



CITY OF
**HERMOSA
BEACH**

Hermosa Beach, CA



Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2025

City of Hermosa Beach

Hermosa Beach, California

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2025

Prepared by the
Finance Department of Hermosa Beach

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City of Hermosa Beach
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

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City of Hermosa Beach

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

March 31, 2026

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

Introduction

Presented herein is the Annual Comprehensive Financial Report (ACFR) of the City of Hermosa Beach for the fiscal year ended June 30, 2025. The report is intended to update readers on the status of the City's financial position and results of operations for the past fiscal year.

Management's representations concerning the finances of the City of Hermosa Beach are contained herein. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Hermosa Beach has established an internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Hermosa Beach's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Hermosa Beach's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

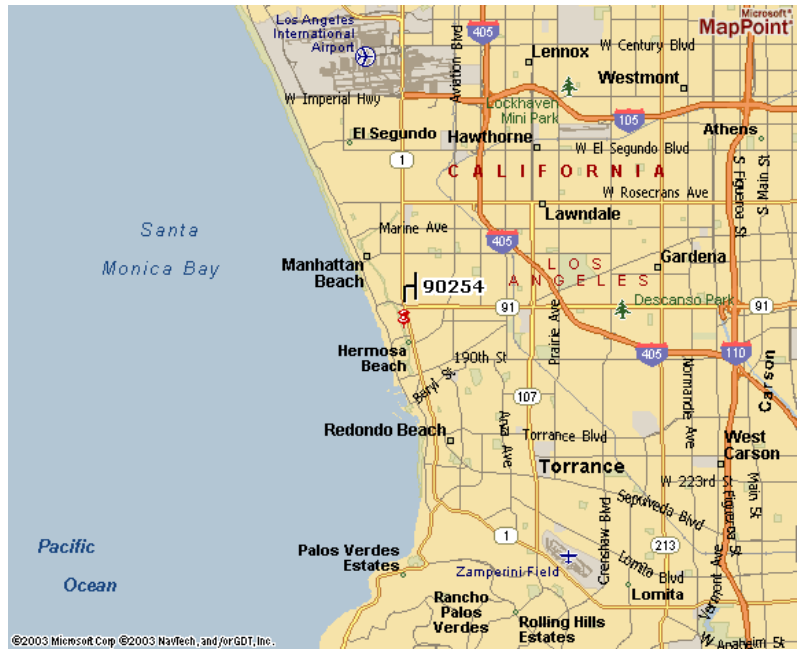
Audit

The City of Hermosa Beach's financial statements have been audited by Gruber and Lopez, Inc., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hermosa Beach for the fiscal year ended June 30, 2025, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Hermosa Beach's financial statements for the fiscal year ended June 30, 2025, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This letter of transmittal is designed to complement the Management Discussion & Analysis (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 auditor.

Profile of the Government

The City of Hermosa Beach is a beachfront, bedroom community with a stable population, located four miles south of Los Angeles International Airport. The City occupies 1.4 square miles and serves a population of 19,014, according to the State's latest population estimate. However, as a beach city, the City experiences a high visitor population and the associated costs. Due to this high visitor population, the City operates in many ways like a larger city. During the 2024–25 fiscal year, beach attendance ranged from a low of 51,650 in November 2024 to a high of 536,000 in July 2024, according to the Los Angeles County Fire Department, Lifeguard Division.



The City of Hermosa Beach, incorporated on January 14, 1907 as a general law city, operates under the Council-Manager form of government. Policy-making and legislative authority are vested in a governing council consisting of five members of the City Council elected on a non-partisan basis at large for a four-year term. Council members serve staggered terms, with an election every two years. One member is chosen by fellow members to serve as Mayor for a period of approximately nine months; one is chosen to serve as Mayor Pro Tem.

The Council is responsible for, among other things, establishing policy, passing ordinances, adopting an annual budget; appointing members to various City Commissions and Boards and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments.

The City offers a full range of municipal services, including police, fire protection (provided by Los Angeles County beginning December 30, 2017), community development (planning and zoning), cultural, recreation and parks, public works (maintenance and construction of public improvements), parking and animal control, and general administration. Financial information for the Lighting and Landscaping District, the Lower Pier Avenue Assessment District and the Myrtle Avenue, Loma Drive, Bayview Drive, and Beach Drive Utility Underground Districts are included in the City's financial statements as required by governmental accounting standards.

Selected information from the U.S. Census Bureau's Quick Facts is shown on the following page.

U.S. CENSUS BUREAU QUICK FACTS

Category	Hermosa Beach	California	Category	Hermosa Beach	California
Persons under 5 years, 2024 estimate	2.6%	5.5%	Persons under 18 years, 2024 estimate	19.5%	22.0%
Persons 65 years and over, 2024 estimate	14.0%	16.5%	Female persons, 2024 estimate	48.9%	50.1%
Non-Hispanic White	70.1%	33.6%	Hispanic	11.9%	40.8%
Non-Hispanic Black	0.9%	6.4%	Non-Hispanic American Indian	1.1%	1.8%
Non-Hispanic Asian	7.3%	17.0%	Persons per households, 2020-2024	2.13	2.84
Bachelor's Degree or higher, persons age 25+, 2020-2024	76.0%	37.1%	High School graduate or higher, persons age 25+, 2020-2024	98.4%	84.7%
Per capita income in the past 12 months (2024 dollars), 2020-2024	\$166,442	\$99,122	Persons below poverty level, 2020-2024	5.6%	11.8%
Households, 2020-2024	8,934	13,548,091	Owner-occupied housing units, 2020-2024	50.6%	55.9%
Median value of owner-occupied housing units, 2020-2024	2,000,000 +	\$734,700	Housing units in multi-unit structures, 2024	44.4%	35.5%
Households with a computer, 2020-2024	98.9%	96.9%	Mean travel time to work, 2020-2024	28.5 minutes	28.7 minutes

The U.S. Census Bureau Quick Facts are as of February 2026. Further data regarding the City may be found in the Statistical Section.

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

comparison is presented as Required Supplementary Information on pages 80–91. For non-major governmental funds with appropriated annual budgets, this comparison is presented as Supplementary Information, after the Notes to the Financial Statements.

Factors Affecting Financial Condition

American Rescue Plan Act (ARPA) of 2021. The City received \$4,621,755 in federal funds in two payments. ARPA funds include the following eligible uses:

1. To respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impact industries such as tourism, travel, and hospitality; or
2. To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the State, territory, or Tribal/local government that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work; or
3. For the provision of government services to the extent of the reduction in revenue of such State, territory, or Tribal/local government due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year of the State, territory, or Tribal government prior to the emergency; or
4. To make necessary investments in water, sewer, or broadband infrastructure.

The covered period for eligible expenditures is March 21, 2021 to December 31, 2024. Costs can be obligated by December 31, 2024, but must be expended by December 31, 2026. The City fully expended its allocation of ARPA funds in 2023–24.

Local economy. Hermosa Beach is a “bedroom community” as evidenced by a household count of 8,934 and an in-city business count of 687 (excluding apartments and home occupations).

Growth in secured and unsecured valuation for Hermosa Beach is 4.9 as compared to 4.8 percent for Los Angeles County. The 4.9 percent growth was the 20th highest of 88 cities in Los Angeles County.

The table below shows the comparison of median home prices between Hermosa Beach and Los Angeles County.

	<u>Median Home Prices</u>		<u>Average Home Prices</u>	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Hermosa Beach	\$ 2,275,000	\$ 2,400,000	\$ 2,686,680	\$ 2,945,130
Los Angeles County	\$ 975,000	\$ 960,000	\$ 1,389,636	\$ 1,387,557

General Fund Secured Property Taxes increased 4 percent in 2024–25, consistent with growth in assessed values. Historically, property adjacent to the beach has held its value better and has grown faster as compared to property in the other areas.

As a beach city, the three highest occupations are management, sales, and advertising/marketing. Residents typically enjoy access to a much more diverse employment base with the proximity of all the other cities in Los Angeles County. The unemployment rate in Hermosa Beach as of June 2025 is 4.7 percent, compared with 5.9 percent for Los Angeles County and 5.8 percent for California. The rate for Hermosa Beach is higher than June 2024’s rate of 3.6 percent while the County and State rates of 5.9 percent and 5.2 percent, are stable.

See Management’s Discussion and Analysis for more revenue details.

Accounting changes. In 2014–15 the City implemented Government Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions, which required net pension liabilities to be included in the financial statements for the first time, and Statement No 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, which was essentially a cleanup provision. Net pension liabilities of \$58,222,968 were recorded in 2024–25 and the unrestricted net position was reduced accordingly. The change in accounting standards impacted only the government-wide financial statements, notes, and required supplemental information. There is no impact to the fund financial statements. See Note 9 for more information.

In 2017–18 the City implemented GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, effective July 1, 2017, which requires net OPEB liabilities to be included in the financial statements for the first time. GASB 75 updates Other Postemployment Benefit (OPEB) accounting and financial reporting standards to be consistent with the pension standard in GASB 68. Similar to GASB 68, the change in accounting standards impacted only the government-wide financial statements, notes, and required supplemental information. There is no impact to the fund financial statements. See Note 10 for more information.

In 2021–22 City implemented GASB 87, Leases, which establishes a single model for lease accounting based on the underlying principle that leases are financings of the right to use the underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about government’s leasing activities. For more information see Note 1, Section Q- Leases Receivable, and Note 4- Lease Revenues.

In 2022–23 the City implemented GASB 96, Subscription-Based Information Technology Arrangements. The primary objective of GASB 96 is to enhance the relevance and consistency about governments’ subscription activities. Under this Statement, the City is required to recognize a subscription liability and intangible right-to-use subsection asset as described in Note 1, Section R- Lease Payable and Subscription Agreements Payable, and Note 7.

In 2023–24 the City implemented GASB 100, Accounting Changes and Error Corrections. The primary objective of GASB 100 is to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

In 2024–25 the City implemented GASB 101, Compensated Absences. The primary objective of GASB 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The statement requires that liabilities for compensated absences be recognized for leave that has not been used if the leave is attributed to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. A liability should also be recognized for leave that has been used, but not yet paid out in cash or settled through noncash means. For more information see Note 1, Section S- Accounting Changes, and Note 7- Long-Term Liabilities.

California Public Employees Retirement System (CalPERS). The preliminary CalPERS investment return as of June 2025 was 11.6 percent, bringing the total fund performance to 8 percent for the five-year period, 7.1 percent for the ten-year period, and 6.7 percent for the twenty-year period. The investment return surpassed the CalPERS discount rate of 6.8 percent, increasing the estimated overall funded status from 75 percent in 2024 to 79 percent.

The 2020–21 rate of return triggered a reduction in the discount rate used to calculate employer and Public Employee’s Pension Reform Act (PEPRA) member contributions due to the Funding Risk Mitigation Policy approved in 2015. The Funding Risk Mitigation policy lowers the discount rate in years of good investment returns. The discount rate, or assumed rate of return, dropped from 7 percent to 6.8 percent. This was the first time the policy has been triggered. The CalPERS Board approved a change to the Funding Risk Mitigation Policy in April 2024 to remove the automatic change to the discount rate. The policy now

establishes that the CalPERS Board will hold a discussion when the investment return at fiscal year-end exceeds the assumed rate of return by 2 percent or more. The Board voted to maintain the current discount rate of 6.8 percent as a part of the 2025 Asset Liability Management (ALM) process.

In February 2018, CalPERS adopted a new amortization policy. The new policy applies only to newly established amortization bases and requires fixed dollar (level) amortization rather than percent of pay (escalating). Gains and losses are amortized over 20 rather than 30 years, with a five-year ramp up for investment gains and losses (no ramp down) and no ramp up or down for other amortization bases. The policy minimizes total interest paid over time and pays off UAL faster. It was effective with the June 30, 2019 valuation for 2021–22 contributions.

In December 2017, the CalPERS Board adopted new actuarial assumptions based on the 2017 CalPERS Experience Study and Review of Actuarial Assumptions, which impacted the 2019–20 required contributions.

On December 20, 2016, the CalPERS Board approved a change in the discount rate from 7.5 percent to 7 percent over three years. The change is implemented over a three-year period beginning in 2018-19. Lowering the discount rate, also known as the assumed rate of investment return, means that employers will see increases to contribution rates and higher unfunded liability payments. The City's miscellaneous and safety plans had side funds (which are liabilities that existed in 2003 when CalPERS "pooled" the City's plans with other cities of similar size) that paid off from 2018-19 to 2019-20 which helped mitigate the rate increases.

The City created a Retirement Stabilization Fund in 2003-04 to plan for anticipated rate increases. This amount now appears as part of the "committed" balance in the General Fund in the amount of \$1,021,575. Funds were approved by City Council to be placed in a retirement trust, but the plan for a trust was paused due to COVID-19. In January 2025, the City Council approved placing the Retirement Stabilization funds in a retirement trust with Shuster Advisory Group, LLC.

Long-term financial planning. The City' adopted financial policies address a range of items including accounting and reporting, internal controls, budget, revenue, debt service and investments. The policies are published in the budget and reviewed annually. As part of the budget process, a five-year financial forecast is developed and presented with the Preliminary Budget and Five-Year Capital Improvement Program.

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

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

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

Contingency – Goal equal to 1 percent of the General Fund appropriations for economic uncertainties, unforeseen emergencies. The goal was increased to 20 percent starting fiscal year 2023–24.

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

The City also has a financial policy of transferring funds unspent in the General Fund at year-end to the Insurance Fund, Equipment Replacement Fund, Capital Improvement Fund, Capital Facility Reserve, and to add to Contingency Funds as needed. The City Council makes changes as necessary to the year- end transfer, depending on the equity in the funds or based on other needs.

The City had unspent funds of \$2,944,264 in 2024–25 due to salary savings from vacant positions and contractual savings. As a part of the 2025–26 Mid-Year Budget process, the City Council assigned the unspent funds in the General Fund for the 2026–27 Budget process. Staff will make recommendations regarding the unspent funds at that time.

Primary capital projects coming up, (other than street and sewer improvements, which occur every year) include Bus Stop Improvements, Utility Box Wrappings, Gateway and Wayfinding Signs Conceptual Design, City Wide Multi-Space Meter Deployment, Greenwich Village North Undergrounding, PCH Mobility Improvement Project, Hermosa Avenue Green Street, Pedestrian Crossing Safety Improvements, Parking Lot A Improvements, Playground Equipment Replacement, South Park Slope, Irrigation, and Landscape Improvements, Forts Lots-O-Fun Park Wall and Gate Improvements, Kelly Courts Improvements, Stormwater Dry Wells, City Facilities Condition and Needs Assessment, Parking Structure (Lot C) Improvements, New Corporate Yard Facility, Civic Center Charging Stations, Tsunami Siren, Comprehensive Downtown Lighting Design, Pier Structural Inspections and Evaluation, City Wide Americans with Disabilities Act (ADA) Improvements, Community Development Block Grant (CDBG) Improvements, Community Center Gas Repairs, Base 3 Electrical Improvements, Community Center Windows Replacement, Real Time Crime Center, Clark Building Renovations, and Parking Structure (Lot C) Improvements.

Cash management policies and practices. Temporarily idle cash was invested during the year in obligations of the U.S. Treasury, certificates of deposit, the State Treasurer's investment pool and the Los Angeles County pool. The average maturity was 59.3 months, with an average weighted yield on investments of 3.25 percent. Investment income includes changes in the fair value of investments. Changes in fair value during the current year, however, do not necessarily represent trends that will continue nor do such amounts necessarily become realized since the City intends to hold the investments to maturity.

Risk management. The City is self-insured up to \$250,000 for liability claims. Through a blend of self-insurance and reinsurance, the City has excess coverage up to \$50 million obtained through the California Joint Powers Insurance Authority (CJPIA), a joint powers authority consisting of medium-sized California municipalities. The cost of the insurance depends on both the loss experience of member cities, the loss experience of the City and the City's payroll size.

The City purchases workers' compensation coverage through a self-insured program available through CJPIA. The City maintains a \$500,000 self-insured retention limit and participates in a self-insured risk sharing pool through CJPIA, with excess coverage through Safety National Casualty Company, providing coverage up to the statutory limits.

Claims defense and settlement are coordinated by third party administrators for both liability and worker's compensation, with oversight by the Human Resources Manager.

Additional information on the City's risk management activity can be found in Note 8 of the Notes to the Financial Statements.

Pension and other post-employment benefits. The City provides pension benefits to safety and non-safety employees through the California Public Employees Retirement System (CalPERS). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The City was successful in negotiating two tier rates for new employees in all bargaining units beginning in 2011-12. With the State's pension reform implemented January 1, 2013, the City now has three tiers. As of June 30, 2025, the City has twenty-eight (28) active Tier 1 employees, eighteen (18) active Tier 2 employees and one hundred-five (105) active employees in Tier 3. The City paid employee contributions as a negotiated benefit for many years however in 2012-13 the City negotiated that employees would begin paying the entire share of the employee contribution over three years with an offsetting increase in salaries, which was achieved as of 2014-15. All of these changes enacted reduce pension costs over time. City employer contributions are actuarially determined on an annual basis.

The City also provides post-employment health care benefits for certain retirees. As of the end of the current fiscal year, there were eighty (80) retirees receiving these benefits. The City established a trust with an outside party to administer these funds in July 2007. The City is contributing the annual required contribution for all employees as determined by an actuarial study in the manner as is done for retirement contributions to CalPERS. In January 2025, City Council approved moving the OPEB Trust from PARS to Shuster Advisory Group, LLC. The OPEB trust is currently 169.2 percent funded. Additional information on the City's other postemployment benefit plan can be found in Note 10 of the Notes to the Financial Statements.

The concept of a retirement trust was approved by City Council in June 2018 and \$829,060 from the Police side fund payoff savings was set aside in the 2019-20 to be placed in the retirement trust. The Section 115 retirement trust was approved by City Council in January 2025 after being put on hold due to the COVID-19 pandemic. In April 2025, the City deposited \$1,021,575 in funds previously committed in the General Fund for retirement stabilization into the Section 115 trust with Shuster Advisory Group, LLC. The Police side fund saving of \$829,060 are pending approval for deposit into the trust.

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

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a 2024 Certificate of Achievement for Excellence in Financial Reporting to the City of Hermosa Beach for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024 which was the thirty-third consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a report must be published that satisfies both GAAP and applicable legal requirements.

