588
Total operating expenses	2,402,470	2,457,039	2,610,471	2,029,977	308,868	2,575,658	-	12,384,483
OPERATING INCOME (LOSS)	508,592	664,552	170,763	2,442,252	77,654	106,243	101,748	4,071,804
NONOPERATING REVENUES EXPENSES:								
Interest expenses	-	-	-	-	-	-	-	-
Gain (loss) on sale of capital assets	28,333	-	-	-	-	-	-	28,333
Total nonoperating revenues (expenses)	28,333	-	-	-	-	-	-	28,333
INCOME (LOSS) BEFORE TRANSFERS	536,925	664,552	170,763	2,442,252	77,654	106,243	101,748	4,100,137
Transfers in	-	-	-	114,746	-	-	-	114,746
Change in net assets	536,925	664,552	170,763	2,556,998	77,654	106,243	101,748	4,214,883
NET ASSETS:								
Beginning of year	8,015,074	(443,198)	287,410	(1,306,203)	(28,289)	868,217	-	7,393,011
End of year	\$ 8,551,999	\$ 221,354	\$ 458,173	\$ 1,250,795	\$ 49,365	\$ 974,460	\$ 101,748	\$ 11,607,894

City of Redondo Beach
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2010

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Printing and Graphics	Emergency Communications	Major Facilities Repair	Total
CASH FLOWS FROM OPERATING ACTIVITIES:								
Cash received from customers and users	\$ 2,910,903	\$ 3,121,591	\$ 2,781,234	\$ 4,472,229	\$ 386,522	\$ 2,681,901	\$ 101,748	\$ 16,456,128
Cash payments to suppliers for goods and services	(978,747)	(1,518,631)	(1,791,487)	(4,260,552)	(159,457)	(632,179)	-	(9,341,053)
Cash payments to employees for services	(439,093)	(962,728)	(744,183)	(458,142)	(124,233)	(1,868,110)	-	(4,596,489)
Net cash provided (used) by operating activities	1,493,063	640,232	245,564	(246,465)	102,832	181,612	101,748	2,518,586
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Transfers in	-	-	-	114,746	-	-	-	114,746
Repayment received from other funds	-	(193,627)	-	-	(15,313)	-	-	(208,940)
Net cash provided (used) by noncapital financing activities	-	(193,627)	-	114,746	(15,313)	-	-	(94,194)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Acquisition and construction of capital assets	(931,243)	-	(47,068)	-	-	-	-	(978,311)
Principal paid of capital debt	-	-	-	-	(12,483)	-	-	(12,483)
Interest paid on capital debt	-	-	-	-	-	-	-	-
Proceeds from sales of capital assets	28,333	-	-	-	-	-	-	28,333
Net cash provided (used) by capital and related financing activities	(902,910)	-	(47,068)	-	(12,483)	-	-	(962,461)
Net increase (decrease) in cash and cash equivalents	590,153	446,605	198,496	(131,719)	75,036	181,612	101,748	1,461,931
CASH AND CASH EQUIVALENTS:								
Beginning of year	4,871,757	-	150,205	15,184,482	-	391,233	-	20,597,677
End of year	\$ 5,461,910	\$ 446,605	\$ 348,701	\$ 15,052,763	\$ 75,036	\$ 572,845	\$ 101,748	\$ 22,059,608

City of Redondo Beach
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2010

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Printing and Graphics	Emergency Communications	Major Facilities Repair	Total
RECONCILIATION OF OPERATING INCOME TO NET								
CASH PROVIDED BY OPERATING ACTIVITIES:								
Operating income (loss)	\$ 508,592	\$ 664,552	\$ 170,763	\$ 2,442,252	\$ 77,654	\$ 106,243	\$ 101,748	\$ 4,071,804
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation	794,503	3,139	105,329	-	38,396	73,221	-	1,014,588
Changes in assets and liabilities:								
(Increase) decrease in accounts receivable	(159)	-	-	-	-	-	-	(159)
(Increase) decrease in due from other governments	-	-	-	-	-	-	-	-
(Increase) decrease in prepaid expense	-	402	56	(113)	1,971	(250)	-	2,066
Increase (decrease) in accounts payable	184,837	(35,065)	(41,300)	8,974	(11,561)	(16,443)	-	89,442
Increase (decrease) in due to other governments	-	-	-	-	-	-	-	-
Increase (decrease) in accrued liabilities	2,115	4,784	(1,488)	6,365	(379)	8,518	-	19,915
Increase (decrease) in claims and judgments	-	-	-	(2,709,309)	-	-	-	(2,709,309)
Increase (decrease) in compensated absences	3,175	2,420	12,204	5,366	(3,249)	10,323	-	30,239
Total adjustments	984,471	(24,320)	74,801	(2,688,717)	25,178	75,369	-	(1,553,218)
Net cash provided (used) by operating activities	\$ 1,493,063	\$ 640,232	\$ 245,564	\$ (246,465)	\$ 102,832	\$ 181,612	\$ 101,748	\$ 2,518,586

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FUDUCIARY FUNDS



FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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

City of Redondo Beach
Combining Statement of Fiduciary Net Assets
All Agency Funds
June 30, 2010

	Deposits	Assessment District 92-1	Total Agency Funds
ASSETS			
Pooled cash and investments	\$ 392,639	\$ 178,012	\$ 570,651
Receivables:			
Accounts	43,457	-	43,457
Interest	1,047	-	1,047
Total assets	\$ 437,143	\$ 178,012	\$ 615,155
LIABILITIES			
Accounts payable	\$ 45,002	\$ -	\$ 45,002
Accrued liabilities	(142,956)	-	(142,956)
Deposits payable	535,097	178,012	713,109
Total liabilities	\$ 437,143	\$ 178,012	\$ 615,155

City of Redondo Beach
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the year ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>Deposits</u>				
Assets:				
Pooled cash and investments	\$ 253,590	\$ 2,627,899	\$ (2,488,850)	\$ 392,639
Receivables:				
Accounts	32,262	774,330	(763,135)	43,457
Interest	1,129	1,047	(1,129)	1,047
Due from other governments	540,237	-	(540,237)	-
Total assets	\$ 827,218	\$ 3,403,276	\$ (3,793,351)	\$ 437,143
Liabilities:				
Accounts payable	\$ 151,679	\$ 2,119,281	\$ (2,225,958)	\$ 45,002
Accrued liabilities	46,930	2,065,253	(2,255,139)	(142,956)
Deposits payable	621,799	927,248	(1,013,950)	535,097
Deferred revenue	6,810	-	(6,810)	-
Total liabilities	\$ 827,218	\$ 5,111,782	\$ (5,501,857)	\$ 437,143
<u>Assessment District 92-1</u>				
Assets:				
Pooled cash and investments	\$ 178,012	\$ -	\$ -	\$ 178,012
Total assets	\$ 178,012	\$ -	\$ -	\$ 178,012
Liabilities:				
Deposits payable	\$ 178,012	\$ -	\$ -	\$ 178,012
Total liabilities	\$ 178,012	\$ -	\$ -	\$ 178,012

City of Redondo Beach
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the year ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>Total - All Agency Funds</u>				
Assets:				
Pooled cash and investments	\$ 431,602	\$ 2,627,899	\$ (2,488,850)	\$ 570,651
Receivables:				
Accounts	32,262	774,330	(763,135)	43,457
Accrued interest	1,129	1,047	(1,129)	1,047
Due from other governments	540,237	-	(540,237)	-
Total assets	\$ 1,005,230	\$ 3,403,276	\$ (3,793,351)	\$ 615,155
Liabilities:				
Accounts payable	\$ 151,679	\$ 2,119,281	\$ (2,225,958)	\$ 45,002
Accrued liabilities	46,930	2,065,253	(2,255,139)	(142,956)
Deposits payable	799,811	927,248	(1,013,950)	713,109
Deferred revenue	6,810	-	(6,810)	-
Total liabilities	\$ 1,005,230	\$ 5,111,782	\$ (5,501,857)	\$ 615,155

STATISTICAL SECTION



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

<u>Contents</u>	<u>Page</u>
<i>Financial Trends</i> Presented are schedules containing trend information to assist in the reader's understanding of how the City's financial performance has changed over time.	170
<i>Revenue Capacity</i> Presented are schedules to assist the reader's assessment of the factors affecting the City's ability to generate revenue through property taxes.	176
<i>Debt Capacity</i> Presented are schedules to assist the reader's understanding of the City's current level of outstanding debt and its ability to issue additional debt in the future.	180
<i>Demographic and Economic Information</i> Presented are schedules to assist the reader's understanding of the socioeconomic environment within which the City operates and to help make comparisons over time and with other governments.	184
<i>Operating & Other Information</i> Presented are schedules to assist the reader's understanding of how the City's financial information relates to the services provided by the City and the activities it performs.	186