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

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

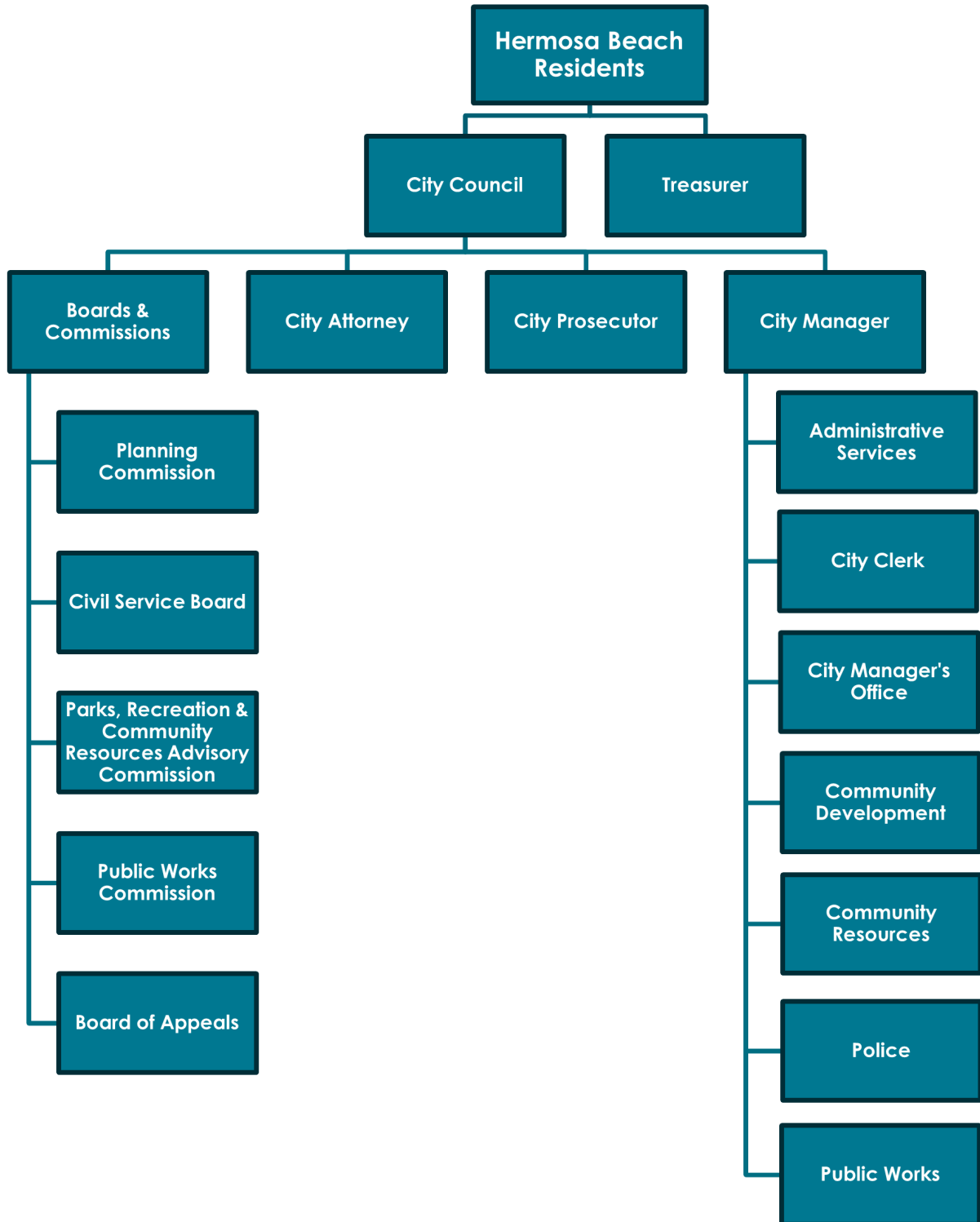
Respectfully submitted,



Brandon Walker
Administrative Services Director



City Organizational Chart



PRINCIPAL OFFICIALS OF THE CITY OF HERMOSA BEACH, CALIFORNIA

June 30, 2025

Elected and Administrative Officials

City Council

Rob Saemann
Michael Detoy
Dean Francios
Raymond Jackson
Michael Keegan

Mayor
Mayor Pro Tem
Councilmember
Councilmember
Councilmember

Other Elected Official

David Pedersen

City Treasurer

Administrative Officials

Steve Napolitano
Brandon Walker

Interim City Manager
Administrative Services
Director

Myra Maravilla
Alison Becker

City Clerk
Community Development
Director

Lisa Nichols

Community Resources
Manager

Tiffany Nguyen

Human Resources
Manager

Landon Phillips
Joseph San Clemente

Police Chief
Public Works Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

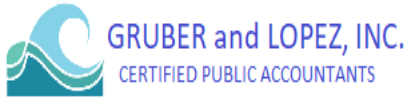
**City of Hermosa Beach
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO



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

Independent Auditors' Report

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Hermosa Beach, California, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Hermosa Beach, California's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Hermosa Beach, California, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hermosa Beach, California, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hermosa Beach, California's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Hermosa Beach, California's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hermosa Beach, California's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of Contributions - Pension, Schedule of Changes in Net OPEB Liability and Related Ratios, and Schedule of City's Contribution - OPEB on pages 85 to 88 and 89 to 91, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining and Individual Nonmajor Fund Financial Statements and the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Honorable Mayor and Members of the City Council
of the City of Hermosa Beach
Hermosa Beach, California
Page 3

The Combining and Individual Nonmajor Fund Financial Statements and the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial Statements and the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

GRUBER AND LOPEZ, INC.

Gruber and Lopez, Inc.

Newport Beach, California
March 31, 2026

Management's Discussion and Analysis

As management of the City of Hermosa Beach, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Hermosa Beach for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found on pages v - xii of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City of Hermosa Beach exceeded its liabilities and deferred inflows of resources at the close of the last fiscal year by \$92,537,122 (net position). Unrestricted net position has a deficit balance of \$10,041,265. Excluding the \$58,222,968 aggregate net pension liability, \$48,181,703 represents unrestricted net position and may be used to meet the government's ongoing obligations.
- The City's net position increased by \$4,449,859.
- As of June 30, 2025, the City of Hermosa Beach's governmental funds reported combined ending fund balances of \$45,502,288, a decrease of \$3,945,647 in comparison with the prior year. This decrease is due to expenditures exceeding revenue in the current year.
- At the end of the current fiscal year, the City of Hermosa Beach's governmental fund balances of \$45,502,288 are comprised of non-spendable funds of \$1,116,739; restricted funds of \$12,067,948; committed funds of \$4,331,861; and assigned funds of \$26,372,636 to indicate that funds are not available for new spending. Although funds are shown in the committed or assigned category, the City Council still does have discretion over the use of these funds and may change the committed or assigned use. Under that scenario, approximately 67 percent, or \$30,704,497 of the \$45,502,288 in funds could be redirected at the discretion of the City Council. Unassigned is \$1,613,104. See Note 11 in the Notes to the Basic Financial Statements.
- At the end of 2024-25, \$2,944,264 of unspent General Fund funds was due to a result of lower expenditures due to vacancies, underfilled positions and anticipated City street and park repairs that were appropriated but not required this fiscal year. After the fiscal year, City Council direction is to assign the \$2,944,264 of unspent funds to bring the Insurance Fund back to its \$3.0 million funding goal and to support the development of the upcoming City 2027 budget. The General Fund also has a committed and assigned fund balance of \$14,517,183 or 29 percent of total General Fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

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

The Government-Wide Financial Statements can be found on pages 19-22 of this report.

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

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

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

The City of Hermosa Beach maintains thirty-two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the following funds, which are considered to be a major fund:

General Fund
Grants Special Revenue Fund
Tyco Special Revenue Fund

RTI Undersea Cable Special Revenue Fund Capital Improvement Capital Projects Fund

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

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

The City of Hermosa Beach adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided for the General Fund, Grants Special Revenue Fund, Tyco Special Revenue Fund, RTI Undersea Cable Special Revenue Fund and Capital Improvement Capital Projects Fund in the Required Supplementary Information and Supplementary Information sections to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 25-30 of this report.

Proprietary funds. The City of Hermosa Beach maintains one type of proprietary fund.

Internal service funds are used to accumulate and allocate costs internally among the City of Hermosa Beach's various functions. The City of Hermosa Beach uses internal service funds to account for its fleet of vehicles, information systems and equipment, and risk management/insurance activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 33-35 of this report.

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

The fiduciary fund financial statements can be found on pages 38-39 of this report.

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 on pages 44-78 of this report.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Hermosa Beach's major funds. Required supplementary information can be found on pages 80-91 of this report.

Other supplementary information. The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Other supplementary information can be found on pages 96-144 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2025, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$92,537,122. Without the net pension liability of \$58,222,968, the net position would be \$150,760,090.

The City implemented GASB 68, Accounting and Financial Reporting for Pensions for the June 30, 2015 financial statements and GASB 75, Accounting and Financial Reporting for Postemployment Benefits, for June 30, 2018 financial statements, which require the City to include its net pension and OPEB liabilities in the government-wide financial statements for the first time. Similar to the City's long-term debt, the net pension and OPEB liabilities are payable over an extended time horizon and do not represent a claim on current financial resources. The statements implement changes to accounting and reporting; they do not apply to the way pensions or other postemployment benefits are funded. For more information on the implementation of GASB 68 and 75, please refer to Notes 9 and 10 in the Notes to the Basic Financial Statements.

While the City is now required to show the net pension and OPEB liabilities in the government-wide statements, according to the Governmental Finance Officers Association (GFOA) the underlying factual situation has not changed. Standard and Poor's (the rating agency who rated the City's bonds) indicated that GASB 68 will lead to more conservative liability estimates and provide some additional disclosure. They will continue to focus on commitment to funding, investment performance, trend analysis, affordability, and maintaining plan sustainability. The Annual Required Contribution (ARC) for pension will continue to be reported as the Actuarially Determined Contribution. Standard and Poor's believes this is an easily recognizable and understandable measure for governments. They currently estimate with what frequency governments fully fund their ARC (which Hermosa Beach does 100 percent of the time).

The major components of GASB 68 and GASB 75 that affect the Statement of Net Position for Government-wide are:

- **Deferred Outflows of Resources-** Includes the deferred pension and OPEB contribution, which is equal to the total amount of the 2024-25 contributions. The contributions are deferred to 2025-26 because the net liability balance is one year in arrears. Also includes changes in assumptions, the difference between projected and actual investment earnings and the difference between the employer contributions and the employer's proportionate share of contributions (for pensions).
- **Net Pension and Net OPEB Liabilities (recorded in Long-Term Liabilities) -** Represents the actuarially valued liabilities Plans as of June 30, 2024.
- **Deferred Inflows of Resources-** Includes changes in assumptions, the difference between the expected and actual earnings on investments (amortized on a straight-line basis over five years), changes in employer's proportion (for pensions), and differences between employer contributions and the employer's proportionate share of contributions (for pensions).

Net Position		
June 30, 2025		
(dollars in thousands)		
	<u>Governmental Activities</u>	
	<u>2025</u>	<u>2024</u>
Current Assets	84,236	84,007
Capital Assets	82,706	72,320
Noncurrent Assets	8,131	5,848
Total Assets	175,073	162,175
Deferred Outflows	19,297	28,336
Current Liabilities	13,154	7,945
Noncurrent Liabilities:		
Net Pension Liability	58,223	63,332
Long Term Liabilities	14,569	14,896
Total Liabilities	85,946	86,173
Deferred Inflows	15,887	16,250
Net Position:	92,537	88,087
Net Invest in Cap Assets	82,379	72,320
Restricted	20,199	20,142
Unrestricted	-10,041	-4,375
Total Net Position	92,537	88,087

The largest portion of the City of Hermosa Beach’s net position of \$92,537,122 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). The City of Hermosa Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

A portion of the City of Hermosa Beach’s net position \$20,199,250 represents resources that are subject to external restrictions on how they may be used.

Compliance with GASB 68 and GASB 75 require that the City’s net pension and OPEB liabilities are recorded on the Statement of Net Position, which reduces unrestricted net position and creates a negative unrestricted net position or deficit of -\$10,041,265. Excluding the \$58,222,968 net pension liability, \$48.181,703 is available to meet the City’s ongoing obligations to residents.

At June 30, 2025, the City is able to report positive balances in all categories of net position for the government as a whole except for unrestricted due to the implementation of GASB 68 and the inclusion of the net pension liability, which will likely remain a long-term liability for several decades. The following is the condensed Statement of Activities and Changes in Net Position for the fiscal years ending June 30, 2025 and June 30, 2024.

Governmental Activities. Governmental activities increased the City of Hermosa Beach’s net position by \$4,449,859. Significant elements of this change are as follows:

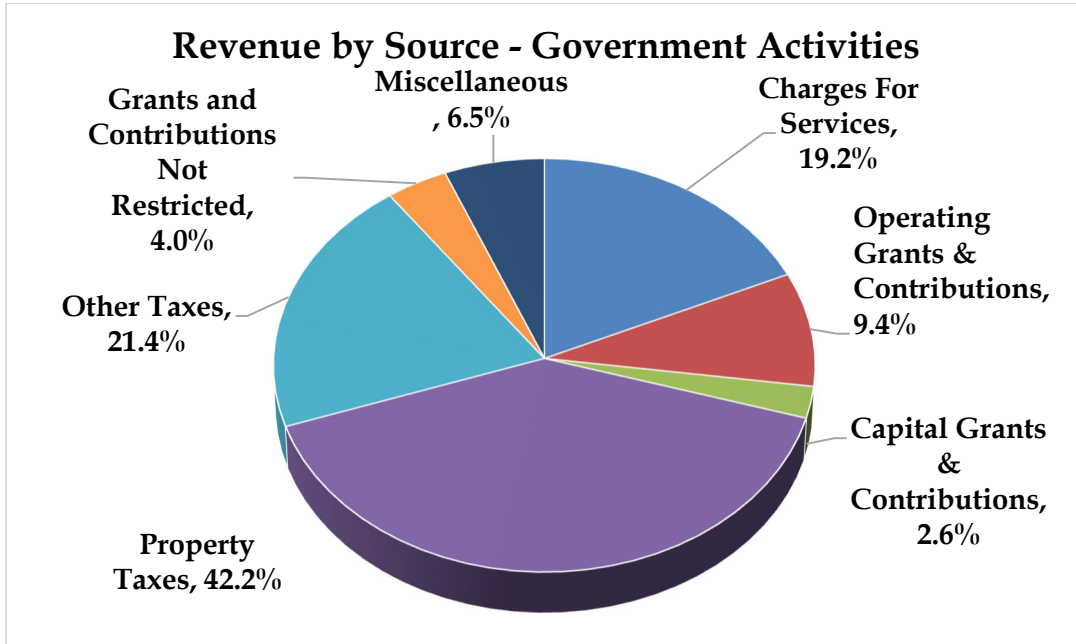
Change in Net Position		
June 30 2025		
(dollars in thousands)		
	<u>Governmental Activities</u>	
	<u>2025</u>	<u>2024</u>
Revenues:		
Program Revenues:		
Charges For Services	11,984	11,521
Operating Grants and Contributions	5,913	4,097
Capital Grants and Contributions	1,620	2,825
General Revenues:		
Property Taxes	26,328	24,975
Other Taxes	13,404	13,564
Grants and Contributions Not		
Restricted		
Other	4,096	2,876
Total Revenues	65,847	62,575
Expenses:		
Legislative and Legal	1,976	1,829
General Government	8,260	7,293
Public Safety	29,528	29,781
Community Development	2,717	2,655
Culture and Recreation	2,832	2,486
Public Works	15,992	11,019
Interest and Fiscal Charges	92	124
Total Expenses	61,397	55,187
Increase (Decrease) in Net Position	4,450	7,388
Net Position - Beginning	88,087	80,699
Net Position - Ending	92,537	88,087

Revenue for Governmental Activities

- Property tax revenue increased \$1,352,507 or 5 percent, which is in line with continued growth in property values.
- Sales Tax revenue decreased by \$278,908 or 7 percent, primarily due to an decrease in Restaurants and Hotels industry followed by Business and Industry Group.
- Transient Occupancy Tax (TOT) revenue decreased by \$182,645 or 4 percent, presumably due to decreased room rates. The overall occupancy rate for hotels in 2024-25 was 69 percent compared to 70 percent in 2023-24.
- Utility User Tax was up \$109,844 or 4 percent. The largest increase was in the category electricity service.
- Operating Grants & Contributions increased by \$1,815,972 or 44 percent due to fiscal year activity on the Mobile Mental Health Crisis Grant. Other one time payments

received include a \$560,000 Proposition A Fund Exchange and FEMA reimbursement for Covid-19 related expenditures.

- Capital Grants & Contributions decreased by \$1,204,029 primarily due to prior years recognition of State Departments of Park and Recreation grant revenue to perform structural and electrical repairs of the City’s Municipal Pier.
- Real Property Transfer Tax increased by \$72,441 due to an increase in property transfers.
- Charges for services increased by \$462,647 or 4 percent primarily due to an increase in building permit revenue followed by parking court fines and related parking towing fees.



Revenue:	2025	2024
Property Taxes	\$ 26,327,991	\$ 24,975,484
Charges for Services	11,983,787	11,521,140
Operating Grants& Contributions	5,912,765	4,096,793
Transient Occupancy Tax (TOT)	4,759,609	4,942,254
Sales Tax	3,493,656	3,772,564
Utility Users Taxes	2,851,044	2,741,200
Other Taxes	2,300,054	2,108,199
Grants & Contributions not Restricted	2,501,482	2,716,844
Miscellaneous	4,096,277	2,876,823
Capital Grant & Contributions	1,620,660	2,824,689
Total Revenues	\$ 65,847,325	\$ 62,575,990

Expenses for Governmental Activities

Expenses for Governmental Activities increased by \$6,209,848 or 11 percent. The increase was primarily due to GASB 68 pension obligation adjustments followed by implementing GASB 101 compensated absences compared to the prior fiscal year.

Legislative and Legal expenses increased by \$147,298 or 8 percent. This is primarily due to GASB 68 and 75 recording of the department’s share of the pension and OPEB obligation adjustments. Reviewing costs in the governmental funds, contract services costs also increased due to City attorney services in the fiscal year.

General Government increased by \$966,402 or 13 percent. This is primarily due to GASB 68 and 75 recording of the department’s share of the pension and OPEB obligation adjustments. Reviewing costs in the governmental funds, there was also an increase in contract services as the City performed mobile mental health services to unhoused residents due to a Federal grant the City received from the U.S. Department of Health and Human Services.

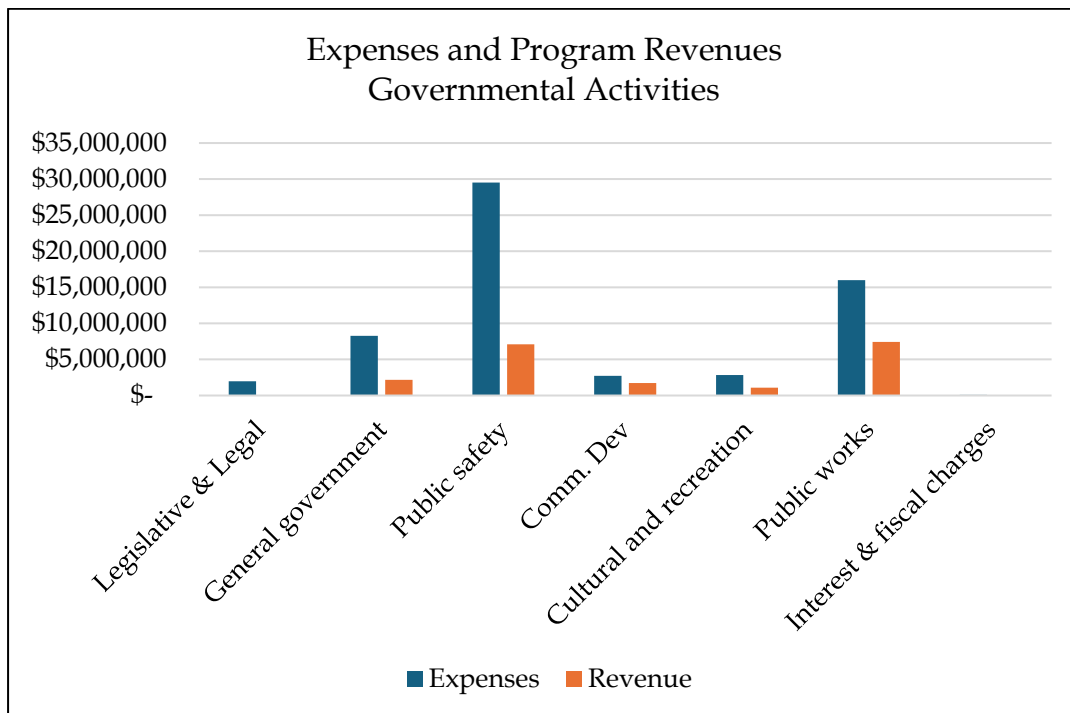
Public Works expenses increased by \$4,973,664 or 45 percent. This is primarily due to the Annual Street Improvement Maintenance project to provide pavement rehabilitation of various streets throughout the City. The project also repaired deteriorated portions of sidewalk, curb and gutter ramps.

Community Development expenses increased by \$61,811 or 2 percent. This is primarily due to increased salary and benefit costs as the Community Development department was fully staffed for the fiscal year compared to the prior year.

Culture and Recreation expenses increased by \$345,846 or 14 percent. This is primarily due to GASB 68 and 75 recording of the department’s share of the pension and OPEB obligation adjustments. Reviewing costs in the governmental funds, expenditures increased due to the hiring of the newly created Lead Special Events and Filming Coordinator and the Special Events Coordinator positions.

Public Safety decreased slightly by \$253,349 or 1 percent. Reviewing costs in the governmental funds, the slight decrease is primarily due to the City making the final December 2023 payments for fire service facility costs to Los Angeles County in the prior fiscal year. The City contracted with Los Angeles County for Fire Services on 12/30/2017.

Interest and fiscal charges decreased in 2024–25 in the amount of \$31,824 or 25 percent.



Financial Analysis of the Government’s Funds

As noted earlier, the City of Hermosa Beach uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Hermosa Beach’s governmental funds is to provide information on near-term inflows, outflows, and balances of spending resources. Such information is useful in assessing the City of Hermosa Beach’s financing requirements. These funds are accounted for by using the modified accrual basis of accounting. Types of governmental funds reported by the City include the General Fund, Special Revenue funds, and Capital Projects funds.

As of the end of the current fiscal year, the City of Hermosa Beach’s governmental funds reported combined ending fund balances of \$45,502,288, a decrease of \$3,945,647 in comparison with the prior fiscal year. See Note 11 for more information. The total fund balances of the governmental funds consist of the following:

- Non-spendable fund balances of \$1,116,739 due to prepaid other assets. The other assets are primarily comprised of prepaid medical stipend benefits for City employee retirees.
- Restricted fund balance of \$12,067,948 which have restrictions imposed by external parties or enabling legislation. Funds in this category include Lighting District Funds, Gas Tax Funds, Proposition A and C Transportation Funds, Measure R, M and W Funds, Asset Forfeiture Funds, Supplemental Law Enforcement Funds (COPS), Fire Protection Funds, and Sewer and Storm Drain Funds. The restricted fund balance now includes the newly formed Section 115 Pension Trust with a balance of \$1,075,763 to help offset future pension obligations that was previously committed.
- Committed fund balance of \$4,331,861 which includes retirement stabilization funds and parking in lieu fees.
- Assigned fund balance of \$26,372,636 which includes the amounts to be used for specific purposes of the City, but that do not meet the criteria to be classified as restricted or committed. Funds in this category include Contingency funds (“rainy day” funds), Compensated Absences funds, Capital Projects, Capital Improvements, Capital Facilities Reserve, and Storm Drain funds.
- Unassigned fund balance of \$1,613,104, which reflects the fund balance General Fund of \$2,944,264 offset by a deficit of -\$566,323 in the Grants Special Revenue Fund, and fund balance shortfalls in the following non major governmental funds; -\$141,086 in the Prop A Open Space Fund, -\$91 in the Loma District Administrative Expense Fund and -\$623,660 in the FEMA Fund. The shortfall in the FEMA fund is due to grant or COVID-19 related claim expenditures incurred in the FEMA Fund that are awaiting reimbursement.

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

The General Fund balance increased in 2024-25 by \$3,244,083. While there were unspent funds remaining of \$2,944,264, City Council direction after the fiscal year is to assign the \$2,944,264 of unspent funds to bring the Insurance Fund back to its \$3.0 million funding goal and to support the development of the upcoming City 2027 budget.

Overall General Fund revenue increased by 4 percent over 2023–24. The increase is a result of the following: an increase in property taxes of 4 percent; an increase in licenses and permits of 22 percent; an increase in fines and forfeitures of 13 percent; an increase in use of money of 67 percent;

an increase in intergovernmental of 8 percent; and an increase in miscellaneous revenue of 14 percent. The increases were partially offset by a decrease in other taxes of 1 percent; and a decrease in charges for services of 1.6 percent. Interest earned on investments is positive \$441,312 due to unrealized gains on investments.

General Fund expenditures show an increase of 7 percent as staffing and operations normalized from the COVID-19 reductions and due to salary increases per the 3rd year of the City bargaining unit Memoranda of Understandings (MOU's). The increase is primarily due to Legislative, General Government, Public Safety, Community Development, Culture and Recreation, and Public Works.

General Fund Budgetary Highlights

The final amended budget for revenue other than transfers increased by 1 percent from the adopted budget, based on revenue trends from the first six months of the year. Actual revenue was over the final budget by \$1,002,137 or 2 percent for the following reasons:

- Property tax was up \$95,141.
- Other taxes were down \$4,763.
- Licenses and Permits were down \$73,048 or 6 percent primarily due to building permit revenue, which came in under budget by \$66,551.
- Fines and forfeitures were up \$13,561 or 1 percent primarily due to an increase in administrative citations.
- Intergovernmental were up \$41,871 or 23 percent primarily due to reimbursements received from State Mandated Costs for the prior fiscal years.
- Charges for Services were up \$94,039 or 1 percent primarily due to an increase in parking meter revenue.
- Interest was up \$687,762 or 112 percent primarily due to the recording of unrealized gains on investments, which is not budgeted.

The final amended budget for appropriations other than Transfers Out increased over the original budget by 1 percent. Actual expenditures other than Transfers Out were less than the final appropriations by 4 percent primarily due to vacancies, underfilled positions, anticipated City street and park repairs that were appropriated but not required and unspent one-time appropriations which may be requested for reappropriation to the 2025–26 budget.

Capital Asset and Debt Administration

Capital assets. The City of Hermosa Beach's net investment in capital assets for its governmental activities as of June 30, 2025, amounts to \$82,379,137 (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, improvements, machinery and equipment, park facilities, roads, highways, and monuments.

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

Governmental Activities

- Bus Stop Improvements of \$300,000

- Annual Street Improvements of \$3,000,618
- Annual Sewer Improvements of \$2,203,909
- Greenbelt Pedestrian Trail of \$765,016
- South Park Slope Repairs of \$443,920
- Clark Building Renovations of \$3,196,912
- Parking Lot A Improvements of \$344,276

Additional information on the City of Hermosa Beach’s capital assets can be found in Note 6.

Long-term Debt

In October 2020 the Hermosa Beach Public Financing Authority issued 2020 Lease Revenue Bonds to refund and defeased the 2015 Lease Revenue Bonds issued to fund oil settlement costs. The refunding will save approximately \$965,000 through 2035. Other long-term liabilities include net pension liability and compensated absences. See Note 7 and Note 9.

Grants Special Revenue Fund

The Grants Special Revenue Fund, reported a June 30, 2025 fund balance of -\$566,323 due to unavailable revenue of \$540,511. The City received the final grant reimbursement related to CIP 629 Municipal Pier Structural Assessment and Repairs and CIP 660 Municipal Pier Electrical Repairs after the fiscal year in January 2026.

Tyco Special Revenue Fund

The Tyco Fund is a major fund in 2024–25 due to the recording of leases receivable of \$2,936,846 and a corresponding deferred inflows of resources for lease revenue from Tyco that will be recognized over the lease term. This is a change in accounting rules due to the implementation of GASB 87 in FY 2021–22 , Leases, referred to in the Transmittal Letter and Note 1, Section R. For more information on the lease agreement, see Note 4 Lease Revenue. During the year ended June 30, 2025, the City recognized \$223,213 in lease revenue and \$278,538 in interest revenue during the current fiscal year related to the lease. There were capital outlay expenditures of \$533,517. The fund balance as of June 30, 2025 is \$1,980,407.

RTI Undersea Cable Special Revenue Fund

The RTI Undersea Cable Special Revenue Fund is a major fund again in 2024–25 due to the recording of leases receivable of \$3,739,526 and a corresponding deferred inflows of resources for lease revenue from MC Global that will be recognized over the lease term. This is a change in accounting rules due to the implementation of GASB 87 in FY 2021–22, Leases, referred to in the Transmittal Letter and Note 1, Section R. For more information on the lease agreement, see Note 4- Lease Revenue. The fund balance as of June 30, 2025 is \$1,117,794.

Capital Improvement Capital Projects Fund

Projects funded from the Capital Improvement Fund, a major fund, in 2024-25 include: Bus Stop Improvements, Annual Street Improvements, Utility Box Wrappings, Annual City Sidewalk Improvements, Storm Drains, Pedestrian Crossing Safety Improvements, Annual Striping Improvements, Storm Drain Improvements, Annual Sewer Improvements, Storm Water Dry Wells, Greenbelt Pedestrian Trail, City Park Lighting, Citywide Park Master Plan, South Park Slope

Repairs, City Wide ADA Improvements, Facilities Condition Assessment, Police Facilities Improvements, New Corporate Yard Facilities, Civic Center Charging Stations, Kelly Courts Improvements, City Wide Roof Repairs, Comprehensive Downtown Lighting Design, Pier Structural Inspection, City Wide ADA Improvements ,Municipal Pier Structural Assessment and Repairs, Parking Lot A Improvements, Police Restroom Improvements, and Parking Structure (Lot C) Assessment. The ending fund balance of \$13,089,113 includes \$841,393 reserved for City Yard Construction.

Insurance Fund

The City's established goal for net position in the Insurance Fund is \$3,000,000 for unanticipated claims and catastrophic losses. The Insurance Fund beginning balance was \$3,000,000. Claims expenses and adjustments for actuarially determined claims payable were higher than expected, resulting in the ending balance of \$2,682,118.

Economic Factors and Next Year's Budgets and Rates

- The 2025–26 Budget also includes the following:
 - Contract fire services of \$6,711,571 and an additional \$1,162,506 for an annual CalPERS UAL payment. On April 25, 2017, the City Council voted to contract fire services in Hermosa Beach with the Los Angeles County Consolidated Fire District. FY 2026–27 will be the final year under the current contract.
 - \$10,647,370 is committed for Contingency in the General Fund, which is 20 percent of operating expenditures and in line with the City's financial policy and the Council goal for a "Financially Sound City Government".
 - \$728,200 is transferred from the General Fund for the 2020 Refunding Lease Revenue Bonds debt service. The 2015 Lease Revenue Bonds were refunded in 2020–21, saving approximately \$1 million over the life of the bonds. The bonds will be paid off in December 2035.
 - \$33.9 million of Capital Improvement Projects are funded, which includes \$15.4 million in new funding.
 - Full-time personnel is budgeted to decrease by .58 FTE. The part-time Account Clerk is reclassified to a full-time position. This is offset by the elimination of the vacant Deputy City Manager position. Additionally, .58 FTE of staffing overlap in 2024–25 is removed from the 2025–26 Budget.

Revenue Trends and Assumptions

Revenue for FY 2025–26 is estimated to increase 2 percent over FY 2024–25. The City is seeing revenue growth with property tax, the City's largest and most stable revenue source. Secured property tax, is projected to increase by 7 percent FY 2025–26. While sales tax and transient occupancy tax are also budgeted to increase by 2 percent in FY 2025–26, revenue growth is being absorbed by the increased costs of providing services to the community. Like many Cities, Hermosa Beach is experiencing the impact of inflation.

The City has come through uncharted territory in the five years since the pandemic began in March of 2020 and subsequent worldwide uncertainty over the current 2026 Iran war (Operation Epic Fury), continued war in Ukraine, rising operational costs, and disruption in supply chains. No contingency

or "rainy day funds" were used during the pandemic. The City Council increased the level of contingency funds from the current policy of 16 percent of operating budget to 20 percent with the 2023-24 Adopted Budget. The City continues to maintain a 20 percent contingency balance.

Unemployment was higher in June 2025 when compared to June 2024. In June 2024, the City unemployment rate was 3.6 percent versus June 2025 of 4.7 percent. Los Angeles County remained the same at 5.9 percent. The State's unemployment rate was 5.8 percent versus 5.2 percent in June 2024. The U.S unemployment rate was unchanged from June 2024 at 4.1 percent.

The City's FY 2025-26 Budget continues to prioritize foundational investments in organization and infrastructure, seeking to protect the City's long-term fiscal sustainability within its current funding realities, and reflects the community's values and spending priorities. Even though City has not grown substantially in population or size, the demands placed upon it – through state and federal mandates – continue to expand. At the same time, the cost of meeting those expectations is rising with inflation and market pressures. Since the 2025-26 Budget is tightly balanced with revenue and appropriations equal, avoiding a deficit in upcoming years will be challenging with Los Angeles County Fire negotiations, labor negotiations, and increasing pension costs pending as City expenditures are projected to outpace City revenue growth.

On November 5, 2024, Measure HB was placed on the ballot to enact a ¼ cent General Transactions and Use (TUT) Tax which was projected to generate approximately \$3.0 million in sales TUT tax revenue. Measure HB was not passed by the voters and the City must continue to explore different revenue-generating approaches to protect Hermosa Beach's future, maintain the current standard of service, and ensure a high quality of life for residents and businesses.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HERMOSA BEACH

Statement of Net Position

June 30, 2025

	<u>Primary Governmental Activities</u>
ASSETS	
Current assets:	
Cash and investments	\$ 67,560,807
Accounts receivable	5,111,872
Property taxes receivable, net	1,327,321
Reimbursable grants receivable	420,433
Leases receivable	8,319,100
Interest receivable	379,458
Other assets	<u>1,116,739</u>
Total current assets	<u>84,235,730</u>
Noncurrent assets:	
OPEB net asset	8,131,302
Capital assets:	
Non-depreciable	40,519,191
Depreciable, net	<u>42,187,371</u>
Total capital assets	<u>82,706,562</u>
Total noncurrent assets	<u>90,837,864</u>
Total assets	<u>175,073,594</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows of resources	17,089,936
OPEB related deferred outflows of resources	<u>2,207,185</u>
Total deferred outflows of resources	<u>19,297,121</u>

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH
Statement of Net Position (Continued)
June 30, 2025

	Primary Government
	Governmental Activities
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	6,581,068
Accrued salaries and benefits payable	1,165,382
Refundable deposits	506,318
Unearned revenue	640,039
Interest payable	86,067
Workers' compensation claims payable - due within one year	1,241,918
General liability claims payable - due within one year	965,072
Compensated absences - due within one year	1,256,644
Long-term debt - due within one year	712,339
Total current liabilities	13,154,847
Noncurrent liabilities:	
Workers' compensation claims payable - due in more than one year	4,324,724
General liability claims payable - due in more than one year	1,244,122
Compensated absences - due in more than one year	1,987,300
Long-term debt	7,012,724
Aggregate net pension liability	58,222,968
Total noncurrent liabilities	72,791,838
Total liabilities	85,946,685
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows of resources	3,679,937
OPEB related deferred inflows of resources	3,887,871
Leases related deferred inflows of resources	8,319,100
Total deferred inflows of resources	15,886,908
NET POSITION	
Net investment in capital assets	82,379,137
Restricted for:	
OPEB Asset	8,131,302
Capital projects	2,592,166
Street and sewer purposes	3,434,825
Transportation purposes	1,347,922
Public works	1,469,023
Public safety	1,067,479
Cultural and recreation	1,013,597
Undergrounding districts	67,173
Pension Trust	1,075,763
Total restricted	20,199,250
Unrestricted (Deficit)	(10,041,265)
Total net position	\$ 92,537,122

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH

Statement of Activities

For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Total Program Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
Legislative and legal	\$ 1,975,949	\$ -	\$ -	\$ -	\$ -
General government	8,259,843	1,413,053	757,079	-	2,170,132
Public safety	29,528,050	6,286,249	653,775	157,734	7,097,758
Community development	2,717,060	1,623,490	109,740	-	1,733,230
Cultural and recreation	2,831,827	1,063,840	-	22,478	1,086,318
Public works	15,992,436	1,597,155	4,392,171	1,440,448	7,429,774
Interest and fiscal charges	92,301	-	-	-	-
Total governmental activities	\$ 61,397,466	\$ 11,983,787	\$ 5,912,765	\$ 1,620,660	\$ 19,517,212

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH
Statement of Activities (Continued)
For the Year Ended June 30, 2025

Functions/Programs	Net (expense) Revenue and Changes in Net Position
Primary Government:	
Governmental activities:	
Legislative and legal	\$ (1,975,949)
General government	(6,089,711)
Public safety	(22,430,292)
Community development	(983,830)
Cultural and recreation	(1,745,509)
Public works	(8,562,662)
Interest and fiscal charges	(92,301)
Total governmental activities	(41,880,254)
General revenues:	
Taxes:	
Property taxes	26,327,991
Sales taxes	3,493,656
Real property transfer tax	392,143
Franchise fees	1,035,378
Transient occupancy tax	4,759,609
Business license	1,286,767
Utility users tax	2,151,044
½ cent sales tax for public safety	285,766
Total taxes	39,732,354
Grants and contributions not restricted to specific programs	2,501,482
Miscellaneous	4,096,277
Total general revenues	46,330,113
Change in net position	4,449,859
Net position - beginning of year	88,087,263
Net position - end of year	\$ 92,537,122

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The Governmental Funds of the City are outlined below:

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

Grants Special Revenue Fund - This fund is used to support eligible service agencies.