City of Redondo Beach
Net Assets by Component
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities:								
Invested in capital assets, net of related debt	\$ 132,056,720	\$ 131,553,186	\$ 131,738,853	\$ 131,382,820	\$ 135,153,851	\$ 134,543,764	\$ 135,170,376	\$ 137,743,367
Restricted	24,444,604	18,585,387	32,636,751	29,022,856	34,504,525	34,884,364	17,828,013	16,803,437
Unrestricted	1,138,486	(3,642,292)	(22,641,897)	(15,492,009)	(16,364,199)	(14,805,067)	876,969	(816,752)
Total governmental activities net assets	<u>157,639,810</u>	<u>146,496,281</u>	<u>141,733,707</u>	<u>144,913,667</u>	<u>153,294,177</u>	<u>154,623,061</u>	<u>153,875,358</u>	<u>153,730,052</u>
Business-type activities:								
Invested in capital assets, net of related debt	28,749,590	25,572,316	39,409,701	39,151,202	38,139,435	36,923,208	35,414,035	35,985,952
Restricted	190,050	-	-	-	-	-	-	-
Unrestricted	17,787,346	30,464,219	19,380,216	20,013,129	22,770,297	25,271,647	25,564,850	25,550,889
Total business-type activities net assets	<u>46,726,986</u>	<u>56,036,535</u>	<u>58,789,917</u>	<u>59,164,331</u>	<u>60,909,732</u>	<u>62,194,855</u>	<u>60,978,885</u>	<u>61,536,841</u>
Primary government:								
Invested in capital assets, net of related debt	160,806,310	157,125,502	171,148,554	170,534,022	173,293,286	171,466,972	170,584,411	173,729,319
Restricted	24,634,654	18,585,387	32,636,751	29,022,856	34,504,525	34,884,364	17,828,013	16,803,437
Unrestricted	18,925,832	26,821,927	(3,261,681)	4,521,120	6,406,098	10,466,580	26,441,819	24,734,137
Total primary government net assets	<u>\$ 204,366,796</u>	<u>\$ 202,532,816</u>	<u>\$ 200,523,624</u>	<u>\$ 204,077,998</u>	<u>\$ 214,203,909</u>	<u>\$ 216,817,916</u>	<u>\$ 214,854,243</u>	<u>\$ 215,266,893</u>

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

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

City of Redondo Beach
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Government activities:								
General government	\$ 8,246,966	\$ 8,182,895	\$ 10,427,561	\$ 10,638,910	\$ 10,019,467	\$ 10,234,450	\$ 9,234,672	\$ 7,618,055
Public Safety	28,238,180	28,889,848	32,490,257	35,772,948	38,269,521	40,835,961	42,293,976	40,737,832
Housing and community development	12,290,418	11,746,765	11,797,139	11,749,944	12,194,088	14,063,015	17,696,101	16,227,602
Cultural and leisure services	7,693,999	7,673,578	8,204,892	8,812,584	9,499,827	10,143,340	7,586,649	6,543,884
Public works	17,324,480	14,478,369	14,212,509	12,936,637	14,986,259	13,601,505	12,538,423	17,980,811
Interest on long-term debt	2,246,326	1,377,259	1,956,707	2,122,317	1,696,368	2,419,799	1,747,427	1,077,588
Total governmental activities expenses	76,040,369	72,348,714	79,089,065	82,033,340	86,665,530	91,298,070	91,097,248	90,185,772
Business-type activities:								
Harbor Tidelands	4,193,713	4,474,733	5,142,991	4,447,965	4,902,841	5,075,571	5,360,523	5,372,721
Harbor Uplands	3,945,726	4,682,845	4,071,680	4,466,239	4,503,160	5,416,019	5,288,345	4,441,227
Solid Waste	-	2,901,712	3,001,525	3,225,121	3,493,852	3,129,337	3,228,498	3,364,549
Wastewater	-	886,466	1,350,156	2,686,646	2,122,793	1,853,206	2,092,245	2,207,319
Total business-type activities expenses	8,139,439	12,945,756	13,566,352	14,825,971	15,022,646	15,474,133	15,969,611	15,385,816
Total primary government expenses	84,179,808	85,294,470	92,655,417	96,859,311	101,688,176	106,772,203	107,066,859	105,571,588
Component Units:								
Program Revenues								
Governmental activities:								
Charges for Services:								
General government	705,541	176,191	218,476	4,732,359	6,434,951	6,337,391	4,798,599	6,804,342
Public Safety	1,099,904	1,226,777	1,357,045	1,353,696	1,290,081	1,437,688	2,669,185	2,097,003
Housing and community development	4,288,421	5,233,846	5,091,922	5,425,840	4,989,531	5,186,896	4,056,523	4,556,546
Cultural and leisure services	1,444,730	1,462,232	1,743,838	1,864,303	1,842,631	1,747,849	1,219,916	1,211,155
Public works	4,230,641	1,746,110	1,866,308	1,879,095	1,771,922	1,733,379	4,518,076	1,923,289
Operating grants and contributions	12,610,308	13,548,374	14,385,755	11,403,631	12,366,720	14,480,137	9,137,687	8,715,661
Capital grants and contributions	953,264	507,063	715,672	2,856,548	4,916,505	4,863,545	3,486,113	6,605,139
Total governmental activities program revenues	25,332,809	23,900,593	25,379,016	29,515,472	33,612,341	35,786,885	29,886,099	31,913,135

City of Redondo Beach
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Business-type activities:								
Charges for services:								
Harbor Tidelands	4,561,567	4,938,355	4,976,742	4,797,346	5,067,315	6,084,834	5,270,090	5,408,349
Harbor Uplands	3,590,837	3,554,528	3,526,424	3,858,007	4,103,636	4,400,815	4,038,226	3,935,048
Solid Waste	-	2,464,184	2,462,684	3,184,481	3,481,133	2,845,736	2,992,476	3,356,843
Wastewater	-	236,675	2,487,868	2,135,108	1,842,479	1,739,468	2,293,090	2,437,816
Operating grants and contributions	1,105	36,362	49,717	73,035	68,841	70,150	162,512	17,769
Capital grants and contributions	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>8,153,509</u>	<u>11,230,104</u>	<u>13,503,435</u>	<u>14,047,977</u>	<u>14,563,404</u>	<u>15,141,003</u>	<u>14,756,394</u>	<u>15,155,825</u>
Total primary government program revenues	<u>33,486,318</u>	<u>35,130,697</u>	<u>38,882,451</u>	<u>43,563,449</u>	<u>48,175,745</u>	<u>50,927,888</u>	<u>44,642,493</u>	<u>47,068,960</u>
Net (expense)/revenue								
Governmental activities	(50,707,560)	(48,448,121)	(53,710,049)	(52,517,868)	(53,053,189)	(55,511,185)	(61,211,149)	(58,272,637)
Business-type activities	14,070	(1,715,652)	(62,917)	(777,994)	(459,242)	(333,130)	(1,213,217)	(229,991)
Total primary government net expense	<u>(50,693,490)</u>	<u>(50,163,773)</u>	<u>(53,772,966)</u>	<u>(53,295,862)</u>	<u>(53,512,431)</u>	<u>(55,844,315)</u>	<u>(62,424,366)</u>	<u>(58,502,628)</u>
General Revenues and Other Changes in Net Assets								
Governmental Activities								
Taxes								
Property taxes, levied for general purpose	16,751,767	18,058,184	19,524,448	25,617,618	27,136,137	27,311,112	28,612,395	29,598,821
Transient occupancy taxes	2,257,526	2,439,439	2,648,323	3,354,138	3,738,839	3,933,009	3,485,290	3,204,045
Sales taxes	8,073,176	8,544,764	9,408,574	9,906,235	10,205,436	9,635,626	9,329,872	7,839,179
Franchise taxes	1,321,287	1,842,050	1,761,441	1,767,452	1,685,711	1,807,308	1,970,548	1,673,632
Business licenses taxes	1,278,607	1,302,614	1,323,345	1,376,117	1,289,608	1,385,726	1,293,056	1,256,462
Utility users taxes	6,835,864	6,841,854	7,184,530	7,398,984	7,878,429	8,018,564	7,848,157	8,043,207
Other taxes	-	-	-	-	-	-	-	11,200
Motor vehicle in lieu	3,897,644	2,959,364	5,653,644	453,645	429,612	293,685	205,403	198,745
Investment earnings	3,719,297	1,729,697	2,595,528	3,349,037	4,687,909	4,264,527	4,948,736	5,118,217
Other revenues	926,203	1,248,023	1,980,160	1,340,746	1,626,971	443,706	1,599,388	1,078,427
Loss on disposal of capital assets	(121,086)	(12,125)	-	-	-	34,735	28,288	26,396
Transfers	429,460	(5,308,676)	473,040	-	-	(146,710)	1,142,313	79,000
Total governmental activities	<u>45,369,745</u>	<u>39,645,188</u>	<u>52,553,033</u>	<u>54,563,972</u>	<u>58,678,652</u>	<u>56,981,288</u>	<u>60,463,446</u>	<u>58,127,331</u>

City of Redondo Beach
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Business-type activities:								
Investment earnings	770,111	295,611	810,422	839,082	1,439,428	1,329,922	944,480	801,184
Loss on disposal of capital assets	(18,048)	-	-	-	-	-	-	(16,398)
Other revenues	369,246	760,920	1,032,553	204,761	138,877	141,621	195,080	176,052
Transfers	(429,460)	5,308,676	(473,040)	-	-	146,710	(1,142,313)	(79,000)
Total business-type activities	691,849	6,365,207	1,369,935	1,043,843	1,578,305	1,618,253	(2,753)	881,838
Total primary government	46,061,594	46,010,395	53,922,968	55,607,815	60,256,957	58,599,541	60,460,693	59,009,169
Change in Net Assets								
Governmental activities	(5,337,815)	(8,802,933)	(1,157,016)	2,046,104	5,625,463	1,470,103	(747,703)	(145,306)
Business-type activities	705,919	4,649,555	1,307,018	265,849	1,119,063	1,285,123	(1,215,970)	651,847
Totally primary government	\$ (4,631,896)	\$ (4,153,378)	\$ 150,002	\$ 2,311,953	\$ 6,744,526	\$ 2,755,226	\$ (1,963,673)	\$ 506,541

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

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

City of Redondo Beach
Fund Balances of Governmental Funds
Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General fund								
Reserved	\$ 1,118,553	\$ 532,612	\$ 1,229,239	\$ 759,733	\$ 781,710	\$ 902,881	\$ 634,743	\$ 510,223
Unreserved:								
Designated	11,802,290	11,942,979	9,144,315	9,383,713	10,143,013	11,363,952	9,353,252	9,362,210
Undesignated	(83,439)	3,692	1,028,448	2,680,196	214,115	314,926	37,327	21,644
Total general fund	<u>12,837,404</u>	<u>12,479,283</u>	<u>11,402,002</u>	<u>12,823,642</u>	<u>11,138,838</u>	<u>12,581,759</u>	<u>10,025,322</u>	<u>9,894,077</u>
All other governmental funds								
Reserved	9,649,967	5,770,495	3,156,012	7,519,312	21,109,217	21,158,335	15,551,248	14,901,750
Unreserved, reported in:								
Special revenue funds	5,486,190	5,089,794	5,941,612	4,485,135	8,108,628	7,429,282	4,494,765	5,067,696
Capital projects funds	630	2,284,886	2,085,674	1,763,987	1,581,516	1,614,077	5,052	5,054
Debt service funds	4,779	4,822	4,819	5,021	5,028	5,028	1,222,686	1,165,476
Designated, reported in:								
Special revenue funds	2,698,080	3,010,610	-	2,070,751	2,948,322	3,567,481	2,696,956	2,240,916
Capital projects funds	12,304,702	8,142,187	5,233,040	6,250,116	6,326,050	8,926,207	9,891,290	2,756,163
Undesignated, reported in:								
Special revenue funds	-	(1,670,397)	3,215,250	218	(2,831,086)	(2,368,822)	5,803,471	6,140,429
Capital projects funds	-	4,400,944	2,629,467	1,424,414	4,050,994	3,414,086	2,317,151	2,426,273
Debt service funds	-	(2,620,107)	(3,278,401)	(3,714,945)	(13,958,851)	(12,990,180)	(14,007,225)	(15,428,315)
Total all other governmental funds	<u>\$ 30,144,348</u>	<u>\$ 24,413,234</u>	<u>\$ 18,987,473</u>	<u>\$ 19,804,009</u>	<u>\$ 27,339,818</u>	<u>\$ 30,755,494</u>	<u>\$ 27,975,394</u>	<u>\$ 19,275,442</u>

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

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

City of Redondo Beach
Changes in Fund Balances of Governmental Funds
Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Revenues:								
Taxes	\$ 35,772,421	\$ 39,678,946	\$ 47,416,940	\$ 49,809,201	\$ 52,569,593	\$ 53,052,490	\$ 52,330,017	\$ 49,946,499
Interdepartmental	-	-	-	4,298,260	6,314,753	6,314,750	6,655,458	6,681,277
Licenses and permits	1,241,136	1,513,226	1,713,598	2,006,686	1,660,339	1,306,025	1,006,075	930,523
Intergovernmental	15,566,321	16,208,575	13,322,228	14,196,236	15,771,721	16,660,368	13,991,411	15,619,990
Charges for services	7,870,593	7,193,850	7,738,642	8,673,373	7,627,197	6,814,267	6,947,073	7,279,164
Use of money and property	6,638,379	2,178,640	3,834,831	3,458,204	5,228,621	6,279,652	5,680,333	4,929,845
Fines and forfeitures	1,612,480	1,069,909	942,598	889,437	1,117,196	1,984,683	1,845,838	1,875,287
Other revenues	1,551,978	784,325	697,856	760,816	787,722	559,093	1,703,984	999,916
Total Revenues	<u>70,253,308</u>	<u>68,627,471</u>	<u>75,666,693</u>	<u>84,092,213</u>	<u>91,077,142</u>	<u>92,971,328</u>	<u>90,160,189</u>	<u>88,262,501</u>
Expenditures:								
Current:								
General government	7,858,215	8,134,136	10,291,155	10,531,849	9,878,387	9,033,018	8,693,889	7,901,358
Public safety	27,905,212	28,548,022	31,357,941	35,109,834	38,254,942	40,909,913	42,869,798	41,964,634
Housing and community development	12,272,712	11,753,095	11,134,350	11,341,953	11,960,230	13,970,479	17,569,049	16,392,441
Cultural and leisure services	6,892,592	7,565,264	7,446,505	8,658,356	9,120,765	9,780,910	7,372,691	7,427,423
Public works	9,429,422	11,866,239	7,404,995	9,409,898	10,218,116	11,046,771	9,554,993	8,837,700
Capital outlay	7,987,598	1,884,946	10,024,176	3,356,314	5,318,230	4,121,712	5,683,727	11,562,615
Debt service:								
Principal	394,798	395,046	420,069	1,984,826	757,671	1,526,811	3,448,829	2,492,055
Interest	2,232,047	1,389,640	1,958,332	2,130,871	1,698,884	2,902,761	1,738,532	1,069,040
Debt issuance costs	21,157	-	-	-	-	-	-	-
Total Expenditures	<u>74,993,753</u>	<u>71,536,388</u>	<u>80,037,523</u>	<u>82,523,901</u>	<u>87,207,225</u>	<u>93,292,375</u>	<u>96,931,508</u>	<u>97,647,266</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,740,445)</u>	<u>(2,908,917)</u>	<u>(4,370,830)</u>	<u>1,568,312</u>	<u>3,869,917</u>	<u>(321,047)</u>	<u>(6,771,319)</u>	<u>(9,384,765)</u>
Other Financing Sources (Uses):								
Transfers in	5,277,409	3,548,964	3,194,254	3,296,665	6,611,051	11,074,552	5,482,661	4,390,846
Transfers out	(6,077,949)	(4,194,424)	(6,007,674)	(4,496,995)	(7,853,397)	(6,630,271)	(4,595,668)	(4,426,592)
Refunding bonds issued	-	-	-	-	-	7,645,000	700,000	-
Other debts issued	450,140	655,879	926,685	736,338	476,292	648,720	547,789	589,314
Bond premium	-	-	-	-	-	227,862	-	-
Refunding bonds redeemed	-	-	-	-	-	(7,645,000)	(700,000)	-
Total Other Financing Sources (Uses)	<u>(350,400)</u>	<u>10,419</u>	<u>(1,886,735)</u>	<u>(463,992)</u>	<u>(766,054)</u>	<u>5,320,863</u>	<u>1,434,782</u>	<u>553,568</u>
Net Change in Fund Balances	<u>\$ (5,090,845)</u>	<u>\$ (2,898,498)</u>	<u>\$ (6,257,565)</u>	<u>\$ 1,104,320</u>	<u>\$ 3,103,863</u>	<u>\$ 4,999,816</u>	<u>\$ (5,336,537)</u>	<u>\$ (8,831,197)</u>
Debt service as a percentage of noncapital expenditures	4.11%	2.63%	3.52%	5.48%	3.09%	5.23%	6.03%	4.32%