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

RTI Undersea Cable Special Revenue Fund - This fund is used to account for funds received from an easement granted for construction of a transpacific, submarine fiber optic cable system with a landing in Hermosa Beach. The project will provide additional capacity for global voice and data transmission and global access to planned and existing land-based communication networks in the project area.

Capital Improvement Capital Projects Fund - Funds set aside for capital improvement projects.

Nonmajor Governmental Funds - Nonmajor Governmental Funds is the aggregate of all the nonmajor governmental funds.

CITY OF HERMOSA BEACH

Balance Sheet

Governmental Funds

June 30, 2025

	Major Funds			
	General	Grants Special Revenue Fund	Tyco Special Revenue Fund	RTI Undersea Cable Special Revenue Fund
ASSETS				
Cash and investments	\$ 16,954,945	\$ -	\$ 1,972,234	\$ 1,148,521
Accounts receivable	3,926,099	827,469	42,978	37,216
Property taxes receivable, net	1,290,919	-	-	-
Reimbursable grants receivable	-	420,433	-	-
Leases receivable	1,642,728	-	2,936,846	3,739,526
Interest receivable	169,140	-	16,164	9,280
Other assets	1,102,047	-	-	-
Due from other funds	1,862,027	-	-	-
Total assets	<u>\$ 26,947,905</u>	<u>\$ 1,247,902</u>	<u>\$ 4,968,222</u>	<u>\$ 4,934,543</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,510,570	\$ 53,658	\$ 49,014	\$ 1,225
Accrued wages and benefits payable	956,048	-	1,955	75,998
Refundable deposits	506,318	-	-	-
Unearned revenues	66,573	149,516	-	-
Due to other funds	-	1,070,493	-	-
Compensated absences, due within one year	-	47	-	-
Total liabilities	<u>3,039,509</u>	<u>1,273,714</u>	<u>50,969</u>	<u>77,223</u>
Deferred Inflows of Resources:				
Unavailable revenue	1,972,129	540,511	-	-
Leases	1,642,728	-	2,936,846	3,739,526
Total deferred inflows of resources	<u>3,614,857</u>	<u>540,511</u>	<u>2,936,846</u>	<u>3,739,526</u>
Fund Balances:				
Nonspendable	1,102,047	-	-	-
Restricted	1,730,045	-	-	-
Committed	1,233,660	-	1,980,407	1,117,794
Assigned	13,283,523	-	-	-
Unassigned	2,944,264	(566,323)	-	-
Total fund balances (deficits)	<u>20,293,539</u>	<u>(566,323)</u>	<u>1,980,407</u>	<u>1,117,794</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 26,947,905</u>	<u>\$ 1,247,902</u>	<u>\$ 4,968,222</u>	<u>\$ 4,934,543</u>

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH

Balance Sheet (Continued)

Governmental Funds

June 30, 2025

	Major Funds		
	Capital Improvements Capital Projects Fund	Nonmajor Governmental Funds	Total
ASSETS			
Cash and investments	\$ 13,912,021	\$ 14,279,312	\$ 48,267,033
Accounts receivable	-	268,452	5,102,214
Property taxes receivable, net	-	36,402	1,327,321
Reimbursable grants receivable	-	-	420,433
Leases receivable	-	-	8,319,100
Interest receivable	91,195	93,679	379,458
Other assets	-	14,692	1,116,739
Due from other funds	-	-	1,862,027
Total assets	\$ 14,003,216	\$ 14,692,537	\$ 66,794,325
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 871,899	\$ 3,809,026	6,295,392
Accrued wages and benefits payable	42,204	68,262	1,144,467
Refundable deposits	-	-	506,318
Unearned revenues	-	423,950	640,039
Due to other funds	-	791,534	1,862,027
Compensated absences, due within one year	-	188	235
Total liabilities	914,103	5,092,960	10,448,478
Deferred Inflows of Resources:			
Unavailable revenue	-	11,819	2,524,459
Leases	-	-	8,319,100
Total deferred inflows of resources	-	11,819	10,843,559
Fund Balances:			
Nonspendable	-	14,692	1,116,739
Restricted	-	10,337,903	12,067,948
Committed	-	-	4,331,861
Assigned	13,089,113	-	26,372,636
Unassigned	-	(764,837)	1,613,104
Total fund balances (deficits)	13,089,113	9,587,758	45,502,288
Total liabilities, deferred inflows of resources and fund balances	\$ 14,003,216	\$ 14,692,537	\$ 66,794,325

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position

June 30, 2025

Total Fund Balances - Total Governmental Funds \$ 45,502,288

Amounts reported for governmental activities in the Statement of Net Position were reported differently because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Nondepreciable, net of Internal Service Fund of \$354,550	\$ 40,164,641	
Depreciable, net of Internal Service Fund of \$2,879,191	<u>39,308,180</u>	
Total capital assets		79,472,821

Internal Service Funds were used by management to charge the costs of certain activities, such as insurance and equipment replacement to individual funds. The assets and liabilities of the Internal Service Funds were included in the governmental activities in the Government-wide Statement of Net Position.

Insurance Fund	2,682,118	
Equipment Replacement Fund	<u>11,452,929</u>	
Total Internal Service Funds		14,135,047

Revenues in the Government-wide Statement of Activities that do not provide current financial resources and are not reported as revenue in the governmental funds. 2,524,459

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position:

Lease revenue bonds and premium	(7,397,638)	
Subscription agreements	(7,726)	
Interest payable	(86,067)	
Compensated absences	<u>(3,243,709)</u>	(10,735,140)

Deferred amounts relates to pension not available for current expenditures and are not reported in the governmental fund financial statements:

Pension related deferred outflows of resources	17,089,936	
Pension related deferred inflows of resources	(3,679,937)	

Net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds. (58,222,968)

Deferred amounts relates to other postemployment benefits not available for current expenditures and are not reported in the governmental fund financial statements:

OPEB related deferred outflows of resources	2,207,185	
OPEB related deferred inflows of resources	(3,887,871)	

Net OPEB asset is not due and payable in the current period and therefore is not reported in the governmental funds. 8,131,302

Net position of governmental activities \$ 92,537,122

CITY OF HERMOSA BEACH

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2025

		Major Funds		
	General	Grants Special Revenue Fund	Tyco Special Revenue Fund	RTI Undersea Cable Special Revenue Fund
REVENUES:				
Property taxes	\$25,560,649	\$ -	\$ -	\$ -
Other taxes	13,404,363	-	-	-
Licenses and permits	1,063,710	-	-	-
Fines and forfeitures	1,638,586	-	-	-
Use of money and property	1,505,172	-	223,213	101,908
Intergovernmental	220,515	521,220	-	-
Charges for services	9,934,898	-	-	-
Miscellaneous	378,000	630,327	120,611	150,404
Interest earned on investments	1,303,572	-	157,927	93,324
Total revenues	55,009,465	1,151,547	501,751	345,636
EXPENDITURES:				
Current:				
Legislative and legal	1,792,165	-	-	-
General government	6,642,229	493,289	-	-
Public safety	27,956,795	12,618	-	-
Community development	2,371,730	-	-	-
Culture and recreation	2,485,804	-	-	-
Public works	9,107,749	50,000	109,229	78,559
Capital outlay	2,785	861,296	533,517	307,150
Debt service:				
Principal	10,615	-	-	-
Interest and fiscal charges	424	-	-	-
Total expenditures	50,370,296	1,417,203	642,746	385,709
REVENUES OVER (UNDER) EXPENDITURES	4,639,169	(265,656)	(140,995)	(40,073)
OTHER FINANCING SOURCES (USES):				
Transfers in	439,939	-	-	-
Transfers out	(1,835,025)	-	-	-
Proceeds from subscriptions	-	-	-	-
Total other financing sources (uses)	(1,395,086)	-	-	-
NET CHANGE IN FUND BALANCE	3,244,083	(265,656)	(140,995)	(40,073)
Fund balances (deficit), beginning of year	17,049,456	(300,667)	2,121,402	1,157,867
Fund balances (deficit), end of year	\$20,293,539	\$ (566,323)	\$ 1,980,407	\$ 1,117,794

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH

Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Governmental Funds

For the Year Ended June 30, 2025

	Major Funds		
	Capital Improvements	Capital Projects	Nonmajor Governmental Funds
	Fund	Funds	Total
REVENUES:			
Property taxes	\$ -	\$ 451,780	\$26,012,429
Other taxes	-	2,592,498	15,996,861
Licenses and permits	-	-	1,063,710
Fines and forfeitures	-	15,963	1,654,549
Use of money and property	-	-	1,830,293
Intergovernmental	-	1,295,568	2,037,303
Charges for services	-	1,361,348	11,296,246
Miscellaneous	4,254	5,000	1,288,596
Interest earned on investments	931,888	1,038,420	3,525,131
Total revenues	936,142	6,760,577	64,705,118
EXPENDITURES:			
Current:			
Legislative and legal	-	-	1,792,165
General government	-	283,162	7,418,680
Public safety	-	154,601	28,124,014
Community development	-	53,434	2,425,164
Culture and recreation	-	67,880	2,553,684
Public works	312,661	4,827,829	14,486,027
Capital outlay	3,960,682	4,727,593	10,393,023
Debt service:			
Principal	-	450,000	460,615
Interest and fiscal charges	-	267,200	267,624
Total expenditures	4,273,343	10,831,699	67,920,996
REVENUES OVER (UNDER) EXPENDITURES	(3,337,201)	(4,071,122)	(3,215,878)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	1,105,256	1,545,195
Transfers out	-	(439,939)	(2,274,964)
Proceeds from subscriptions	-	-	-
Total other financing sources (uses)	-	665,317	(729,769)
NET CHANGE IN FUND BALANCE	(3,337,201)	(3,405,805)	(3,945,647)
Fund balances, beginning of year	16,426,314	12,993,563	49,447,935
Fund balances, end of year	\$ 13,089,113	\$ 9,587,758	\$45,502,288

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance to the Governmental-wide Statement of Activities
For the Year Ended June 30, 2025

Net Change in Fund Balances - Total Governmental Funds		\$ (3,945,647)
Governmental activities in the Statement of Activities were reported differently because:		
Governmental Funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. The amount of capital assets recorded in the current period is listed below.		
Total capital outlay expenditures reported in governmental funds	\$ 10,393,023	
Less: repair and maintenance expenditures	<u>1,984,591</u>	
Total capital outlay		12,377,614
Depreciation expense of capital assets is reported in the Government-wide Statement of Activities, but		
Total depreciation reported in Government-wide Statement of Activities	(3,003,850)	
Less: depreciation reported in the Internal Service Fund	<u>615,799</u>	
Total		(2,388,051)
Earned but unavailable revenues reported in the governmental funds balance sheet as deferred inflows of resources should be recognized in the Government-wide Statement of Activities as revenue regardless of availability.		
		831,582
Certain pension expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
		(3,079,763)
Certain other postemployment benefit expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
		1,219,993
Compensated absences were reported in the Government-wide Statement of Activities, but they did not require the use of current financial resources. Therefore, compensated absences were not reported as expenditures in the governmental funds.		
		(854,911)
The issuance of long-term debt provides current financial resources to governmental funds. However, the repayment reduces long-term liabilities in the governmental activities Statement of Net Position.		
		626,774
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and equipment replacement, to individual funds. The net revenue of the Internal Service Funds is reported in governmental activities.		
		<u>(337,732)</u>
Change in net position of governmental activities		<u>\$ 4,449,859</u>

PROPRIETARY FUND FINANCIAL STATEMENTS

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

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CITY OF HERMOSA BEACH

Statement of Net Position

Proprietary Funds

June 30, 2025

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
ASSETS	
Current assets:	
Cash and investments	\$ 19,293,774
Account receivables	9,658
Total current assets	<u>19,303,432</u>
Noncurrent assets:	
Nondepreciable capital assets	354,549
Depreciable capital assets, net of accumulated depreciation	<u>2,879,192</u>
Total noncurrent assets	<u>3,233,741</u>
Total assets	<u>22,537,173</u>
LIABILITIES	
Current liabilities:	
Accounts payable	285,676
Accrued wages and benefits payable	20,915
Workers' compensation claims payable - due within one year	1,241,918
General liability claims payable - due within one year	965,072
Subscription lease payable - due within one year	<u>87,072</u>
Total current liabilities	<u>2,600,653</u>
Long-term liabilities:	
Workers' compensation claims payable - due in more than one year	4,324,724
General liability claims payable - due in more than one year	1,244,122
Subscription lease payable - due in more than one year	<u>232,627</u>
Total long-term liabilities	<u>5,801,473</u>
Total liabilities	<u>8,402,126</u>
NET POSITION	
Net investment in capital assets	3,233,741
Unrestricted	<u>10,901,306</u>
Total net position	<u>\$ 14,135,047</u>

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2025

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES:	
Charges for services	\$ 5,936,193
Miscellaneous revenue	182,906
Total operating revenues	6,119,099
OPERATING EXPENSES:	
Salaries and wages	496,353
Contract services	3,545,210
Supplies	317,898
Claims expense	2,239,307
Depreciation	615,799
Total operating expenses	7,214,567
OPERATING INCOME	(1,095,468)
NON-OPERATING REVENUES (EXPENSES):	
Interest expense	(1,451)
Gain on disposal of capital assets	29,418
Total non-operating revenues (expenses)	27,967
INCOME BEFORE TRANSFERS	(1,067,501)
Transfers in	729,769
Total transfers	729,769
Change in net position	(337,732)
Net position, beginning of year	14,472,779
Net position, end of year	\$ 14,135,047

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH

Statement of Cash Flows

Proprietary Funds

For the year ended June 30, 2025

	Governmental Activities
	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received for services from other funds	\$ 5,935,972
Cash received from insurance recovery	240,470
Cash payments to suppliers for goods and services	(4,027,912)
Cash payments to employees for services	(495,155)
Cash payments for insurance premiums and claims	(1,853,023)
Net cash provided (used by) operating activities	<u>(199,648)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfers in	<u>729,769</u>
Net cash provided (used by) non-capital financing activities	<u>729,769</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(983,184)
Proceeds from subscription agreement	435,335
Interest paid	(1,451)
Payment on subscription lease	<u>(115,636)</u>
Net cash provided (used by) capital and related financing activities	<u>(664,936)</u>
Net increase (decrease) in cash and cash equivalents	(134,815)
Cash and equivalents, beginning of year	<u>19,428,589</u>
Cash and equivalents, end of year	<u>\$ 19,293,774</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED BY) OPERATING ACTIVITIES:	
Operating income (loss)	\$ (1,095,468)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	615,799
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	57,343
Increase (decrease) in accounts payable	(164,805)
Increase (decrease) in accrued wages and benefits payable	1,199
Increase (decrease) in workers' compensation claims payable	44,128
Increase (decrease) in general liability claims payable	<u>342,156</u>
Total adjustments	<u>895,820</u>
Net cash provided (used) by operating activities	<u>\$ (199,648)</u>

See accompanying notes to the basic financial statements.

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FIDUCIARY FUND FINANCIAL STATEMENTS

Custodial Funds- are used to account for assets held by the City in the capacity of agent for individuals. Custodial Fund spending is controlled primarily through legal agreements and applicable State and Federal laws. The Custodial Funds of the City were established to account for transactions related to payments for limited obligation bonds for the Bayview Drive, the Lower Pier Avenue Assessment District, the Beach Drive Assessment District, the Myrtle Avenue Utility Undergrounding Assessment District, and the Loma Drive Utility Undergrounding Assessment District.

CITY OF HERMOSA BEACH
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025

	<u>Custodial Funds</u>
ASSETS	
Cash and investments	\$ 233,973
Interest receivable	775
Other receivables	<u>1,196</u>
Total assets	<u>235,944</u>
LIABILITIES	
Assessment:	
Installment account	216,372
Reserve requirement	<u>13,000</u>
Total Liabilities	<u>229,372</u>
NET POSITION	<u><u>\$ 6,572</u></u>

See accompanying notes to the basic financial statements.

CITY OF HERMOSA BEACH

Statement of Changes in Fiduciary Net Position

All Custodial Funds

For the Year Ended June 30, 2025

	<u>Custodial Funds</u>
ADDITIONS:	
Interest income	\$ 6,572
Other revenues	<u>222,701</u>
Total additions	<u>229,273</u>
DEDUCTIONS:	
Miscellaneous	<u>229,536</u>
Total deductions	<u>229,536</u>
Change in net position	(263)
Net position, beginning of year	<u>6,835</u>
Net position, end of year	<u><u>\$ 6,572</u></u>

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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City of Hermosa Beach
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For the Year Ended June 30, 2025

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City of Hermosa Beach
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For the Year Ended June 30, 2025

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City of Hermosa Beach
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

Management determined that the following entities should be reported as blended component units based on the criteria above. Each blended component unit has a June 30 year-end, has a governing board that is substantially the same as the City’s, there is a financial benefit or burden relationship between the City and the blended component unit, and the City is financially accountable for each of the blended component units.

Hermosa Beach Street Lighting and Landscaping District – The Hermosa Beach Street Lighting and Landscaping Assessment District was created for street lighting/median maintenance purposes pursuant to Street and Highway Code Sections 22500-22679.

Lower Pier Avenue Assessment District – The Lower Pier Avenue Assessment District was created for improvement of the assessment district in November 1997 pursuant to Street and Highway Code Section 10000.

Myrtle Avenue Underground Utility District – The Myrtle Avenue Underground Utility District was created in October 1999 pursuant to Street and Highway Code Section 10000.