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

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

City of Redondo Beach
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	City				Redevelopment				Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Exemptions	Taxable Assessed Value	
2001	\$ 5,897,945,763	\$ 312,563,883	\$ (43,819,866)	\$ 6,166,689,780	\$ 241,493,805	\$ 54,167,424	\$ (313,342)	\$ 295,347,887	0.191%
2002	6,385,716,954	324,592,746	(37,669,872)	6,672,639,828	246,801,085	57,023,707	(319,608)	303,505,184	0.198%
2003	6,828,949,516	359,752,562	(55,603,784)	7,133,098,294	253,875,110	56,736,856	(325,999)	310,285,967	0.225%
2004	7,506,186,983	361,472,965	(60,856,425)	7,806,803,523	253,975,182	66,824,277	(332,518)	320,466,941	0.222%
2005	7,919,761,315	349,465,981	(43,088,228)	8,226,139,068	277,594,347	59,467,281	-	337,061,628	0.228%
2006	8,791,344,602	347,996,542	(69,771,516)	9,069,569,628	272,239,842	58,002,148	(537,132)	329,704,858	0.273%
2007	9,681,892,573	375,435,811	(47,879,656)	10,009,448,728	347,940,107	55,919,195	(547,874)	403,311,428	0.261%
2008	10,414,844,031	363,370,583	(75,561,247)	10,702,653,367	371,338,622	62,307,947	(771,134)	432,875,435	0.245%
2009	10,967,218,597	377,551,863	(67,013,974)	11,277,756,486	371,987,381	64,908,544	(158,162)	436,737,763	0.244%
2010	11,070,789,692	362,332,212	(66,883,744)	11,366,238,160	409,520,646	55,988,588	(866,778)	464,642,456	0.250%

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

Source: HdL Coren & Cone, Los Angeles County Auditor-Controller/Tax Division 2009-10 Combined Tax Rolls

City of Redondo Beach
Direct and Overlapping Property Tax Rates
(Rate per \$100 of taxable value)
Last Ten Fiscal Years

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
City basic rate	0.16617	0.16617	0.16617	0.16617	0.16617	0.16617	0.16617	0.16617	0.16539	0.16539
Redevelopment agency	1.01167	1.00990	1.00861	1.00755	1.00697	1.00604	1.00541	1.00450	1.00430	1.00430
Overlapping Rates:										
Los Angeles County	0.00131	0.00113	0.00103	0.00099	0.00092	0.00080	0.00066	0.00000	0.00000	0.00000
Flood Control	0.00156	0.00107	0.00088	0.00047	0.00024	0.00005	0.00005	0.00000	0.00000	0.00000
Metropolitan Water District	0.00880	0.00770	0.00670	0.00610	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430
Community College	0.00000	0.00000	0.00000	0.01903	0.01656	0.01838	0.03570	0.01647	0.01703	0.01487
Unified School District	0.00000	0.02370	0.00446	0.00866	0.02765	0.03336	0.02970	0.02844	0.04714	0.05519
Total Direct Rate	0.18529	0.18449	0.18385	0.18360	0.18176	0.18234	0.21166	0.18715	0.18608	0.18774

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

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

RDA rate is based on the largest RDA tax rate area(TRA) and includes only rate(s) from indebtedness adopted prior to 1969 per California State statute.

RDA direct and overlapping rates are applied only to the incremental property values.

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

Source: HdL Coren & Cone, Los Angeles County Assessor 2009/2010 Tax Rate Table

**City of Redondo Beach
Principal Property Taxpayers
Current Year and Nine Years Ago**

Taxpayer	2010		2001	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Northrop Gruman Space and Mission (formerly TRW Inc.)	\$ 407,319,360	3.44%	\$ 327,864,867	5.08%
South Bay Center LLC	196,651,752	1.66%	155,781,295	2.41%
AES Redondo Beach, LLC	182,645,733	1.54%	259,721,042	4.02%
HPT IHG 2 Properties Trust	42,421,554	0.36%	-	
MKEG P LLC	36,802,692	0.31%	-	
Portofino Partners	36,394,229	0.31%	27,710,919	0.43%
AMB AMS Spinnaker LLC	33,106,692	0.28%	-	
Target Corporation	33,075,535	0.28%	-	
Harbor Cove The Bascom Group	32,889,461	0.28%	-	
Star CTL Doolittle Redondo Beach LLC	32,752,200	0.28%	-	
Town Park Hotel Corporation	-		25,926,896	0.40%
Space Technology Lab Inc.	-		22,145,587	0.34%
Von's Companies Inc.	-		20,775,949	0.32%
California Water Service Company	-		17,776,213	0.28%
Redondo Shores LLC	-		17,266,957	0.27%
South Bay Associates	-		16,220,029	0.25%
	<u>\$ 1,034,059,208</u>	<u>8.74%</u>	<u>\$ 891,189,754</u>	<u>13.80%</u>

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

Source: HdL Coren & Cone, Los Angeles County Assessor 2009/2010 Combined Tax Rolls

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years *	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	\$ 13,470,937	\$ 13,044,194	96.83%	\$ -	\$ 13,044,194	96.83%
2002	14,444,954	14,001,063	96.93%	458,721	14,459,784	100.10%
2003	15,320,666	14,886,490	97.17%	477,197	15,363,687	100.28%
2004	16,229,288	15,968,858	98.40%	506,977	16,475,835	101.52%
2005	19,327,612	18,856,789	97.56%	459,220	19,316,009	99.94%
2006	19,954,589	19,442,404	97.43%	455,758	19,898,162	99.72%
2007	21,893,557	21,130,547	96.51%	477,535	21,608,082	98.70%
2008	23,253,318	22,214,291	95.53%	646,294	22,860,585	98.31%
2009	24,948,068	23,904,011	95.82%	1,156,615	25,060,626	100.45%
2010	25,278,747	24,462,121	96.77%	1,204,949	25,667,070	101.54%

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

Source: County of Los Angeles Auditor-Controller

City of Redondo Beach
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-type Activities			Total Primary Government	Percentage of Personal Income *	Per Capita
	Tax Allocation	Revenue	Refunding Revenue		Capital	Wastewater Revenue	Construction	Capital			
	Bonds	Bonds	Bonds	Loans	Leases	Bonds	Loans	Leases			
2001	\$ 7,545,000	\$ 9,785,000	\$ -	\$ 11,358,367	\$ 4,047	\$ -	\$ 5,332,062	\$ 34,837	\$ 34,059,313	11.56%	\$ 527
2002	4,570,000	9,640,000	2,965,000	11,754,103	57,068	-	5,157,329	19,495	34,162,995	11.31%	540
2003	4,480,000	9,485,000	2,840,000	12,179,445	50,105	-	4,994,952	2,896	34,032,398	10.93%	511
2004	4,385,000	9,325,000	2,730,000	12,805,278	36,364	10,263,776	4,607,531	-	44,152,949	13.42%	664
2005	4,285,000	9,150,000	2,615,000	13,701,886	26,295	10,086,150	4,399,037	-	44,263,368	12.78%	657
2006	3,085,000	8,965,000	2,500,000	13,953,397	12,961	9,903,524	4,399,037	-	42,818,919	11.60%	638
2007	3,010,000	8,765,000	2,380,000	14,067,018	919	9,715,898	4,181,161	-	42,119,996	10.79%	624
2008	2,930,000	-	10,113,873	14,508,927	45,219	9,523,272	3,953,480	-	41,074,771	9.94%	609
2009	-	-	9,759,884	14,872,887	33,169	9,325,646	3,715,553	-	37,707,139	-	557
2010	-	-	8,870,895	13,840,146	20,686	9,118,020	3,466,920	-	35,316,667	-	519

NOTES: * Personal income data was not available from the California Department of Finance subsequent to fiscal year 2007/2008. Percentages reflected are calculated using personal income of the County of Los Angeles.

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

City of Redondo Beach
Direct and Overlapping Governmental Activities Debt
June 30, 2010

City Assessed Valuation		\$ 11,830,880,616	
Redevelopment Agency Incremental Valuation		430,213,553	
Total Assessed Valuation		<u>\$ 11,400,667,063</u>	
			Estimated
	Percentage	Outstanding	Share of
	Applicable	Debt 6/30/10	Overlapping
			Debt
Direct Debt:			
County Deferral Loans	100%	13,407,602	13,407,602
Boating & Waterways Construction Loan 89-21-147	100%	2,443,872	2,443,872
PFA 2001 Refunding Revenue Bonds	100%	2,010,000	2,010,000
Boating & Waterways Construction Loan 88-21-84	100%	1,023,048	1,023,048
PFA 2008 Refunding Revenue Bonds	100%	6,868,895	6,868,895
Capital Leases	100%	20,399	20,399
South Bay Bank Loan	100%	1,465,285	1,465,285
Wastewater Revenue Bond 2004 Ser A	100%	9,118,020	9,118,020
Total direct debt		<u>\$ 36,357,121</u>	<u>\$ 36,357,121</u>
Overlapping Debt:			
Redondo Beach Unified School District DS 2000 Ser A	100%	10,095,000	10,095,000
Redondo Beach Unified School District DS 2000 Ser B	100%	5,130,000	5,130,000
Redondo Beach Unified School District DS 2000 Ser C	100%	8,085,000	8,085,000
Redondo Beach Unified School District DS 2000 Ser D	100%	9,120,000	9,120,000
Redondo Beach Unified School District DS 2000 Ser E	100%	13,945,000	13,945,000
Redondo Beach Unified School District DS 2008 Ser A	100%	74,995,636	74,995,636
* Metropolitan Water District	1.322%	121,475,156	1,606,416
El Camino CCS DS 2002 S-2003A	14.712%	6,680,000	982,782
El Camino CCD DS 2005 REF BONDS	14.712%	29,413,943	4,327,467
El Camino CCD DS 2002 SER 2006B	14.712%	139,150,000	20,472,163
Total overlapping debt		<u>\$ 418,089,735</u>	<u>\$ 148,759,464</u>
Total direct and overlapping debt			<u>\$ 185,116,585</u>

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

Source: HdL Coren & Cone, Los Angeles County Assessor and Auditor Combined 2009/2010 Lien Date Tax Rolls

City of Redondo Beach
Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed value	\$ 11,830,880,616
Debt Limit (15% of assessed value)	1,774,632,092
Debt applicable to limit	<u>-</u>
Legal debt margin	<u><u>\$ 1,774,632,092</u></u>

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	\$ 968,970,186	\$ 1,046,421,752	\$ 1,116,507,639	\$ 1,219,090,570	\$ 1,284,480,104	\$ 1,409,891,173	\$ 1,561,914,023	\$ 1,670,329,320	\$ 1,757,174,137	\$ 1,774,632,092
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	968,970,186	1,046,421,752	1,116,507,639	1,219,090,570	1,284,480,104	1,409,891,173	1,561,914,023	1,670,329,320	1,757,174,137	1,774,632,092
Total net debt applicable to the limit as a percentage of debt limit	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>

Source: County of Los Angeles Auditor-Controller

**City of Redondo Beach
Pledged-Revenue Coverage
Last Seven Fiscal Years**

Fiscal Year Ended June 30,	Wastewater Revenue Bonds						Coverage
	Wastewater Revenue	Less Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2004	\$ 5,919,446	\$ 664,166	\$ 5,255,280	\$ -	\$ -	0%	
2005*	2,258,072	723,265	1,534,806	180,000	462,798	2.39	
2006*	1,739,414	783,193	956,221	185,000	478,063	1.44	
2007	1,609,643	798,094	811,549	190,000	472,513	1.22	
2008	1,632,533	841,186	791,347	195,000	466,813	1.20	
2009	2,238,654	1,036,836	1,201,818	200,000	476,050	1.78	
2010	2,371,716	1,106,781	1,264,934	210,000	468,050	1.87	

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

City of Redondo Beach
Demographic and Economic Statistics
June 30, 2010

Calendar Year	Population	Personal Income * (in millions)	Per Capita Personal Income *	Unemployment Rate **
2001	64,658	\$ 294,508	\$ 45,549	5.2%
2002	63,261	302,123	47,758	6.7%
2003	66,545	311,285	46,778	6.9%
2004	66,545	329,048	49,447	6.3%
2005	67,325	346,423	51,455	5.0%
2006	67,112	369,174	55,009	4.4%
2007	67,495	390,296	57,826	4.7%
2008	67,488	413,317	61,243	6.6%
2009	67,646	-	-	10.8%
2010	68,105	-	-	11.5%

NOTES: * Personal income data was not available from the California Department of Finance subsequent to fiscal year 2007/2008. Per Capita Personal Income is based on the County of Los Angeles. Statistics not available subsequent to fiscal year 2007/2008. ** Unemployment rate is based on the metropolitan area of Los Angeles-Long Beach-Santa Ana, CA.

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

City of Redondo Beach
Principal Employers
Current Year and Nine Years Ago

Employer	2010		2001
	Employees	Percentage of Total City Employment	Employees
Northrop Grumman (TRW)	6,249	25.44%	4,387
Redondo Beach Unified School District	1,005	4.09%	-
City of Redondo Beach	452	1.84%	485
D H L Global Forwarding	400	1.63%	-
Nordstrom, Inc.	375	1.53%	425
The Cheesecake Factory	300	1.22%	259
United States Post Office	260	1.06%	245
Von's	209	0.85%	-
Crown Plaza (Holiday Inn)	200	0.81%	-
Macy's (Robinson's May)	200	0.81%	335
Douglas Furniture of California, Inc.	-	0.00%	310
Web Service Company	-	0.00%	300
Imperial Bank	-	0.00%	253
Mervyn's	-	0.00%	232

Source: HdL Coren & Cone

City of Redondo Beach
Full-Time City Government Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government	64.5	60	60	59	56	56	59	60	58	52
Public Safety										
Police										
Officers	109	109	108	107	105	105	105	105	105	99
Civilians	57	57	57	58	57	57	58	58	59	58
Fire										
Firefighters and Officers	68	68	69	68	65	65	64	64	63	60
Civilians	6	5	5	6	5	5	6	6	5	5
Public Works	88	88	108	105	102	102	104	105	105	106
Cultural and Leisure Services	50	50	63	61	59	58	57	54	45	40
Housing & Community Development	46	44	45	44	33	33	34	35	38	30
Harbor, Business, & Transit	4.5	4	4	5	7	7	9	9	9	8
TOTAL	493	485	519	513	489	488	496	496	487	458

Source: City of Redondo Beach

City of Redondo Beach
Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety										
Police										
Physical arrests	3,719	3,135	2,955	3,235	3,229	3,402	3,923	2,702	2,641	- *
Traffic citations issued	12,270	12,070	9,774	7,419	7,532	9,683	12,339	10,955	10,786	- *
Fire										
Number of runs - rescues	3,151	3,445	3,212	3,351	3,386	3,551	3,779	3,932	3,942	- *
Number of runs - structures & other	1,777	1,261	1,173	1,075	868	1,087	1,672	1,676	1,495	- *
Public Works										
Street rehabilitation (miles)	3.2	9.3	17.1	17.8	13.3	3.2	3.7	2.3	4.6	1.9
Culture and Leisure Services										
Library										
Number of items borrowed	733,184	798,022	830,950	845,496	845,569	852,750	844,947	831,354	858,934	809,968
Number of visitors	435,826	441,974	454,114	436,714	438,310	439,060	445,056	446,346	436,347 **	398,583 **
Recreation and Community Services										
Admissions - Seaside Lagoon	99,236	98,352	101,584	81,487	86,562	90,966	82,071	76,578	82,921	63,056
Number of facility rentals - Seaside Lagoon	444	506	468	558	579	409	382	395	415	416
Housing & Community Development										
Number of permits issued	4,575	3,508	3,871	4,591	4,544	3,763	3,951	3,270	1,952	2,257
Number of plan checks issued	889	1,133	2,848	1,950	1,667	1,566	1,296	1,101	898	990
Number of inspections	16,680	14,131	14,161	16,817	20,236	19,378	19,916	17,634	12,755	8,605
Number of real estate reports	1,240	1,308	1,367	1,370	1,342	1,051	883	630	577	769
Number of bus boardings - Transit	- *	90,746	98,934	94,087	70,458	169,519	298,206	365,701	393,534	404,983
Revenue miles - Transit	- *	179,926	183,491	172,358	122,814	232,692	416,435	487,203	452,467	472,604

NOTE: * Data not available.

** The number of visitors decreased significantly due to the closure for construction at the North Branch Library for 5 months in fiscal year 2008-09 and then for all of fiscal year 2009-10.

Source: City of Redondo Beach - Financial Services Department

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

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-station	1	1	1	1	1	1	1	1	1	1
Fire Stations	3	3	3	3	3	3	3	3	3	3
Public Works										
Streets (miles)	127	127	127	127	127	127	127	127	127	127
Streetlights	5117	5117	5120	5120	1892 *	1892*	1892*	1892*	1892*	1892*
Street Traffic Controllers	84	84	84	84	84	84	84	84	84	84
Sanitary sewers (miles)	150	150	150	150	150	112	112	112	112	112
Culture and Leisure Services										
Parks	15	15	15	15	15	15	15	15	15	15
Parkettes	13	13	13	13	13	13	13	13	13	13
Total Park Acreage	93.06	93.06	143.26	143.26	143.26	143.26	143.26	143.26	143.26	143.26
Boat Slips	1509	1509	1509	1509	1509	1509	1509	1509	1509	1509
Harbor acreage:										
Total water area (exclusive of the pier)	107	107	107	107	107	107	107	107	107	107
Total land area	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5
Libraries	2	2	2	2	2	2	2	2	2	2
Community Centers	5	5	5	5	5	5	5	5	5	5

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

Source: City of Redondo Beach

City of Redondo Beach
Certification of Continuing Disclosure
Redondo Beach Public Financing Authority 2008 Revenue Bonds
(South Bay Center Redevelopment Project)
June 30, 2010

This Certification of Continuing Disclosure is provided by the Redevelopment Agency of the City of Redondo Beach and the Redondo Beach Public Financing Authority through US Bank, as Dissemination Agent pursuant to a Continuing Disclosure Certificate dated February 13, 2008 executed and delivered by the Redevelopment Agency and the Public Financing Authority and the Dissemination Agent in connection with the issuance of \$7,645,000 Revenue Bonds, South Bay Center Redevelopment Project Bonds ("the Bonds"). The Bonds were issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of the Act, and an Indenture of Trust dated as of February 1, 2008 between the Financing Authority and US Bank. The proceeds of the Bonds were issued to provide funds to (i) refund the Authority's Redondo Beach Public Financing Authority 1996 Revenue Bonds (South Bay Center Redevelopment Project), originally issued in the principal amount of \$10,330,000 of which \$8,550,000 remained outstanding, (ii) fund a reserve fund for the Bonds, and (iii) pay the costs of issuance of the Bonds.