Loma Drive Underground Utility District – The Loma Drive Underground Utility District was created in October 1999 pursuant to Street and Highway Code Section 10000.

Beach Drive Assessment District – The Beach Drive Assessment District was created in July 2004 pursuant to Street and Highway Code Section 10000.

Bayview Drive Underground District – The Bayview Drive Underground District was created in February 2005 pursuant to Street and Highway Code Section 10000.

Hermosa Beach Public Financing Authority – The Hermosa Beach Public Financing Authority was created on July 14, 2015 to authorize the issuance and sale of 2015 Lease Revenue Bonds.

The above component units do not issue separate financial statements.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus

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

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

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

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

Government-Wide Financial Statements

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

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

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

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

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

Governmental Fund Financial Statements

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) which are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, intergovernmental revenues and other taxes. Sales tax is received on a monthly basis. Business license fees are recorded as received, except at year-end when they are accrued pursuant to the modified accrual basis of accounting. The City recognizes business license revenue collected within 60 days as revenue at June 30. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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

The City reports the following major governmental funds:

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

Grants Special Revenue Fund – This fund is used to support eligible service agencies.

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

RTI Undersea Cable Special Revenue Fund – This fund is used to account for funds received from an easement granted for construction of a transpacific, submarine fiber optic cable system with a landing in Hermosa Beach. The project will provide additional capacity for global voice and data transmission and global access to planned and existing land-based communication networks in the project area.

Capital Improvements Capital Projects Fund – This fund is set aside for capital improvement projects.

Proprietary Fund Financial Statements

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

Internal service funds are the only funds presented in the proprietary fund financial statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements. The internal service funds are used to account for equipment replacement and insurance provided to other City departments on a cost-reimbursement basis.

Fiduciary Fund Financial Statements

The City's fiduciary funds represent custodial funds, which are custodial in nature (assets equal liabilities) and use the economic resources measurement focus. The fiduciary funds are accounted for using the accrual basis of accounting. The City maintains seven fiduciary funds which represent assets resulting from assessments to the property owners in four utility undergrounding districts, two reserve funds for utility undergrounding districts and a downtown improvement district (Lower Pier Avenue). The assets are used to repay bonds secured by the private property in the district.

C. Cash and Investments

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

D. Fair Value Measurement

Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

The three levels of the fair value measurement hierarchy are described below:

- Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

E. Property Taxes Receivable

Property taxes attach as an enforceable lien on property as of January 1 each year. The property tax year runs from July 1 to June 30. Property is taxed as of January 1 for payment in the following fiscal year. Taxes are payable in two installments: December 10 and April 10 of each year. The County of Los Angeles, California (the "County") bills and collects the property taxes and remits them to the City according to a payment schedule established by the County. City property tax revenues are recognized, net of estimated refunds and uncollectible amounts, in the period for which the taxes are levied. The City recognizes available taxes, or those collected within 60 days, as revenue at June 30.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Property Taxes Receivable (Continued)

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

F. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from/to other funds” (i.e., current portion of interfund loans).

G. Capital Assets

In the government-wide financial statements, capital assets, which include land, buildings, improvements, equipment, furniture, and infrastructure assets (e.g., roads, sidewalks, and similar items), are recorded at historical cost or estimated historical if purchased or constructed (except for intangible right-to-use lease assets, the measurement of which is disclosed thereafter). Donated capital assets, donated works of art or similar items, and capital assets received in a service concession arrangement are reported at acquisition value on the date donated rather than fair value. City policy has set the capitalization threshold for reporting capital assets at \$5,000 and infrastructure at \$100,000.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, sewers and storm drains, parking meters and monuments. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights and landscaping. These subsystems were not delineated in the basic financial statements. The Finance Department, with the assistance of the appropriate operating department, maintains information regarding the subsystems.

Interest incurred during capital assets construction, if any, is capitalized for the proprietary funds as part of the asset cost.

For all infrastructure systems, the City elected to use the “Basic Approach” and depreciate over its estimated useful life.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method. The lives used for depreciation purposes are as follows:

Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	3-20 years
Infrastructure	15-50 years
Subscriptions	3-5 years
Leases	5-50 years

H. Unearned and Unavailable Revenue

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

In the governmental fund financial statements, unavailable revenue is reported when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City reports an unavailable revenue when an asset is reported in governmental fund financial statements but the revenue is not available.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Claims Payable

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

J. Compensated Absences Payable

The City accounts for compensated absences in accordance with GASB Statement No. 101. This standard requires recognition of a liability for leave that is attributable to services already rendered, accumulated over time, and is more likely than not to be used for time off or otherwise compensated. It is the policy of the City to pay all accumulated vacation pay and all or a portion of sick pay when an employee retires or terminates. The long-term amount is included as a liability in the governmental activities of the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. All of the liability for compensated absences applicable to proprietary funds is reported in those funds. The City's goal is to accumulate 25% of the funding for the accrued liability for compensated absences in the assigned fund balance for compensated absences. Compensated absences are liquidated principally by the General Fund.

K. Pensions

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

The following timeframes are used for pension reporting:

<u>CalPERS</u>	
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

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

L. Other Postemployment Benefits ("OPEB")

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the plan (Note 10). For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

L. Other Postemployment Benefits (“OPEB”) (Continued)

The following timeframes are used for OPEB reporting:

<u>OPEB</u>	
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

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

M. Net Position

In the government-wide financial statements and proprietary fund financial statements, net position is classified as follows:

Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation.

Restricted - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted - This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

N. Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Nonspendable fund balances include amounts that cannot be spent because they are not in a spendable form, such as inventory or prepaid items, or because resources legally or contractually must remain intact.

Restricted – Restricted fund balances are the portion of fund balance that have externally enforceable limitations on their usage through legislation or limitations imposed by creditors, grantor, laws and regulations of other governments or enabling legislation.

Committed – Committed fund balances are self-imposed limitations by the highest level of decision-making authority, namely the City Council, prior to the end of the reporting period. City Council adoption of a resolution is required to commit resources or to rescind the commitment.

Assigned – Assigned fund balances are limitations imposed by management based on the intended use of the funds. Modifications or rescissions of the constraints can be removed by the same type of action that limited the use of the funds. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has authorized the Finance Director for that purpose.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

N. Fund Balances (Continued)

Unassigned – Unassigned fund balances represent the residual net resources in excess of the other classifications. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental fund other than general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

O. Spending Policy

Government – Wide Financial Statements and Proprietary Fund Financial Statements

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the City’s policy is to apply restricted component of net position first, then the unrestricted component of net position as needed.

Governmental Fund Financial Statements

When expenditures are incurred for purposes for which restricted, committed, assigned and unassigned fund balances are all available, the City’s policy is to use these balances in the following order unless an ordinance specifies the fund balance to be used: restricted, committed, assigned and unassigned.

Long-term financial planning

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

Insurance Fund - Goal of \$3,000,000 in net position for claims reserves and catastrophic losses.

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

Contingency - Goal equal to 20% of the General Fund appropriations for economic uncertainties, unforeseen emergencies.

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

The City also has a financial policy of transferring funds unspent in the General Fund at year-end to the Insurance Fund, Equipment Replacement Fund, and Capital Improvement Capital Projects Fund and to add to Contingency funds. The City Council makes changes as necessary to the year-end transfer, depending on the equity in the funds or based on other needs.

P. Use of Estimates

The preparation of the basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Leases Receivable

Lessor: The City is a lessor for noncancellable leases of a portion of real property, as well as, building and roof space. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key elements and judgement include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

R. Leases Payable and Subscription Agreements Payable

Lessee: The City is a lessee for noncancellable leases of software subscriptions. The City recognizes a lease or subscription agreement liability and an intangible right-to-use lease or subscription agreement asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$50,000 or more.

At the commencement of a lease or subscription agreement, the City initially measures the lease liability at the present value of payments expected to be made during the lease or subscription agreement term. Subsequently, the liability is reduced by the principal portion of payments made. The lease or subscription agreement asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) payments. The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The term includes the noncancellable period of the lease. Lease payments included in the measurement of the liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease or subscription agreement assets are reported with other capital assets and lease or subscription agreement liabilities are reported with long-term debt on the Statement of Net Position.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

S. New Accounting Pronouncements

For the year ended June 30, 2025, the financial statements include the adoption of GASB Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The cumulative effect of adopting this standard was not significant, hence, no restatement of beginning net position was required.

Note 2 – Cash and Investments

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds.

The City had the following cash and investments at June 30, 2025:

	Government-Wide Statement of Net Position Governmental Activities	Statement of Fiduciary Net Position	Total
Cash and investments	\$ 67,560,807	\$ 233,973	\$ 67,794,780

The City's cash and investments at June 30, 2025 in more detail:

Cash and cash equivalents:	
Demand deposits	\$ 10,422,904
Petty cash	2,000
Total cash and cash equivalents	10,424,904
Investments:	
Local Agency Investment Fund	24,633,987
Los Angeles County Pooled Investments Funds	21,352,194
US Government Treasuries	496,935
US Government Bonds	5,138,140
Negotiable Certificates of Deposit	4,672,857
Pension Trust	1,075,763
Total investments	57,369,876
Total cash and investments	\$ 67,794,780

A. Deposits

The carrying amounts of the City's demand deposits were \$10,422,904 at June 30, 2025. Bank balances at that date were \$10,325,489, the total amount of which was collateralized or insured with accounts held by the pledging financial institutions in the City's name as discussed below.

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

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 2 – Cash and Investments (Continued)

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 (“FDIC”). The City, however, has not waived the collateralization requirements.

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

B. Investments

Under the provisions of the City’s investment policy, the City’s investments are limited to those authorized by the California Government Code, except as follows:

- There is no maximum amount or maximum maturity period of the City’s idle funds that may be invested with the Local Agency Investment Fund (“LAIF”) or the Los Angeles County Pooled Investment Fund (“LACPIF”)
- Negotiable Certificates of Deposit shall not exceed 30 percent of the City’s surplus money and mature in 5 years or less.
- Medium-term corporate notes shall have a Moody or Standard & Poor’s rating of at least AA and mature in 5 years or less

The City is a participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City’s investments with LAIF at June 30, 2025 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities, which included the following:

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

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

As of June 30, 2025, the City had \$24,633,987 invested in LAIF, which had invested 42.94% of the pool investment funds in Structured Notes and Asset-Backed Securities. The fair value of the City’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

C. Investment in Los Angeles County Investment Pool

The City is a voluntary participant in the Los Angeles County Investment Pool pursuant to Government Code Section 53684. The cash flow needs of participants are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of those participants. At the time deposits are made, the Los Angeles County Investment Pool’s Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of \$1 million. Projections are to be performed no less than semi-annually. In accordance with Government Code Section 27136, all requests for withdrawal of funds for the purpose of investing or depositing the funds elsewhere shall be evaluated to ensure the proposed withdrawal will not adversely affect the principal deposits of the other participants. As of June 30, 2025, the City had \$21,352,194 invested in the Los Angeles County Investment Pool.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 2 – Cash and Investments (Continued)

D. Fair Value Measurement

At June 30, 2025, investments are reported at fair value. The following table presents the fair value measurement of investments on a recurring basis and the levels within fair value hierarchy in which the fair value measurements fall at June 30, 2025:

Investment Type	Value	Level 1	Level 2	Uncategorized
Local Agency Investment Fund	\$ 24,633,987	\$ -	\$ -	\$ 24,633,987
Los Angeles County Pooled Investments Fund	21,352,194	-	-	21,352,194
US Government Treasuries	496,935	496,935	-	-
US Government Bonds	5,138,140	5,138,140	-	-
Negotiable Certificates of Deposit	4,672,857	-	-	4,672,857
Pension Trust	1,075,763	-	-	1,075,763
Total	\$ 57,369,876	\$ 5,635,075	\$ -	\$ 51,734,801

E. Risk Disclosures

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

At June 30, 2025, the City had the following investment maturities:

Investment Type	Fair value	Investment Maturities (in Years)				
		Less than 1	1 to 2	2 to 3	3 to 4	4 to 5
Local Agency Investment Fund	\$ 24,633,987	\$ 24,633,987	\$ -	\$ -	\$ -	\$ -
Los Angeles County Pooled Investments Fund	21,352,194	21,352,194	-	-	-	-
US Government Treasuries	496,935	-	496,935	-	-	-
US Government Bonds	5,138,140	1,464,930	723,448	464,200	2,485,562	-
Negotiable Certificates of Deposit	4,672,857	-	1,200,318	1,466,284	2,006,255	-
Pension Trust	1,075,763	1,075,763	-	-	-	-
Total	\$ 57,369,876	\$ 48,526,874	\$ 2,420,701	\$ 1,930,484	\$ 4,491,817	\$ -

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. It is the City's policy to limit its investments in these investment types to the top rating issued by Standard & Poor's and Moody's Investor Service. At June 30, 2025, the City's credit risks, expressed on a percentage basis, were as follows:

Credit Quality Distribution for Securities with Credit Exposure as a Percentage of Total Investments			
Investment Type	Moody's Credit Rating	S&P's Credit Rating	% of Investments with Interest Rate Risk
Local Agency Investment Fund	Not Rated	Not Rated	42.94%
Los Angeles County Pooled Investments Fund	Not Rated	Not Rated	37.22%
US Government Treasuries	Aaa	AA+	0.87%
US Government Bonds	Aaa	AA+	8.96%
Negotiable Certificates of Deposits	Not Rated	Not Rated	8.15%
Pension Trust	Not Rated	Not Rated	1.88%
Total			100.00%

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 2 – Cash and Investments (Continued)

E. Risk Disclosures (Continued)

Custodial Risk – For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer), the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Concentration of credit risk – The City’s investment policy does not allow for investments in any one institution that is in excess of 5% of the City’s total portfolio, except for LAIF and LACIPIF, where there is no limit. The City is in compliance with the investment policy related to the concentration of credit risk for the year ended June 30, 2025.

Note 3 - Receivables

A. Government-Wide Financial Statements

At June 30, 2025, the government-wide financial statements show the following receivables, net of allowances for uncollectible amounts, if any:

	Government-Wide Statement of Net Position Governmental Activities	Statement of Fiduciary Net Position	Total
Accounts receivable	\$ 5,111,872	\$ -	\$ 5,111,872
Property taxes receivable, net	1,327,321	-	1,327,321
Reimbursable grants receivable	420,433	-	420,433
Leases receivable	8,319,100	-	8,319,100
Interest receivable on investments	379,458	775	380,233
Other receivables	-	1,196	1,196
Total	\$ 15,558,184	\$ 1,971	\$ 15,560,155

B. Fund Financial Statements Receivables

Receivables consisted of amounts accrued in the ordinary course of operations. The total amount of accounts receivables for each major and nonmajor funds in the aggregate as of June 30, 2025, were as follows:

Governmental funds:	
General	\$ 3,926,099
Grants	827,469
Tyco	42,978
RTI Undersea Cable	37,216
Nonmajor Funds	<u>268,452</u>
Total governmental funds	<u>5,102,214</u>
Total accounts receivable	<u>\$ 5,102,214</u>

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 3 – Receivables (Continued)

B. Fund Financial Statements (Continued)

Taxes Receivable

At June 30, 2025, the City had property taxes receivable, net of allowance for delinquent property taxes receivables, in the following major fund and nonmajor funds in the aggregate:

	Property taxes	Allowance for delinquent tax receivables	Property taxes, net of allowance
Governmental Funds:			
General Fund	\$ 1,797,939	\$ (507,020)	\$ 1,290,919
Nonmajor funds	74,283	(37,881)	36,402
Total	\$ 1,872,222	\$ (544,901)	\$ 1,327,321

Reimbursable Grants Receivable

Grants receivable consists of a variety of reimbursable grants from other agencies. The total amount of reimbursable grants receivable as of June 30, 2025 was as follows:

Governmental funds:	
Reimbursable grants	\$ 420,433
Total governmental funds	420,433
Total grant receivables	\$ 420,433

Note 4 – Lease Receivable and Revenues

In March 2001, a 50-year lease for the retail space located in front of the North Pier Parking Structure was initiated. The City receives a monthly lease payment in the amount of \$2,985. The lease includes a negotiated increase to the monthly lease payment to be calculated every 60 months based on an amendment equal to the greater of the consumer price index or 12.5% of the gross effective sublease rent for the previous 60 month period. In February 2016, the lease was increased to \$3,235. During the year ended June 30, 2025, the City recognized \$13,727 in lease revenue and \$25,049 in interest revenue during the current fiscal year related to the lease. As of June 30, 2025, the City’s receivable for lease payments was \$619,729. Also, the City has a deferred inflow of resources associated with the lease that will be recognized as revenue over the lease term. As of June 30, 2025, the balance of the deferred inflow of resources was \$619,729.

In February 2004, the City entered into a 5-year lease agreement with Sprint, a cellular telephone company, for placement of an antenna on the North Pier Parking Structure. The lease includes a provision for 5 lease extensions with a 5-year term for each. In February 2009, the lease was extended through January 31, 2015. In February 2016, the lease was extended through January 31, 2020. In February 2020, the lease was extended through January 31, 2025. During the year ended June 30, 2025, the City recognized \$29,065 in lease revenue and \$14,948 in interest revenue during the current fiscal year related to the lease. As of June 30, 2025, the City’s receivable for lease payments was \$359,939. Also, the City has a deferred inflow of resources associated with the lease that will be recognized as revenue over the lease term. As of June 30, 2025, the balance of the deferred inflow of resources was \$359,939.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 4 – Lease Receivable and Revenues (Continued)

In June 2005, the City purchased property adjacent to City Hall that is used as a self - storage facility with Thielscher. The existing lease for the storage facility was transferred to the City as a condition of the sale. The original lease term was through January 31, 2009, and was extended beginning February 1, 2009 to April 30, 2015 through various amendments. In April 2015, the lease was amended to extend the term to April 30, 2020. In May 2020, the lease was extended through June 2025 and that lease can be terminated without cause at any time after July 2021 with one year of written notice to the City. The City receives a monthly lease payment in the amount of \$20,600. During the year ended June 30, 2025, the City recognized \$264,350 in lease revenue and \$4,932 in interest revenue during the current fiscal year related to the lease. As of June 30, 2025, the City’s receivable for lease payments was \$0. Also, the City has a deferred inflow of resources associated with the lease that will be recognized as revenue over the lease term. As of June 30, 2025, the balance of the deferred inflow of resources was \$0.