This Certification is made pursuant to the requirements of Section 3(a) of the Continuing Disclosure Certificate with respect to the 2009-10 fiscal year.

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

1. The audited financial statements of the Redevelopment Agency and the Public Financing Authority for the fiscal year ended June 30, 2010 comprise the book in which this report is included. As such, they contain the amount of all Redevelopment Agency debt outstanding secured by a pledge of tax revenues.
2. During the fiscal year ended June 30, 2010, neither the Redevelopment Agency nor the Public Financing Authority has issued any parity or subordinate debt.
3. During the fiscal year ended June 30, 2010, neither the Redevelopment Agency nor the Public Financing Authority has given or caused to be given notice of the occurrence of any of the following events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions or events affecting the tax-exempt status of the security;
 - g. Modifications to rights of security holders;
 - h. Bond calls;
 - i. Defeasances;
 - j. Release, substitution, or sale of property securing repayment of the securities; or
 - k. Rating changes.
4. The South Bay Center Redevelopment Plan stipulates the Project Area will not receive more than a cumulative limit of \$65,000,000 in gross tax increment over its life. According to the records of the Los Angeles County Auditor Controller, as of June 30, 2010 the Agency had been apportioned \$40,725,661 in gross tax increment.

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

City of Redondo Beach
Redondo Beach Redevelopment Agency
South Bay Center Redevelopment Project
Historical Project Area Valuations
June 30, 2010

	Base Year										
	1983-84	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
<u>Secured *</u>											
Land	\$ 9,772,776	\$ 20,644,626	\$ 21,057,511	\$ 26,361,887	\$ 26,567,906	\$ 26,977,212	\$ 27,424,247	\$ 51,658,838	\$ 52,688,442	\$ 53,742,204	\$ 56,292,008
Impts	16,977,265	163,181,451	166,968,861	167,560,188	159,503,456	162,122,684	164,634,061	178,831,940	182,405,613	185,761,187	202,649,015
Pers Prop	-	423,564	385,673	396,224	597,793	572,459	1,617	1,514	-	-	-
Exemptions	-	-	-	-	-	-	-	-	-	-	-
Total Secured	26,750,041	184,249,641	188,412,045	194,318,299	186,669,155	189,672,355	192,059,925	230,492,292	235,094,055	239,503,391	258,941,023
<u>Unsecured</u>											
Land	-	-	-	-	-	-	-	-	-	-	-
Impts	3,023,006	13,993,159	11,511,489	12,123,607	13,074,302	12,287,632	12,261,701	11,408,416	13,236,695	13,336,333	12,530,739
Pers Prop	1,848,954	10,676,604	13,198,111	14,215,089	13,786,344	13,128,156	13,217,135	12,577,271	13,515,052	14,189,166	12,550,901
Exemptions	-	-	-	-	-	-	-	-	-	-	(50,000)
Total Unsecured	4,871,960	24,669,763	24,709,600	26,338,696	26,860,646	25,415,788	25,478,836	23,985,687	26,751,747	27,525,499	25,031,640
GRAND TOTAL	31,622,001	<u>208,919,404</u>	<u>213,121,645</u>	<u>220,656,995</u>	<u>213,529,801</u>	<u>215,088,143</u>	<u>217,538,761</u>	<u>254,477,979</u>	<u>261,845,802</u>	<u>267,028,890</u>	<u>283,972,663</u>
Incremental Value:		177,297,403	181,499,644	189,034,994	181,907,800	183,466,142	185,916,760	222,855,978	230,223,801	235,406,889	252,350,662
Incremental Value Change:		21,127,404	4,202,241	7,535,350	(7,127,194)	1,558,342	2,450,618	36,939,218	7,367,823	5,183,088	16,943,773
% Change:		13.53%	2.37%	4.15%	-3.77%	0.86%	1.34%	19.87%	3.31%	2.25%	7.20%

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

Source: HdL Coren & Cone

City of Redondo Beach
Redondo Beach Redevelopment Agency
South Bay Center Redevelopment Project
Revenue vs. Levy Analysis
June 30, 2010

	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Original Charge Secured Value	\$ 184,249,641	\$ 188,412,045	\$ 194,318,299	\$ 186,669,155	\$ 189,672,355	\$ 192,059,925	\$ 230,492,292	\$ 235,094,055	\$ 239,503,391	\$ 258,941,015
Adjustments to Original Charge	(1,694,392)	(2,895,608)	(5,284,757)	-	-	50,417,882	-	-	-	(2,894,618)
Base Year Secured Value	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,040)</u>	<u>(26,750,040)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>
Incremental Secured Value	155,805,208	158,766,396	162,283,501	159,919,114	162,922,314	215,727,767	203,742,252	208,344,014	212,753,350	229,296,356
Tax Rate	<u>0.0101167</u>	<u>0.0100990</u>	<u>0.0100861</u>	<u>0.0100755</u>	<u>0.0100697</u>	<u>0.0100604</u>	<u>0.0100542</u>	<u>0.0100450</u>	<u>0.0100430</u>	<u>0.0100430</u>
Adjusted Levy	1,576,228	1,603,383	1,636,814	1,611,271	1,640,576	2,170,316	2,048,455	2,092,816	2,136,682	2,302,823
Unitary Revenue	<u>30,921</u>	<u>31,743</u>	<u>30,672</u>	<u>29,747</u>	<u>31,324</u>	<u>27,782</u>	<u>27,587</u>	<u>28,887</u>	<u>31,263</u>	<u>30,311</u>
Total Secured/Unitary Levy	<u>1,607,149</u>	<u>1,635,126</u>	<u>1,667,487</u>	<u>1,641,018</u>	<u>1,671,899</u>	<u>2,198,098</u>	<u>2,076,043</u>	<u>2,121,703</u>	<u>2,167,945</u>	<u>2,333,134</u>
Original Charge Unsecured Value	24,669,763	24,709,600	26,338,696	26,860,646	25,415,788	25,478,836	23,985,683	26,751,747	27,525,499	25,031,637
Adjustments to Original Charge	(121,215)	15,159,459	329,075	77,266,839	2,878,283	200,319	848,749	2,200,114	549,859	2,168,472
Base Year Unsecured Value	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,959)</u>	<u>(4,871,959)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>
Incremental Unsecured Value	19,676,588	34,997,099	21,795,811	99,255,525	23,422,111	20,807,196	19,962,473	24,079,901	23,203,398	22,328,149
Tax Rate	<u>0.0101209</u>	<u>0.0101167</u>	<u>0.0100990</u>	<u>0.0100861</u>	<u>0.0100755</u>	<u>0.0100697</u>	<u>0.0100604</u>	<u>0.0100542</u>	<u>0.0100450</u>	<u>0.0100430</u>
Unsecured Adjusted Levy	<u>199,144</u>	<u>354,054</u>	<u>220,116</u>	<u>1,001,105</u>	<u>235,990</u>	<u>209,522</u>	<u>200,831</u>	<u>242,103</u>	<u>233,078</u>	<u>224,242</u>
Net Total Revenue	<u>1,806,294</u>	<u>1,989,180</u>	<u>1,887,603</u>	<u>2,642,124</u>	<u>1,907,890</u>	<u>2,407,620</u>	<u>2,276,874</u>	<u>2,363,806</u>	<u>2,401,023</u>	<u>2,557,376</u>
Remittance to Agency										
Secured/Unitary Remitted	1,606,406	1,634,614	1,666,575	1,640,962	1,667,891	2,197,703	2,075,997	2,122,507	2,167,741	2,333,113
Unsecured Remitted	195,626	346,157	215,664	220,615	230,164	207,367	183,272	239,176	224,182	219,123
HOX Payments	<u>1</u>	<u>(71)</u>	<u>-</u>							
Total Remittance to Agency:	<u>1,802,034</u>	<u>1,980,700</u>	<u>1,882,239</u>	<u>1,861,577</u>	<u>1,898,055</u>	<u>2,405,070</u>	<u>2,259,268</u>	<u>2,361,683</u>	<u>2,391,923</u>	<u>2,552,236</u>
% of Collection to Levy	99.76%	99.57%	99.72%	70.46%	99.48%	99.89%	99.23%	99.91%	99.62%	99.80%
Grand Total Revenue:										
Secured and Unsecured Revenue	1,802,034	1,980,700	1,882,239	1,861,577	1,898,055	2,405,070	2,259,268	2,361,683	2,391,923	2,552,236
SB 813 Supplemental Payments	(51,655)	(4,777)	(14,273)	-	-	(17,379)	117,362	(2,883)	177,804	(51,122)
Redemptions/Open Roll Corrections	3,582	(44,345)	(41,247)	4,262	2,225	(5,534)	4,532	12,925	1,325	36
Taxpayer Refunds	(3,563)	4,059	(16,469)	(60,249)	(42)	(23,253)	5	(86)	(628)	(83,212)
Deferral Payments/Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,927</u>	<u>(46,423)</u>	<u>(355,390)</u>	<u>(186,859)</u>	<u>(122,005)</u>	<u>(155,747)</u>
Total Paid to Agency:	<u>1,750,398</u>	<u>1,935,637</u>	<u>1,810,249</u>	<u>1,805,590</u>	<u>2,030,165</u>	<u>2,312,481</u>	<u>2,025,778</u>	<u>2,184,780</u>	<u>2,448,419</u>	<u>2,262,190</u>
SB 2557 Charges (1)	(35,351)	(35,433)	(34,894)	(34,524)	(31,324)	(28,308)	(29,423)	(31,971)	(31,959)	(38,139)
Housing Set Aside	(350,080)	(387,127)	(362,050)	(354,655)	(406,033)	(517,064)	(405,156)	(436,956)	(489,684)	(452,438)
Tax Sharing Payments	(756,957)	(623,314)	(773,832)	(772,023)	(813,388)	(1,011,111)	(716,814)	(880,699)	(1,103,678)	(1,140,974)
Negative Balance from Prior Year	<u>-</u>									
Net Grand Total Revenue:	<u>\$ 608,010</u>	<u>\$ 889,762</u>	<u>\$ 639,473</u>	<u>\$ 644,388</u>	<u>\$ 779,420</u>	<u>\$ 755,998</u>	<u>\$ 874,385</u>	<u>\$ 835,154</u>	<u>\$ 823,098</u>	<u>\$ 630,639</u>

Source: HdL Coren & Cone

City of Redondo Beach
Redondo Beach Redevelopment Agency
South Bay Center Redevelopment Project
Top Ten Taxable Property Owners
June 30, 2010

	Secured			Unsecured			Total		Use Code
	Value	Parcels	Percent of Secured Actual Value	Value	Parcels	Percent of Unsecured Actual Value	Value	Percent of Total Value	
1. South Bay Associates SPE LLC	\$ 195,857,315	3	75.64%	\$ 794,437	1	3.17%	\$ 196,651,752	69.25%	Commercial
2. KHS South Bay LLC	23,974,590	1	9.26%	-	0	0.00%	23,974,590	8.44%	Commercial
3. Home Depot USA Inc.	19,622,414	1	7.58%	353,622	1	1.41%	19,976,036	7.03%	Commercial
4. South Bay Associates SPE LLC	9,988,265	4	3.86%	-	0	0.00%	9,988,265	3.52%	Commercial
5. Nordstrom Inc.	-	0	0.00%	6,549,367	1	26.16%	6,549,367	2.31%	Unsecured
6. Outparcel Naperville LLC (2)	5,656,412	1	2.18%	-	0	0.00%	5,656,412	1.99%	Commercial
7. Walgreen	3,837,991	7	1.48%	-	0	0.00%	3,837,991	1.35%	Commercial
8. Macy's Department Stores Inc.	-	0	0.00%	2,543,455	1	10.16%	2,543,455	0.90%	Unsecured
9. American Multi-Cinema Inc.	-	0	0.00%	1,279,949	1	5.11%	1,279,949	0.45%	Unsecured
10. California Pizza Kitchen Inc.	-	0	0.00%	845,251	1	3.38%	845,251	0.30%	Unsecured
	<u>\$258,936,987</u>	<u>17</u>	<u>100.00%</u>	<u>\$12,366,081</u>	<u>6</u>	<u>49.40%</u>	<u>\$271,303,068</u>	<u>95.54%</u>	
Project Area Incremental Value:	<u>\$258,941,023</u>			<u>\$25,031,640</u>			<u>\$283,972,663</u>		

Source: HdL Coren & Cone

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

<u>Owner</u>	<u>APN</u>	<u>Appeal Type</u>	<u>Appeal Status</u>	<u>Original Value</u>	Updated or Owner's <u>Opinion Value</u>	<u>Proposed Change</u>	<u>Proposed % Change</u>
Currently Pending Appeals							
FY 2006-07							
Federated Dept. Stores South Bay Center LLC	4082-018-004	Secured	Pending	25,520,000	7,427,470	(18,092,530)	-70.90%
Gap Inc. & Subs	u	Unsecured	Pending	486,484	-	(486,484)	-100.00%
Gap Inc. & Subs	u	Unsecured	Pending	146,980	66,916	(80,064)	-54.47%
Gap Inc. & Subs	u	Unsecured	Pending	242,989	114,058	(128,931)	-53.06%
Godiva Chocolatier, Inc.	u	Unsecured	Pending	15,080	6,407	(8,673)	-57.51%
Macy's Department Stores, Inc. dba Macy's	u	Unsecured	Pending	548,189	273,000	(275,189)	-50.20%
				<u>26,959,722</u>	<u>7,887,851</u>		
FY 2007-08							
South Bay Center Spe LLC - Macy's Inc.	4082-018-004	Secured	Pending	26,030,400	7,427,470	(18,602,930)	-71.47%
Macy's Aka Federated Retail Holdings, Inc.	u	Unsecured	Pending	1,753,214	876,607	(876,607)	-50.00%
				<u>27,783,614</u>	<u>8,304,077</u>		
FY 2008-09							
Home Depot USA, Inc.	4082-019-042	Secured	Pending	19,237,661	19,237,661	-	0.00%
Guess? Retail Inc. #5622	u	Unsecured	Pending	231,957	115,000	(116,957)	-50.42%
Express LLC #917	u	Unsecured	Pending	203,812	102,000	(101,812)	-49.95%
South Bay Center Spe LLC - Macy's Inc.	4082-018-004	Secured	Pending	26,551,008	7,427,470	(19,123,538)	-72.03%
South Bay Associates Spe LLC	4082-019-030	Secured	Pending	3,200,519	401,000	(2,799,519)	-87.47%
South Bay Associates Spe LLC	4082-019-031	Secured	Pending	1,905,225	301,000	(1,604,225)	-84.20%
South Bay Associates Spe LLC	4082-019-032	Secured	Pending	3,463,787	2,600,000	(863,787)	-24.94%
South Bay Associates Spe LLC	4082-019-033	Secured	Pending	48,355	40,000	(8,355)	-17.28%
South Bay Associates Spe LLC	4082-019-043	Secured	Pending	4,638,322	301,000	(4,337,322)	-93.51%
				<u>59,480,646</u>	<u>30,525,131</u>		

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

<u>Owner</u>	<u>APN</u>	<u>Appeal Type</u>	<u>Appeal Status</u>	<u>Original Value</u>	<u>Updated or Owner's Opinion Value</u>	<u>Proposed Change</u>	<u>Proposed % Change</u>
Currently Pending Appeals							
FY 2009-10							
Nordstrom Incorporated	4082-018-005	Secured	Pending	21,924,618	9,000,000	(12,924,618)	-58.95%
Nordstrom Incorporated	4082-018-010	Secured	Pending	146,850,670	142,000,000	(4,850,670)	-3.30%
Macy's Department Stores Inc.	u	Unsecured	Pending	2,543,455	1,681,900	(861,555)	-33.87%
Guess? Retail Inc. #5622	u	Unsecured	Pending	220,219	110,000	(110,219)	-50.05%
Express LLC #917	u	Unsecured	Pending	189,542	100,000	(89,542)	-47.24%
South Bay Center Spe LLC - Macys Inc.	4082-018-004	Secured	Pending	27,082,027	8,027,470	(19,054,557)	-70.36%
American Multi-Cinema Inc.	u	Unsecured	Pending	1,279,949	504,421	(775,528)	-60.59%
Galleria at South Bay Spe LLC	4082-018-010	Secured	Pending	146,850,670	124,000,000	(22,850,670)	-15.56%
Macy's Department Stores, Inc. dba Macy's	u	Unsecured	Pending	1,053,337	-	(1,053,337)	-100.00%
				<u>347,994,487</u>	<u>285,423,791</u>		

Most Recently Resolved Appeals Among Owners with Pending Appeals

<u>Owner</u>	<u>APN</u>	<u>Appeal Type</u>	<u>Appeal Status</u>	<u>Original Value</u>	<u>Board Value</u>	<u>Change</u>	<u>% Change</u>
FY 2006-07							
Nordstrom Incorporated	4082-018-005	Secured	Allowed	20,660,058	19,190,000	(1,470,058)	-7.12%
Nordstrom Incorporated	4082-018-010	Secured	Allowed	138,380,669	138,380,669	-	0.00%
FY 2007-08							
Nordstrom Incorporated	4082-018-005	Secured	Allowed	21,073,259	19,110,000	(1,963,259)	-9.32%
Nordstrom Incorporated	4082-018-010	Secured	Allowed	141,148,281	141,148,281	-	0.00%
FY 2008-09							
Nordstrom Incorporated	4082-018-005	Secured	Allowed	21,494,724	19,030,000	(2,464,724)	-11.47%
Nordstrom Incorporated	4082-018-010	Secured	Allowed	143,971,246	143,971,246	-	0.00%

Source: HdL Coren & Cone

City of Redondo Beach
Certification of Continuing Disclosure
Redondo Beach Public Financing Authority 2001 Refunding Revenue Bonds
(Harbor Center Redevelopment Project)
June 30, 2010

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

This Certification is made pursuant to the requirements of Section 3(a) of the Continuing Disclosure Certificate with respect to the 2009-10 fiscal year.