In February 2014, the City entered into a 20-year lease agreement with Verizon wireless, a cellular telephone company. The annual lease rate is expected to increase at a rate of 3% with base monthly payment amount of \$5,000. During the year ended June 30, 2025, the City recognized \$13,055 in lease revenue and \$26,770 in interest revenue during the current fiscal year related to the lease. As of June 30, 2025, the City’s receivable for lease payments was \$663,060. Also, the City has a deferred inflow of resources associated with the lease that will be recognized as revenue over the lease term. As of June 30, 2025, the balance of the deferred inflow of resources was \$663,060.

In 2016, three 25-year lease agreements with MC Global were initiated. The City receives quarterly lease payments that range from \$17,250 to \$22,500. During the year ended June 30, 2025, the City recognized \$79,806 in lease revenue and \$150,404 in interest revenue during the current fiscal year related to the leases. As of June 30, 2025, the City’s receivable for lease payments was \$3,739,526. Also, the City has a deferred inflow of resources associated with the lease that will be recognized as revenue over the lease term. As of June 30, 2025, the balance of the deferred inflow of resources was \$3,739,526.

In 2002, a 25-year lease agreements with Tycom was initiated. The City receives quarterly lease payments of \$75,000. During the year ended June 30, 2025, the City recognized \$177,631 in lease revenue and \$120,611 in interest revenue during the current fiscal year related to the lease. As of June 30, 2025, the City’s receivable for lease payments was \$2,936,846. Also, the City has a deferred inflow of resources associated with the lease that will be recognized as revenue over the lease term. As of June 30, 2025, the balance of the deferred inflow of resources was \$2,936,846.

Note 5 – Interfund Transactions

Due From/To Other Funds – At June 30, 2025, the City had the following due from/to other funds:

Due To Other Funds	Due From Other Funds	
	General Fund	Total
Grants	\$ 1,070,493	\$ 1,070,493
Nonmajor Governmental funds	423,950	423,950
Total	\$ 1,862,027	\$ 1,862,027

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

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 5 – Interfund Transactions (Continued)

Transfers

During the year ended June 30, 2025, the City had the following transfers:

Transfers in				
Transfers out	General Fund	Nonmajor Governmental Funds	Internal Service Funds	Total
General Fund	\$ -	\$ 1,105,256	\$ 729,769	\$1,835,025
Nonmajor Governmental Funds	439,939	-	-	439,939
Total	\$ 439,939	\$ 1,105,256	\$ 729,769	\$2,274,964

In general, transfers are used to 1) use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 2) to transfer to the General Fund to fund administration services.

General Fund transferred \$686,161 to the 2020 Lease Revenue Bond Fund for debt service payment.

General Fund transferred \$392,882 to the Insurance Internal Service Fund to fund liability claims and \$337,424 to the Equipment Replacement Internal Service Fund for the acquisition of capital assets .

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 6 – Capital Assets

The following is a summary of changes in capital assets for the governmental activities for the year ended June 30, 2025:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
<i>Capital assets not being depreciated:</i>				
Land	\$ 22,740,168	\$ -	\$ -	\$ 22,740,168
Construction in progress	7,018,834	12,690,951	(1,930,762)	17,779,023
Total capital assets not being depreciated	<u>29,759,002</u>	<u>12,690,951</u>	<u>(1,930,762)</u>	<u>40,519,191</u>
<i>Capital assets being depreciated:</i>				
Buildings and structures	17,055,598	160,933	-	17,216,531
Improvements other than buildings	15,430,866	-	-	15,430,866
Machinery and equipment	7,911,923	97,920	(81,259)	7,928,584
Vehicles	4,471,684	508,367	(206,020)	4,774,031
Right-to-use - Subscriptions	153,338	435,335	(84,018)	504,655
Infrastructure	64,562,599	1,530,289	-	66,092,888
Total capital assets being depreciated	<u>109,586,008</u>	<u>2,732,844</u>	<u>(371,297)</u>	<u>111,947,555</u>
Less accumulated depreciation for:				
Buildings and structures	(7,011,843)	(407,963)	-	(7,419,806)
Improvements other than buildings	(14,120,316)	(149,632)	-	(14,269,948)
Machinery and equipment	(6,429,189)	(370,980)	81,259	(6,718,910)
Vehicles	(3,368,526)	(280,753)	187,221	(3,462,058)
Right-to-use - Subscriptions	(117,978)	(96,796)	84,018	(130,756)
Infrastructure	<u>(35,976,962)</u>	<u>(1,781,744)</u>	<u>-</u>	<u>(37,758,706)</u>
Total accumulated depreciation	<u>(67,024,814)</u>	<u>(3,087,868)</u>	<u>352,498</u>	<u>(69,760,184)</u>
Total capital assets being depreciated, net	<u>42,561,194</u>	<u>(355,024)</u>	<u>(18,799)</u>	<u>42,187,371</u>
Total governmental activities	<u>\$ 72,320,196</u>	<u>\$ 12,335,927</u>	<u>\$ (1,949,561)</u>	<u>\$ 82,706,562</u>

Depreciation expense was charged to functions/programs of governmental activities for the year ended June 30, 2025 as follows:

Legislative and legal	\$ 97,430
General government	403,310
Public safety	1,528,938
Community development	131,842
Culture and recreation	138,828
Public works	787,520
Total depreciation expense	<u>\$ 3,087,868</u>

Note 7 – Long-Term Liabilities

Summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2025 is as follows:

	Balance			Balance June 30, 2025	Classification	
	July 1, 2024	Additions	Deletions		Due within One Year	Due in more than One Year
2020 Lease revenue bond	\$ 6,905,000	\$ -	\$ (450,000)	\$ 6,455,000	\$ 470,000	\$ 5,985,000
Bonds Premium	1,099,743	-	(157,105)	942,638	157,105	785,533
Subscription agreements	21,395	435,335	(129,305)	327,425	85,234	242,191
Compensated absences	2,389,033	* 854,911	-	3,243,944	1,256,644	1,987,300
	<u>\$ 10,415,171</u>	<u>\$ 1,290,246</u>	<u>\$ (736,410)</u>	<u>\$ 10,969,007</u>	<u>\$ 1,968,983</u>	<u>\$ 9,000,024</u>

* The change in the compensated absences liability is presented as a net change.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 7 – Long-Term Liabilities (Continued)

2020 Lease Revenue Bonds

In October 2020, the PFA issued \$8,150,000 Hermosa Beach Public Financing Authority 2020 Lease Revenue Bonds to (i) refund and defease the 2015 Lease revenue bonds and (ii) pay the costs of issuing the 2020 Bonds. Interest rate is 1.92% and is payable semiannually on May 1 and November 1 of each year, commencing May 1, 2021. Principal payments range from \$395,000 to \$715,000 commencing November 2021 through November 2035. The 2020 bonds are secured solely by the pledge revenues and certain funds held under the indenture. The 2020 bonds are not secured by a pledge of the taxing power of the City. Upon default, the payment in default will continue as an obligation of the City until the amount in default has been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment at the highest rate of interest on any Outstanding 2020 Bond. The outstanding balance at June 30, 2025 was \$6,455,000.

The annual debt service requirements by year are as follows:

Year ending June 30,	Principal	Interest	Total
2026	\$ 470,000	\$ 245,667	\$ 715,667
2027	490,000	226,333	716,333
2028	510,000	206,200	716,200
2029	535,000	185,133	720,133
2030	560,000	163,067	723,067
2031-2035	3,175,000	449,933	3,624,933
2036	715,000	9,533	724,533
	<u>\$ 6,455,000</u>	<u>\$ 1,485,866</u>	<u>\$ 7,940,866</u>

Subscription Agreement Payable

In May 2022, the City entered into a 66 month subscription for the use of budget software. An initial subscription liability was recorded in the amount of \$64,378. As of June 30, 2025, the value of the subscription liability is \$10,780. The City is required to make annual fixed payments ranging from \$10,261 to \$26,435. The subscription has an interest rate of 4.0%. The value of the right to use asset as of June 30, 2025 was \$69,320 with accumulated amortization of \$50,940.

In July 2024, the City entered into a 60 month subscription for the use of mobile video and body worn camera software. An initial subscription liability was recorded in the amount of \$435,335. As of June 30, 2025, the value of the subscription liability is \$316,645. The City is required to make annual fixed payments of \$87,355. The subscription has an interest rate of 4.0%. The value of the right to use asset as of June 30, 2025 was \$435,335 with accumulated amortization of \$79,816.

The following future principal and interest payments on the leases payable and subscription agreements payable for June 30 are as follows:

Year ending June 30,	Principal	Interest	Total
2026	\$ 85,234	\$ 13,340	\$ 98,574
2027	77,488	9,867	87,355
2028	80,644	6,711	87,355
2029	84,059	3,296	87,355
	<u>\$ 327,425</u>	<u>\$ 33,214</u>	<u>\$ 360,639</u>

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 8 – Risk Management

The City maintains an internal service fund to account for the City’s general liability and workers’ compensation claims, automobile, property, and unemployment insurance.

The City is self-insured for each general liability claim up to \$250,000. The City is insured above the self-insured retention for general liability insurance coverage, up to a maximum of \$25,000,000 per occurrence, as a member of the California Joint Powers Insurance Authority (“CJPIA”).

The City purchases workers’ compensation coverage through a self-insured program available through CJPIA. The City maintains a \$250,000 self-insured retention limit and participates in a self-insured risk sharing pool through the CJPIA of coverage up to statutory limits.

CJPIA is a joint exercise of powers authority organized and operating pursuant to the California Government Code. CJPIA was formed in 1978 pursuant to joint exercise of power agreements for insurance and risk management purposes, which, as amended, enable CJPIA to provide programs of risk sharing, insurance and risk management services in connection with liability, property, and workers’ compensation claims.

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

The City’s premiums to CJPIA in the amount of \$1,794,008 for the fiscal year 2024-2025 are in accordance with formulas established by CJPIA. The City is liable for possible additional assessments and withdrawal costs under terms of the membership agreement; however, there has never been an additional assessment since the pool was formed.

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

The City maintains a blend of self-insurance and reinsurance with the Independent Cities Risk Management Authority (ICRMA) and its third party administrators for liability and Workers' Compensation claims submitted to the risk pool prior to July 1, 2024. The City is insured self-insures up to \$250,000 under the ICRMA liability excess insurance program with a maximum annual coverage of \$50 million. The City also self-insures up to \$500,000 under the ICRMA excess Workers’ Compensation, with excess coverage through Safety National.

The workers’ compensation and general liability claims payable of \$7,775,836 reported at June 30, 2025 includes the liability for claims in which it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Detailed financial information may be obtained from the CJPIA Program Administrator located at 8081 Moody Street, La Palma, CA 90623.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 9 – Defined Benefit Pension Plans

The following is a summary of net pension liabilities, related deferred outflows and inflows of resources as of June 30, 2025 and pension expenses for the year then ended June 30, 2025:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Deferred outflows of resources:			
Pension contribution after measurement date	\$ 2,450,053	\$ 4,602,994	\$ 7,053,047
Difference between expected and actual experience	1,306,797	3,518,025	4,824,822
Change in assumptions	388,477	1,062,101	1,450,578
Change in employer’s proportion	51,034	353,695	404,729
Difference between City contributions and proportionate share of contributions	84,093	318,876	402,969
Differences between projected and actual investment earnings	870,130	2,083,661	2,953,791
Total deferred outflows of resources	<u>\$ 5,150,584</u>	<u>\$ 11,939,352</u>	<u>\$ 17,089,936</u>
Aggregate Net pension liabilities:			
Aggregate Net pension liabilities	<u>\$ 15,114,615</u>	<u>\$ 43,108,353</u>	<u>\$ 58,222,968</u>
Total net pension liabilities (1)	<u>\$ 15,114,615</u>	<u>\$ 43,108,353</u>	<u>\$ 58,222,968</u>
Deferred inflows of Resources:			
Difference between projected and actual experience	\$ 50,990	\$ 114,386	\$ 165,376
Change in employer’s proportions	2,238,378	667,020	2,905,398
Difference between City contributions and proportionate share of contributions	142,929	466,234	609,163
Total deferred inflows of Resources	<u>\$ 2,432,297</u>	<u>\$ 1,247,640</u>	<u>\$ 3,679,937</u>
Pension expenses (credits):	<u>\$ 2,145,291</u>	<u>\$ 7,987,518</u>	<u>\$ 10,132,809</u>

(1) Pension plan have typically been liquidated by the General Fund.

General Information about the Pension Plan

Plan Description

The City contributes to the California Public Employees’ Retirement System (“CalPERS”), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the CalPERS annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

The City contracted with Los Angeles County for Fire Services (Fire District) on 12/30/2017. The City will continue to be responsible for paying the retirement costs for fire employees related to the value of past service benefits, referred to as the unfunded actuarial liability.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 9 – Defined Benefit Pension Plans (Continued)

General Information about the Pension Plan (Continued)

Employees Covered by Benefit Terms

At June 30, 2025, the following employees were covered by the benefit terms:

	<u>Plans</u>					
	<u>Fire Tier 1</u>	<u>Fire Tier 2</u>	<u>Fire PEPRA</u>	<u>Police Tier 1</u>	<u>Police Tier 2</u>	<u>Police PEPRA</u>
Active employees	-	-	-	15	2	19
Transferred and terminated employees	8	1	3	4	2	8
Separated	4	1	1	4	2	4
Retired Employees and Beneficiaries	62	-	-	96	2	2
Total	<u>74</u>	<u>2</u>	<u>4</u>	<u>119</u>	<u>8</u>	<u>33</u>

	<u>Plans</u>		
	<u>Misc. Tier 1</u>	<u>Misc. Tier 2</u>	<u>Misc. PEPRA</u>
Active employees	24	18	57
Transferred and terminated employees	34	11	43
Separated	46	7	42
Retired Employees and Beneficiaries	154	3	1
Total	<u>258</u>	<u>39</u>	<u>143</u>

Benefit Provided

CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Classic and PEPRA Safety CalPERS member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay.

Following are the benefit provisions for each plan:

- Fire Tier 1: 3% (at age 55) of the average final 12 months compensation (effective prior to 7/1/11)
- Fire Tier 2: 2% (at age 50) of the average final 12 months compensation (effective 7/1/11)
- Fire PEPRA: 2.7% (at age 57) of the average final 36 months compensation (effective 1/1/13)
- Police Tier 1: 3% (at age 50) of the average final 12 months compensation (effective prior to 7/1/11)
- Police Tier 2: 2% (at age 50) of the average final 12 months compensation (effective 7/1/11)
- Police Tier PEPRA: 2.7% (at age 57) of the average final 36 months compensation (effective 1/1/13)
- Miscellaneous Tier 1: 2% (at age 55) of the average final 12 months compensation (effective prior to 7/1/11)
- Miscellaneous Tier 2: 2% (at age 60) of the average final 12 months compensation (effective 7/1/11)
- PEPRA Miscellaneous: 2% (at age 62) of the average final 36 months compensation (effective 1/1/13)

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 9 – Defined Benefit Pension Plans (Continued)

General Information about the Pension Plan (Continued)

Benefit Provided (Continued)

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The Public agency cost-sharing plans covered by either the Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the fiscal year ended June 30, 2024, the contributions recognized as part of pension expense(credit) for the plan totaled \$10,132,809. For the measurement period ended June 30, 2024 (the measurement date), the average contribution rate were as follows:

Plans	Active Employee Contribution Rate	Employer Contribution Rate
Fire Tier 1	0.000%	\$1,200,122
Fire Tier 2	0.000%	\$ 592
Fire PEPRRA	0.000%	\$ 667
Police Tier 1	9.000%	29.30%
Police Tier 2	9.000%	23.13%
Police PEPRRA	14.50%	14.72%
Misc. Tier 1	7.000%	12.52%
Misc. Tier 2	7.000%	10.71%
Misc. PEPRRA	7.750%	7.87%

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 9 – Defined Benefit Pension Plans (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2023 valuation was rolled forward to determine June 30, 2023 total pension liability based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment rate of return	7.15% net of pension plan investment expenses, includes inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 6.90 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 6.90 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 9 – Defined Benefit Pension Plans (Continued)

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

Discount Rate (Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2023.

<u>Asset Class</u>	<u>New Strategic Allocation-%</u>	<u>Real Return Years 1-10^{1,2} -%</u>
Global Equity – cap-weighted	30.00	4.54
Global Equity – non-cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	(5.00)	(0.59)

¹An expected inflation of 2.3% used for this period

²Figures are based on the 2021-22 Asset Liability Management study.

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

The following presents the City’s proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1%</u> <u>(5.90%)</u>	<u>Current Discount</u> <u>Rate (6.90%)</u>	<u>Discount Rate + 1%</u> <u>(7.90%)</u>
Miscellaneous	<u>\$ 24,225,033</u>	<u>\$ 15,114,615</u>	<u>\$ 7,615,400</u>
Safety	<u>\$ 62,882,655</u>	<u>\$ 43,108,353</u>	<u>\$ 26,935,753</u>

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 9 – Defined Benefit Pension Plans (Continued)

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

Pension Plan Fiduciary Net Position

Detail information about the plan’s fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS’ website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

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

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Miscellaneous			
Balance at: 6/30/23 (Valuation date)	\$ 68,726,969	\$ 49,304,791	\$ 19,421,905
Balance at: 6/30/24 (Measurement date)	\$ 67,514,387	\$ 52,399,772	\$ 15,114,615
Net Changes during 2023-2024	\$ (1,212,309)	\$ 3,094,981	\$ (4,307,290)
Safety			
Balance at: 6/30/23 (Valuation date)	\$ 140,193,592	\$ 96,282,690	\$ 43,910,902
Balance at: 6/30/24 (Measurement date)	\$ 144,761,652	\$ 101,653,299	\$ 43,108,353
Net Changes during 2023-2024	\$ 4,568,060	\$ 5,370,609	\$ (802,549)

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 9 – Defined Benefit Pension Plans (Continued)

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

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

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2022). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2022). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2022 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2021-2022).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan’s share of the actuarial accrued liability. FNP is allocated based on the rate plan’s share of the fair value assets.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocate based on the City’s share of contributions during measurement period.

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

	<u>Miscellaneous</u>	<u>Safety</u>
June 30, 2025	0.31250%	0.59127%
June 30, 2024	0.38841%	0.58744%
Change - Increase (Decrease)	(0.07590)%	0.00383%

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 9 – Defined Benefit Pension Plans (Continued)

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

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

For the year ended June 30, 2025, the City recognized pension expense(credit) as follows:

Miscellaneous	\$	2,145,291
Safety		7,987,518
		10,132,809
		10,132,809

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2023-2024 measurement period is 3.8 years, which was obtained by dividing the total service years of 630,177 (the sum of remaining service lifetimes of the active employees) by 166,163 (the total number of participants: active, inactive, and retired).

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous	
	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution after measurement date	\$ 2,450,053	\$ -
Difference between expected and actual experience	1,306,797	(50,990)
Changes of assumptions	388,477	-
Difference between projected and actual earning on pension plan investments	870,130	-
Adjustment due to differences in proportions	51,034	(2,238,378)
Difference between City contributions and proportionate share of contributions	84,093	(142,929)
	5,150,584	(2,432,297)
Total	\$ 5,150,584	\$ (2,432,297)

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 9 – Defined Benefit Pension Plans (Continued)

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

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

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Safety	
	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution after measurement date	\$ 4,602,994	\$ -
Difference between expected and actual experience	3,518,025	(114,386)
Changes of assumptions	1,062,101	-
Difference between projected and actual earning on pension plan investments	2,083,661	-
Adjustment due to differences in proportions	353,695	(667,020)
Difference between City contributions and proportionate share of contributions	318,876	(466,234)
	\$ 11,939,352	\$ (1,247,640)
Total	\$ 11,939,352	\$ (1,247,640)

Deferred outflows of resources related to pensions resulting from the City’s contributions made after to the measurement date of the net pension liability but before the end of the employer’s or governmental nonemployer contributing entity’s reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal period. Deferred inflows of resources represent an acquisition of net position that applies to future periods. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ended June 30,	Deferred Outflows/ (Inflows) of Resources	
	Miscellaneous	Safety
2026	\$ (38,622)	\$ 2,268,954
2027	1,185,800	4,647,293
2028	(580,760)	(114,595)
2029	(298,184)	(712,934)
2030	-	-
Thereafter	-	-
	\$ 268,234	\$ 6,088,718
	\$ 268,234	\$ 6,088,718

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 10 – Other Postemployment Benefit Plan

General Information about the Plan

On June 12, 2007, the City Council adopted a resolution authorizing participation in a post retirement health care plan trust to be administered by Public Agency Retirement Services (“PARS”) and Union Bank of California. In July 2007, the City signed an agreement with Public Agency Retirement Services to create and administer an irrevocable trust fund for the payment of other postemployment benefits for city employees. Funds in the amount of \$1,401,000 that were previously set aside were forwarded to Union Bank pursuant to the agreement to establish the trust during the year ended June 30, 2008. In Fiscal Year 2025, the administration of the plan was changed from PARS and Union Bank of California to Shuster Advisory Group and Charles Schwab. Contributions are made on a monthly basis.

Plan Description

The City participates in a post retirement health care plan trust (“Plan”) administered by Shuster Advisory Group and Charles Schwab. The Plan provides medical insurance benefits to eligible retirees, which is a single-employer defined benefit plan. PARS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by contacting the City at 1315 Valley Drive, Hermosa Beach, CA 90254.

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

The range of monthly benefits to be paid by the City ranges from \$40 to \$1,059 per month based on years of service from 10 years to 20 years provided to the City.

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

Post-Retirement Health Care Coverage for Fire Employees

The City contracted with Los Angeles County for Fire Services (“Fire District”) on 12/30/2017. Fire District employees are provided post-retirement health coverage. The current vesting period is 10 years of Fire District service. Service with the City does not count towards coverage, only time actually worked in Fire District service counts towards the vesting period. Hermosa Beach Fire Association (HBFA) members who transfer to the Fire District and who take a service retirement before reaching 10 years of Fire District service are ineligible for the Fire District's retiree health benefit.

For those HBFA members who have 19 plus years of service with the City at the time of transfer to Fire District employment and who take a service retirement from the Fire District prior to vesting in the Fire District's retiree health plan, the City agrees to create a new Tier to the City's retiree health program as follow: the retired HBFA member will be eligible to receive from the City the \$ 350 per month benefit set forth in Article 42(D) of the MOU. This benefit is limited to the first four HBFA members who qualify for the benefit.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 10 – Other Postemployment Benefit Plan (Continued)

General Information about the Plan (Continued) Eligibility

All of the Plan’s employees became participants in accordance with negotiated Memorandum of Understanding (“MOU”) as negotiated by each group or bargaining unit. In order to receive benefits, eligible employees must meet the minimum requirements defined in their MOU. Participants of the Plan as of June 30, 2025 were as follows:

Participants	Total
Active employees	143
Retirees	81
Retirees not receiving benefits	-
Total	224

Net OPEB Liability

The City’s net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2024.

Actuarial Assumptions

The total OPEB liability, measured as of June 30, 2024, was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	5.50% Pre-funded in PARS Moderate Strategy
Inflation	2.50% per annum
Salary Increases	3.00% Aggregate
	Merit: 1997-2015 CalPERS Experience Study
Investment Rate of Return	6.00%
Healthcare Trend Rate	Non-Medicare: 7.5% in 2019, to 4.0% in 2076 and thereafter
	Medicare: 6.5% in 2019 to 4.0% in 2076 and thereafter
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study
Service Requirement	100% at 20 Years of Service
Participation Rate	Currently covered: 100%

The actuarial assumptions used in the July 1, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2023 through June 30, 2024.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 10 – Other Postemployment Benefit Plan (Continued)

Net OPEB Liability (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation PARS-Moderate	Expected Real Rate of Return
Global Equity	50.00%	4.560%
Fixed Income	45.00%	0.780%
Cash	5.00%	(0.500)%
	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 5.50 percent. The actuarial assumptions used to determine the discount rate was based on the current funding practice and assumed the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2024:

Plan's OPEB Liability/(Asset)		
Discount Rate - 1% (4.50%)	Current Discount Rate (5.50%)	Discount Rate + 1% (6.50%)
\$ (6,825,104)	\$ (8,131,302)	\$ (9,244,997)

Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using a health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates, for the measurement period ended June 30, 2024:

Plan's OPEB Liability/(Asset)		
Healthcare		
-1.00%	Trend Rate	+1.00%
\$ (9,108,099)	\$ (8,131,302)	\$ (6,970,565)

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 10 – Other Postemployment Benefit Plan (Continued)

Change in Net OPEB Liability

	Total OPEB Liability (Asset)	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2023 (Valuation Date)	\$ 11,556,604	\$ 17,404,488	\$ (5,847,884)
Changes Recognized for the Measurement Period:			
Service Cost	239,381	-	239,381
Interest on the total OPEB liability	630,277	-	630,277
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions from the employer	-	1,141,418	(1,141,418)
Contributions from employees	-	-	-
Net investment income, net of administrative expense	-	2,051,474	(2,051,474)
Benefit payments, including refunds of employee contributions	(672,818)	(672,818)	-
Administrative Expense	-	(39,816)	39,816
Net Changes during July 1, 2023 to June 30, 2024	<u>196,840</u>	<u>2,480,258</u>	<u>(2,283,418)</u>
Balance at June 30, 2024 (Measurement Date)	<u>\$ 11,753,444</u>	<u>\$ 19,884,746</u>	<u>\$ (8,131,302)</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2025, OPEB credit in the amount of \$337,062 is included in the accompanying statement of activities.

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of resources	Deferred Inflows of resources
Employer contribution after measurement date	\$ 882,931	\$ -
Differences between expected and actual experience	119,701	(3,712,064)
Changes in assumptions	1,204,553	-
Difference between projected and actual earning on plan investments	-	(175,807)
	<u>\$ 2,207,185</u>	<u>\$ (3,887,871)</u>

The \$882,931 reported as deferred outflows of resources related to contributions subsequent to the measurement date of the OPEB liability but before the end of the employer's or governmental nonemployer contributing entity's reporting period will be recognized as a reduction of the net OPEB asset in the year June 30, 2026. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30	Amount
2026	\$ (341,402)
2027	(2,861)
2028	(748,258)
2029	(740,618)
2030	(561,907)
Thereafter	<u>(168,571)</u>
Total	<u>\$ (2,563,617)</u>

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 11 – Classification of Fund Balances

At June 30, 2025, fund balances are classified in the governmental funds as follows:

	General Fund	Grants Special Revenue Fund	Tyco Special Revenue Fund	RTI Undersea Cable Special Revenue Fund	Capital Improve- ments Capital Projects	Nonmajor Govern- mental Funds	Total
Nonspendable							
Prepaid items	\$ 1,102,047	\$ -	\$ -	\$ -	\$ -	\$ 14,692	\$ 1,116,739
Total nonspendable	<u>1,102,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,692</u>	<u>1,116,739</u>
Restricted							
Verizon PEG Grant	225,599	-	-	-	-	-	225,599
General Plan							
Maintenance Fees	362,674	-	-	-	-	-	362,674
Chamber Marquee							
Donation	50,000	-	-	-	-	-	50,000
CASP Fees	5,934	-	-	-	-	-	5,934
Nuisance Abatements	10,075	-	-	-	-	-	10,075
Pension Trust	1,075,763	-	-	-	-	-	1,075,763
Light Landscape District	-	-	-	-	-	24,424	24,424
Gas Tax	-	-	-	-	-	368,082	368,082
Source Reduction/ Recycling	-	-	-	-	-	169,195	169,195
Greenwich Underground	-	-	-	-	-	58,573	58,573
Parks/Rec Facility Projects	-	-	-	-	-	349,497	349,497
Assessment Districts	-	-	-	-	-	8,600	8,600
Prop A, C and Measure R Transit Projects	-	-	-	-	-	1,347,922	1,347,922
Air Quality Improvement Projects	-	-	-	-	-	140,244	140,244
Supplemental Law Enforcement Services Funds	-	-	-	-	-	522,395	522,395
Asset Forfeiture – Drug Enforcement and Education	-	-	-	-	-	528,889	528,889
Fire Protection	-	-	-	-	-	16,195	16,195
Community Development Block Grant	-	-	-	-	-	3,192	3,192
Measure M and W RTI Undersea Cable Tidelands	-	-	-	-	-	746,636	746,636
Sewers	-	-	-	-	-	385,332	385,332
Lease Revenue Bond	-	-	-	-	-	3,066,743	3,066,743
Storm Drain	-	-	-	-	-	9,818	9,818
Total restricted	<u>1,730,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,337,903</u>	<u>12,067,948</u>
Committed							
In Lieu Fee- Parking Facilities	404,600	-	-	-	-	-	404,600
Tyco & RIT Tidelands	-	-	1,980,407	1,117,794	-	-	3,098,201
Retirement Trust	829,060	-	-	-	-	-	829,060
Total committed	<u>1,233,660</u>	<u>-</u>	<u>1,980,407</u>	<u>1,117,794</u>	<u>-</u>	<u>-</u>	<u>4,331,861</u>
Assigned							
Capital Projects	-	-	-	-	12,247,720	-	12,247,720
Capital Facility Reserve	-	-	-	-	841,393	-	841,393
Grant Claims Reserve	926,345	-	-	-	-	-	926,345
24-25 Midyear End Balance	269,305	-	-	-	-	-	269,305
Reappropriations	242,336	-	-	-	-	-	242,336
Contingencies	10,560,684	-	-	-	-	-	10,560,684
Compensated absences	294,170	-	-	-	-	-	294,170
Prop A Exchange	990,683	-	-	-	-	-	990,683
Total assigned	<u>13,283,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,089,113</u>	<u>-</u>	<u>26,372,636</u>
Unassigned	<u>2,944,264</u>	<u>(566,323)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(764,837)</u>	<u>1,613,104</u>
	<u>\$20,293,539</u>	<u>\$ (566,323)</u>	<u>\$1,980,407</u>	<u>\$1,117,794</u>	<u>\$13,089,113</u>	<u>\$ 9,587,758</u>	<u>\$45,502,288</u>

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 12 – Non-City Obligations

2005 Bayview Drive Utility Underground Assessment District Improvement Bonds

In February 2005, limited obligation improvement bonds in the amount of \$951,667 were issued for the Bayview Drive Utility Underground Assessment District for the undergrounding of utilities within the district. The City is not financially obligated for payment of the bonds, which are secured by private property in the district. The bonds will be repaid from assessments to the property owners as part of their annual property tax bill.

The annual debt service requirements by year are as follows:

Year ending June 30,	Principal	Interest	Total
2026	\$ 58,666	\$ 1,247	\$ 59,913
Total	\$ 58,666	\$ 1,247	\$ 59,913

Note 13 – Commitments and Contingencies

A. Commitments

In January 2000, the North Pier Parking Structure was completed. The parking structure contains 400 parking spaces and was funded in part by a downtown developer in exchange for the use of 100 spaces in the structure. The remainder of the funding was provided by the City’s former Downtown Enhancement Enterprise Fund and Prop A Open Space funding contributed by the Los Angeles County Department of Beaches and Harbors (“County”). In consideration of the County contribution, 50% of the annual net income derived from the parking structure must be shared with the County each year by September 1. The payment made to the County for fiscal year June 30, 2025 was \$362,866.

B. Contingencies

The City is a defendant in a number of lawsuits, which have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty.

C. Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of noncompliance were disclosed by the audit of the financial statements or single audit of the Federal grant programs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

City of Hermosa Beach
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 14 – Subsequent Events

2025 Greenwich Utility Underground District Special Assessment Bonds

In August 2025, limited obligation improvement bonds in the amount of \$3,584,665 were issues for the Greenwich Village North Underground Utilities Assessment District for the undergrounding of utilities within the district. The City is in no way financially obligated for payment of the bonds, which are secured by private property in the district. The bonds will be repaid from assessments to the property owners as part of their annual property tax bill. The annual debt service requirements be as follows;

Year Ending June 30,	Principal	Interest	Total
2026	-	101,536	101,536
2027	98,184	182,082	280,266
2028	112,472	176,658	289,130
2029	118,265	170,716	288,981
2030	124,355	164,469	288,824
2031-2035	724,696	716,772	1,441,468
2036-2040	931,542	504,601	1,436,143
2041-2045	1,197,428	231,869	1,429,297
2046	277,723	7,151	284,874
Total	3,584,665	2,255,854	5,840,519

Management has evaluated subsequent events through March 31, 2026 which is the date the financial statements were available to be issued, and has determined that there are no other transactions that would have a significant impact on the City.

**REQUIRED SUPPLEMENTARY
INFORMATION (UNAUDITED)**

CITY OF HERMOSA BEACH
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Fund balance, July 1, 2024	<u>\$ 17,049,456</u>	<u>\$ 17,049,456</u>	<u>\$ 17,049,456</u>	<u>\$ -</u>
Revenues (inflows):				
Property taxes	25,112,254	25,465,508	25,560,649	95,141
Other taxes	13,950,490	13,409,126	13,404,363	(4,763)
Licenses and permits	829,966	1,136,758	1,063,710	(73,048)
Fines and forfeitures	1,739,040	1,625,025	1,638,586	13,561
Use of money and property	977,468	1,552,632	1,505,172	(47,460)
Intergovernmental	139,944	178,644	220,515	41,871
Charges for services	9,957,984	9,840,859	9,934,898	94,039
Miscellaneous	122,351	172,351	378,000	205,649
Interest earned on investments	726,595	615,810	1,303,572	687,762
Transfers in	<u>439,939</u>	<u>439,939</u>	<u>439,939</u>	<u>-</u>
Amount available for appropriations	<u>53,996,031</u>	<u>54,436,652</u>	<u>55,449,404</u>	<u>1,012,752</u>
Charges to appropriations (outflows):				
Legislative and legal	1,843,898	1,854,883	1,792,165	62,718
General government	6,896,691	7,086,624	6,642,229	444,395
Public safety	29,295,556	28,902,562	27,956,795	945,767
Community development	2,604,685	2,500,110	2,371,730	128,380
Culture and recreation	2,364,586	2,421,570	2,485,804	(64,234)
Public works	9,217,526	9,861,340	9,107,749	753,591
Capital outlay	-	2,632	2,785	(153)
Principal	-	-	10,615	(10,615)
Interest and fiscal charges	-	-	424	(424)
Transfers out	<u>1,835,025</u>	<u>1,835,025</u>	<u>1,835,025</u>	<u>-</u>
Total charges to appropriations	<u>54,057,967</u>	<u>54,464,746</u>	<u>52,205,321</u>	<u>2,259,425</u>
Fund balance, June 30, 2025	<u>\$ 16,987,520</u>	<u>\$ 17,021,362</u>	<u>\$ 20,293,539</u>	<u>\$ 3,272,177</u>

CITY OF HERMOSA BEACH

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

Budgetary Comparison Schedule - Grants Special Revenue Fund

For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Fund balance (deficit), July 1, 2024	\$ (300,667)	\$ (300,667)	\$ (300,667)	\$ -
Revenues (inflows):				
Intergovernmental	1,370,006	3,368,544	521,220	(2,847,324)
Miscellaneous	1,543,985	618,737	630,327	11,590
Amount available for appropriations	2,913,991	3,987,281	1,151,547	(2,835,734)
Charges to appropriations (outflows):				
General government	1,000,942	1,245,690	493,289	752,401
Public safety	41,889	121,889	12,618	109,271
Community development	56,740	92,993	-	92,993
Public works	202,349	64,500	50,000	14,500
Capital outlay	1,820,600	2,670,738	861,296	1,809,442
Total charges to appropriations	3,122,520	4,195,810	1,417,203	2,778,607
Fund balance (deficit), June 30, 2025	\$ (509,196)	\$ (509,196)	\$ (566,323)	\$ (57,127)

CITY OF HERMOSA BEACH

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

Budgetary Comparison Schedule - Tyco Special Revenue Fund

For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2024	<u>\$ 2,121,402</u>	<u>\$ 2,121,402</u>	<u>\$ 2,121,402</u>	<u>\$ -</u>
Revenues (inflows):				
Use of money and property	223,213	223,213	223,213	-
Miscellaneous	120,611	120,611	120,611	-
Interest earned on investments	<u>113,763</u>	<u>102,615</u>	<u>157,927</u>	<u>55,312</u>
Amount available for appropriations	<u>457,587</u>	<u>446,439</u>	<u>501,751</u>	<u>55,312</u>
Charges to appropriations (outflows):				
Public works	539,664	447,193	109,229	337,964
Capital outlay	<u>2,004,264</u>	<u>2,092,996</u>	<u>533,517</u>	<u>1,559,479</u>
Total charges to appropriations	<u>2,543,928</u>	<u>2,540,189</u>	<u>642,746</u>	<u>1,897,443</u>
Fund balance, June 30, 2025	<u><u>\$ 35,061</u></u>	<u><u>\$ 27,652</u></u>	<u><u>\$ 1,980,407</u></u>	<u><u>\$ 1,952,755</u></u>