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

1. The audited financial statements of the Redevelopment Agency and the Public Financing Authority, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, for the fiscal year ended June 30, 2010 comprise the book in which this report is included. As such, they contain the amount of all Redevelopment Agency debt outstanding secured by a pledge of tax revenues.
2. During the fiscal year ended June 30, 2010, neither the Redevelopment Agency nor the Public Financing Authority has given or caused to be given notice of the occurrence of any of the following events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions or events affecting the tax-exempt status of the security;
 - g. Modifications to rights of security holders;
 - h. Contingent or unscheduled bond calls;
 - i. Defeasances;
 - j. Resale, substitution, or sale of property securing repayment of the securities; or
 - k. Rating changes

City of Redondo Beach
Redondo Beach Redevelopment Agency
Harbor Center Redevelopment Project Area
Historical Project Area Valuations
June 30, 2010

	Base Year										
	1991-92	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
<i>Secured *</i>											
Land	\$ 1,762,312	\$ 12,524,632	\$ 12,775,124	\$ 13,030,625	\$ 13,291,236	\$ 13,539,383	\$ 15,760,494	\$ 17,414,372	\$ 17,762,659	\$ 18,117,912	\$ 18,480,269
Impts	911,370	18,639,194	19,011,977	19,392,215	19,780,058	20,149,351	31,833,956	37,955,766	38,714,881	29,757,900	30,353,057
Pers Prop	6,660	-	-	-	-	-	-	-	-	-	-
Exemptions	-	-	-	-	-	-	-	-	(212,304)	(158,162)	(161,326)
Total Secured	2,680,342	31,163,826	31,787,101	32,422,840	33,071,294	33,688,734	47,594,450	55,370,138	56,265,236	47,717,650	48,672,000
<i>Unsecured</i>											
Land	-	-	-	-	-	-	-	-	-	-	-
Impts	69,280	660,316	854,727	972,053	1,009,249	1,182,097	1,407,295	1,524,897	1,221,918	1,094,975	924,435
Pers Prop	57,280	3,104,179	4,226,265	4,169,949	3,492,740	3,532,307	3,765,198	4,551,493	4,165,208	3,320,987	3,038,241
Exemptions	-	-	-	-	-	-	-	-	-	-	-
Total Unsecured	126,560	3,764,495	5,080,992	5,142,002	4,501,989	4,714,404	5,172,493	6,076,390	5,387,126	4,415,962	3,962,676
GRAND TOTAL	\$ 2,806,902	\$ 34,928,321	\$ 36,868,093	\$ 37,564,842	\$ 37,573,283	\$ 38,403,138	\$ 52,766,943	\$ 61,446,528	\$ 61,652,362	\$ 52,133,612	\$ 52,634,676
		Incremental Value \$ 34,757,940 \$ 34,766,381 \$ 35,596,236 \$ 49,960,041 \$ 58,639,626 \$ 58,845,460 \$ 49,326,710 \$ 49,827,774									

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

Source: HdL Coren & Cone

City of Redondo Beach
Redondo Beach Redevelopment Agency
Harbor Center Redevelopment Project
Top Ten Taxable Property Owners
June 30, 2010

	Secured			Unsecured			Total		Use Code
	Value	Parcels	% Secured Assessed Value	Value	Parcels	% Unsecured Assessed Value	Value	% Total Assessed Value	
1. HPT IHG 2 Properties Trust	\$ 42,421,554	1	87.16%	\$ -	0	0.00%	\$ 42,421,554	80.60%	Commercial
2. Redondo Beach Hotel Associates	6,250,446	1	12.84%	-	0	0.00%	6,250,446	11.88%	Commercial
3. Intercontinental Hotel Group	-	0	0.00%	3,400,060	1	85.80%	3,400,060	6.46%	Unsecured
4. Muscle Improvement Redondo Beach Inc.	-	0	0.00%	277,529	6	7.00%	277,529	0.53%	Unsecured
5. Financial Pacific Leasing LLC	-	0	0.00%	69,144	1	1.74%	69,144	0.13%	Unsecured
6. Greystone Equipment Finance	-	0	0.00%	47,305	1	1.19%	47,305	0.09%	Unsecured
7. Avantage Group Inc.	-	0	0.00%	42,000	1	1.06%	42,000	0.08%	Unsecured
8. Art Shoppe Inc.	-	0	0.00%	30,844	1	0.78%	30,844	0.06%	Unsecured
9. Lodgenet Entertainment Corp.	-	0	0.00%	28,794	1	0.73%	28,794	0.05%	Unsecured
10. Golds Gym of Redondo Beach	-	0	0.00%	26,649	1	0.67%	26,649	0.05%	Unsecured
	\$48,672,000	2	100.00%	\$3,922,325	13	98.98%	\$52,594,325	99.92%	
Project Area Assessed Value:	<u>\$48,672,000</u>			<u>\$3,962,676</u>			<u>\$52,634,676</u>		

Source: HdL Coren & Cone

City of Redondo Beach
Certification of Continuing Disclosure
Redondo Beach Public Financing Authority 2004 Series A Revenue Bonds
(Wastewater System Financing Project)
June 30, 2010

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

This Certification is made pursuant to the requirements of Section 3(a) of the Continuing Disclosure Certificate with respect to the 2009-10 fiscal year.

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

1. The audited financial statements of the City, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, for the fiscal year ended June 30, 2010 comprise the book in which this report is included.
2. During the fiscal year ended June 30, 2010, neither the City nor the Public Financing Authority has given or caused to be given notice of the occurrence of any of the following events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions or events affecting the tax-exempt status of the security;
 - g. Modifications to rights of security holders;
 - h. Contingent or uncheduled bond calls;
 - i. Defeasances;
 - j. Resale, substitution, or sale of property securing repayment of the securities; or
 - k. Rating changes

City of Redondo Beach
Sewer Rates Per Month
Last Seven Fiscal Years

	2004	2005	2006	2007	2008	2009	2010
Use Classification							
Each single family dwelling unit	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 7.00	\$ 7.12
Each unit in a 2-3 unit condo structure	5.00	5.00	5.00	5.00	5.00	7.00	7.12
Each unit in a 2-3 unit apartment structure	3.89	3.89	3.89	3.89	3.89	5.45	5.55
Each unit in a 4 or more unit condo structure	3.89	3.89	3.89	3.89	3.89	5.45	5.55
Each unit in a 4 or more unit apartment structure	2.68	2.68	2.68	2.68	2.68	3.75	3.82
Commercial/Industrial/Institutional parcels	0.43	0.43	0.43	0.43	0.43	0.60	0.61 *

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

* Per 100 cubic feet of average monthly water usage. 100 cubic feet of water is equal to 748 gallons, average monthly water usage is established based on the latest actual annual water usage record available to the City. On an annual basis, the city will recalculate the monthly charge by using the latest available annual water usage record of each non-residential user at the same \$.61 per 100 cubic feet rate to set a new monthly rate. Any water proven to be used for boilers, cooling towers or similar devices that will not be discharged into the sewer system may be deducted from the annual water usage record for rate calculation purposes.

Source: City of Redondo Beach

City of Redondo Beach
Sewer Connections by Type of Customer
Last Seven Fiscal Years

	2004	2005	2006	2007	2008	2009	2010
Type of Customer							
Residential	13,039	13,211	13,211	13,211	13,108	13,102	13,107
Industrial	78	74	74	74	68	66	61
Commercial	575	510	510	510	451	464	462
Institutional	71	64	64	64	62	89	61
Mixed use	44	44	44	44	42	43	43
Total	13,807	13,903	13,903	13,903	13,731	13,764	13,734

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

Source: City of Redondo Beach

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redondo Beach, California (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
Irvine, California
December 10, 2010