CITY OF HERMOSA BEACH

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

Budgetary Comparison Schedule - RTI Undersea Cable Special Revenue Fund

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Fund balance, July 1, 2024	<u>\$ 1,157,867</u>	<u>\$ 1,157,867</u>	<u>\$ 1,157,867</u>	<u>\$ -</u>
Revenues (inflows):				
Use of money and property	85,033	85,033	101,908	16,875
Miscellaneous	400,843	150,404	150,404	-
Interest earned on investments	<u>53,398</u>	<u>53,398</u>	<u>93,324</u>	<u>39,926</u>
Amount available for appropriations	<u>539,274</u>	<u>288,835</u>	<u>345,636</u>	<u>56,801</u>
Charges to appropriations (outflows):				
Public works	76,942	79,811	78,559	1,252
Capital outlay	<u>1,457,640</u>	<u>1,362,640</u>	<u>307,150</u>	<u>1,055,490</u>
Total charges to appropriations	<u>1,534,582</u>	<u>1,442,451</u>	<u>385,709</u>	<u>1,056,742</u>
Fund balance, June 30, 2025	<u>\$ 162,559</u>	<u>\$ 4,251</u>	<u>\$ 1,117,794</u>	<u>\$ 1,113,543</u>

City of Hermosa Beach
Required Supplementary Information (Unaudited) (Continued) Notes to the Budgetary Comparison
Schedule For the Year Ended June 30, 2025

Budgetary Control and Accounting Policy

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

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

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

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

CITY OF HERMOSA BEACH
Required Supplementary Information
Schedule of City's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2025

Last Ten Fiscal Years

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

	June 30, 2024 Fiscal Year 2024-25	June 30, 2023 Fiscal Year 2023-24	June 30, 2022 Fiscal Year 2022-23	June 30, 2021 Fiscal Year 2021-22	June 30, 2020 Fiscal Year 2020-21
City's Proportion of the Net Pension Liability/(Asset)	0.31250%	0.38841%	0.38672%	0.47112%	0.37245%
City's Proportionate share of the Net Pension Liability/(Asset)	\$ 15,114,615	\$ 19,421,905	\$ 18,095,347	\$ 8,945,705	\$ 15,710,118
City's Covered payroll	\$ 9,983,830	\$ 8,730,570	\$ 7,661,955	\$ 7,613,425	\$ 7,191,189
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its covered payroll	151.39%	222.46%	236.17%	117.50%	218.46%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	77.61%	71.74%	78.19%	85.66%	74.14%
	June 30, 2019 Fiscal Year 2019-20	June 30, 2018 Fiscal Year 2018-19	June 30, 2017 Fiscal Year 2017-18	June 30, 2016 Fiscal Year 2016-17	June 30, 2015 Fiscal Year 2015-16
City's Proportion of the Net Pension Liability/(Asset)	0.37079%	0.37090%	0.14664%	0.14882%	0.15099%
City's Proportionate share of the Net Pension Liability/(Asset)	\$ 14,848,242	\$ 13,978,150	\$ 14,452,712	\$ 12,877,883	\$ 10,364,015
City's Covered payroll	\$ 7,192,641	\$ 7,402,032	\$ 6,785,443	\$ 6,540,869	\$ 5,700,485
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its covered payroll	206.44%	188.84%	213.00%	196.88%	181.81%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	75.95%	74.50%	72.80%	73.59%	78.00%

CITY OF HERMOSA BEACH
Required Supplementary Information
Schedule of City's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2025

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Safety Plan

	June 30, 2024 Fiscal Year 2024-25	June 30, 2023 Fiscal Year 2023-24	June 30, 2022 Fiscal Year 2022-23	June 30, 2021 Fiscal Year 2021-22	June 30, 2020 Fiscal Year 2020-21
City's Proportion of the Net Pension Liability/(Asset)	0.59127%	0.58744%	0.60049%	0.65417%	0.53686%
City's Proportionate share of the Net Pension Liability/(Asset)	\$ 43,108,353	\$ 43,910,902	\$ 41,263,238	\$ 22,957,889	\$ 35,767,664
City's Covered payroll	\$ 5,103,285	\$ 4,520,539	\$ 4,516,727	\$ 4,516,727	\$ 4,130,518
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its covered payroll	844.72%	971.36%	913.57%	508.29%	865.94%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	70.22%	68.68%	75.53%	82.03%	71.20%
	June 30, 2019 Fiscal Year 2019-20	June 30, 2018 Fiscal Year 2018-19	June 30, 2017 Fiscal Year 2017-18	June 30, 2016 Fiscal Year 2016-17	June 30, 2015 Fiscal Year 2015-16
City's Proportion of the Net Pension Liability/(Asset)	0.54687%	0.57283%	0.35213%	0.37217%	0.40019%
City's Proportionate share of the Net Pension Liability/(Asset)	\$ 34,138,671	\$ 33,611,333	\$ 34,921,802	\$ 32,204,127	\$ 27,469,000
City's Covered payroll	\$ 4,108,280	\$ 5,320,583	\$ 5,597,657	\$ 5,342,937	\$ 5,492,822
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its covered payroll	830.97%	631.72%	623.86%	602.74%	500.09%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	71.77%	71.23%	69.01%	68.78%	72.40%

CITY OF HERMOSA BEACH
Required Supplementary Information
Schedule of City's Contributions - Pensions
For the Year Ended June 30, 2025

Last Ten Fiscal Years

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

	<u>2024-25</u>	<u>2023-24</u>	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>
Actuarially determined contribution	\$ 995,169	\$ 918,769	\$ 742,817	\$ 690,001	\$ 693,322
Contributions in relation to the actuarially determined contributions	<u>\$ (2,456,680)</u>	<u>\$ (2,161,264)</u>	<u>\$ (2,025,370)</u>	<u>\$ (1,769,850)</u>	<u>\$ (1,632,690)</u>
Contribution deficiency (excess)	<u>\$ (1,461,511)</u>	<u>\$ (1,242,495)</u>	<u>\$ (1,282,553)</u>	<u>\$ (1,079,849)</u>	<u>\$ (939,368)</u>
Covered payroll ¹	\$ 10,856,026	\$ 9,983,830	\$ 8,730,570	\$ 7,661,955	\$ 7,613,425
Contributions as a percentage of covered employee payroll	22.63%	21.65%	23.20%	23.10%	21.44%
	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>
Actuarially determined contribution	\$ 618,021	\$ 575,931	\$ 527,115	\$ 518,722	\$ 469,656
Contributions in relation to the actuarially determined contributions	<u>\$ (1,907,072)</u>	<u>\$ (1,682,561)</u>	<u>\$ (1,516,745)</u>	<u>\$ (1,379,151)</u>	<u>\$ (1,245,120)</u>
Contribution deficiency (excess)	<u>\$ (1,289,051)</u>	<u>\$ (1,106,630)</u>	<u>\$ (989,630)</u>	<u>\$ (860,429)</u>	<u>\$ (775,464)</u>
Covered payroll ¹	\$ 7,191,189	\$ 7,192,641	\$ 7,402,032	\$ 6,785,443	\$ 6,540,869
Contributions as a percentage of covered employee payroll	26.52%	23.39%	20.49%	20.33%	19.04%

¹ Covered Payroll represented above is based on pensionable earnings provided by the employer.

Notes to Schedule

None.

CITY OF HERMOSA BEACH
Required Supplementary Information
Schedule of City's Contributions - Pensions
For the Year Ended June 30, 2025

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Safety Plan

	<u>2024-25</u>	<u>2023-24</u>	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>
Actuarially determined contribution	\$ 1,062,431	\$ 1,082,912	\$ 896,751	\$ 1,119,497	\$ 996,107
Contributions in relation to the actuarially determined contributions	<u>\$ (4,601,776)</u>	<u>\$ (4,195,950)</u>	<u>\$ (3,982,811)</u>	<u>\$ (3,813,932)</u>	<u>\$ (3,342,664)</u>
Contribution deficiency (excess)	<u>\$ (3,539,345)</u>	<u>\$ (3,113,038)</u>	<u>\$ (3,086,060)</u>	<u>\$ (2,694,435)</u>	<u>\$ (2,346,557)</u>
Covered payroll ¹	\$ 5,294,642	\$ 4,103,285	\$ 4,520,539	\$ 5,171,993	\$ 4,516,727
Contributions as a percentage of covered employee payroll	86.91%	102.26%	88.10%	73.74%	74.01%
	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>
Actuarially determined contribution	\$ 753,728	\$ 804,633	\$ 1,016,858	\$ 1,029,129	\$ 1,033,371
Contributions in relation to the actuarially determined contributions	<u>\$ (2,799,261)</u>	<u>\$ (3,878,196)</u>	<u>\$ (4,226,782)</u>	<u>\$ (3,921,179)</u>	<u>\$ (3,698,115)</u>
Contribution deficiency (excess)	<u>\$ (2,045,533)</u>	<u>\$ (3,073,563)</u>	<u>\$ (3,209,924)</u>	<u>\$ (2,892,050)</u>	<u>\$ (2,664,744)</u>
Covered payroll ¹	\$ 4,130,518	\$ 4,108,280	\$ 5,320,583	\$ 5,597,651	\$ 5,342,937
Contributions as a percentage of covered employee payroll	67.77%	94.40%	79.44%	70.05%	69.22%

¹ Covered Payroll represented above is based on pensionable earnings provided by the employer.

Notes to Schedule

None.

CITY OF HERMOSA BEACH
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2025

	Last Ten Fiscal Years				
For the Measurement Period:	2024-25	2023-24	2022-23	2021-22	2020-21
Total OPEB Liability					
Service cost	\$ 239,381	\$ 337,924	\$ 328,880	\$ 396,550	\$ 385,000
Interest on the total OPEB Liability	630,277	848,939	819,527	818,124	779,630
Actual and expected experience difference	-	(4,287,883)	-	(1,303,579)	-
Changes in assumptions	-	185,963	-	2,010,094	-
Changes in benefit terms	-	(309,542)	-	-	-
Benefit payments	<u>(672,818)</u>	<u>(632,228)</u>	<u>(613,220)</u>	<u>(563,618)</u>	<u>(505,591)</u>
Net change in total OPEB liability	196,840	(3,856,827)	535,187	1,357,571	659,039
Total OPEB liability - beginning	<u>11,556,604</u>	<u>15,413,431</u>	<u>14,878,244</u>	<u>13,520,673</u>	<u>12,861,634</u>
Total OPEB liability - ending (a)	<u>\$ 11,753,444</u>	<u>\$ 11,556,604</u>	<u>\$ 15,413,431</u>	<u>\$ 14,878,244</u>	<u>\$ 13,520,673</u>
Plan Fiduciary Net Position					
Contribution - employer	\$ 1,141,418	\$ 1,081,220	\$ 1,047,488	\$ 982,442	\$ 870,427
Net investment income	2,051,474	1,202,440	(2,363,706)	3,126,022	504,213
Benefit payments	(672,818)	(632,228)	(613,220)	(563,618)	(505,591)
Administrative expense	<u>(39,816)</u>	<u>(36,932)</u>	<u>(38,864)</u>	<u>(36,347)</u>	<u>(32,328)</u>
Net change in plan fiduciary net position	2,480,258	1,614,500	(1,968,302)	3,508,499	836,721
Plan fiduciary net position - beginning	<u>17,404,488</u>	<u>15,789,988</u>	<u>17,758,290</u>	<u>14,249,791</u>	<u>13,413,070</u>
Plan fiduciary net position - ending (b)	<u>19,884,746</u>	<u>17,404,488</u>	<u>15,789,988</u>	<u>17,758,290</u>	<u>14,249,791</u>
Net OPEB liability (asset) - ending (a)-(b)	<u>\$ (8,131,302)</u>	<u>\$ (5,847,884)</u>	<u>\$ (376,557)</u>	<u>\$ (2,880,046)</u>	<u>\$ (729,118)</u>
Fiduciary net position as a % of total OPEB liability	169.18%	150.60%	102.44%	119.36%	105.39%
Covered payroll	17,217,134	15,230,981	14,578,182	13,037,862	12,297,066
Net OPEB liability as a percentage of payroll	-47.23%	-38.39%	-2.58%	-22.09%	-5.93%

* 2017 is the first year of implementation, therefore only nine years are available for the required 10-year schedule.

CITY OF HERMOSA BEACH
Required Supplementary Information (Continued)
Schedule of Changes in the Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2025

For the Measurement Period:	Last Ten Fiscal Years			
	2019-20	2018-19	2017-18	2016-17
Total OPEB Liability				
Service cost	\$ 385,000	\$ 327,066	\$ 317,540	\$ 326,000
Interest on the total OPEB Liability	779,630	661,475	631,597	624,000
Actual and expected experience difference	-	632,713	-	-
Changes in assumptions	-	771,624	-	-
Changes in benefit terms	-	-	-	(381,000)
Benefit payments	<u>(505,591)</u>	<u>(457,550)</u>	<u>(463,831)</u>	<u>(399,000)</u>
Net change in total OPEB liability	659,039	1,935,328	485,306	170,000
Total OPEB liability - beginning	<u>12,861,634</u>	<u>10,926,306</u>	<u>10,441,000</u>	<u>10,271,000</u>
Total OPEB liability - ending (a)	<u>\$ 13,520,673</u>	<u>\$ 12,861,634</u>	<u>\$ 10,926,306</u>	<u>\$ 10,441,000</u>
Plan Fiduciary Net Position				
Contribution - employer	\$ 870,427	\$ 1,486,916	\$ 1,569,307	\$ 1,050,000
Net investment income	504,213	838,766	645,729	906,000
Benefit payments	(505,591)	(457,550)	(463,831)	(399,000)
Administrative expense	<u>(32,328)</u>	<u>(29,410)</u>	<u>(26,857)</u>	<u>(23,000)</u>
Net change in plan fiduciary net position	836,721	1,838,722	1,724,348	1,534,000
Plan fiduciary net position - beginning	<u>13,413,070</u>	<u>11,574,348</u>	<u>9,850,000</u>	<u>8,316,000</u>
Plan fiduciary net position - ending (b)	<u>14,249,791</u>	<u>13,413,070</u>	<u>11,574,348</u>	<u>\$ 9,850,000</u>
Net OPEB liability (asset) - ending (a)-(b)	<u>\$ (729,118)</u>	<u>\$ (551,436)</u>	<u>\$ (648,042)</u>	<u>\$ 591,000</u>
Fiduciary net position as a % of total OPEB liability	105.39%	104.29%	105.93%	94.34%
Covered payroll	12,297,066	10,461,266	11,551,135	11,551,135
Net OPEB liability as a percentage of payroll	-5.93%	-5.27%	-5.61%	5.12%

CITY OF HERMOSA BEACH
Required Supplementary Information
Schedule of City's Contributions - OPEB
For the Year Ended June 30, 2025

Last Ten Fiscal Years

For the Measurement

Period:	<u>2024-25</u>	<u>2023-24</u>	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>
Actuarially determined contributions	\$ -	\$ 243,000	\$ 224,000	\$ 367,000	\$ 373,000
Contributions in relation to the actuarially determined contribution	<u>(882,931)</u>	<u>(1,141,418)</u>	<u>(1,081,220)</u>	<u>(1,047,488)</u>	<u>(982,447)</u>
Contribution deficiency (excess)	<u>\$ (882,931)</u>	<u>\$ (898,418)</u>	<u>\$ (857,220)</u>	<u>\$ (680,488)</u>	<u>\$ (609,447)</u>
Covered payroll	<u>\$ 18,498,471</u>	<u>\$ 17,217,134</u>	<u>\$ 15,230,981</u>	<u>\$ 14,578,182</u>	<u>\$ 13,037,862</u>
Contributions as a percentage of covered payroll	4.77%	6.63%	7.10%	7.19%	7.54%

For the Measurement

Period:	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
Actuarially determined contributions	\$ 314,000	\$ 324,000	\$ 818,000	\$ 818,000
Contributions in relation to the actuarially determined contribution	<u>(870,427)</u>	<u>(1,486,916)</u>	<u>(1,569,000)</u>	<u>(1,050,000)</u>
Contribution deficiency (excess)	<u>\$ (556,427)</u>	<u>\$ (1,162,916)</u>	<u>\$ (751,000)</u>	<u>\$ (232,000)</u>
Covered payroll	<u>\$ 12,297,066</u>	<u>\$ 10,461,266</u>	<u>\$ 11,551,135</u>	<u>\$ 10,955,041</u>
Contributions as a percentage of covered payroll	7.08%	14.21%	13.58%	9.58%

* 2017 is the first year of implementation, therefore only nine years are available for the required 10-year schedule.

SUPPLEMENTARY INFORMATION

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NON MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds:

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

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

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

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

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

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

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

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

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

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

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

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

NON MAJOR GOVERNMENTAL FUNDS (Continued)

Special Revenue Funds (Continued):

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

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

Community Development Block Grant (CDBG) Fund - This fund is used to track the costs related to community development block grant.

Measure "M" Fund - This fund is used to account for voter-approved 1/2 cent sales tax for a Los Angeles County Traffic Improvement Plan to improve freeway traffic flow/safety; repair potholes/sidewalks; repave local streets; earthquake-retrofit bridges; synchronize signals; keep senior/disabled/student fares affordable; expand rail/subway/bus systems; improve job/school/airport connections; and create jobs.

FEMA Fund – This fund is used to account for emergency response related expenditures reimbursed by the Federal Emergency Management Agency.

RTI Undersea Cable Tidelands Fund - This fund is used to account for funds set aside according to the MC Global (now RTI-I) easement agreement for easement within tidelands and submerged lands.

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

TDA Fund – TDA Article 3, or SB 821, is a Bicycle and Pedestrian Facilities program funded through a ¼ cent of the general sales tax collected statewide. The City receives the revenue from LA Metro transportation agency as a pass through.

Measure "W" Fund - This fund is used to account for projects dedicated to increase local water supply, improve water quality, and protect public health.

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

Storm Drain Fund - This fund is used to account for maintenance of the City's storm drains. This includes administration of the national Pollution Discharge Elimination System Program.

Debt Service Fund:

2015 Lease Revenue Bonds - This fund is used to account for 2015 Lease Revenue Bond.

Capital Project Funds:

Capital Improvements - This fund is set aside for capital improvement projects.

Greenwich Underground - This fund is set aside for capital improvement projects.

CITY OF HERMOSA BEACH

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2025

	Special Revenue Funds			
	Lighting and Landscaping District	State Gas Tax	AB 939	Prop A Open Space
ASSETS				
Cash and investments	\$ 69,114	\$ 916,723	\$ 164,773	\$ -
Accounts receivable	10,516	136,422	3,551	26,697
Property taxes receivable, net	11,819	-	-	-
Reimbursable grants receivable	-	-	-	-
Interest receivable	609	7,465	1,369	-
Other assets	-	-	-	-
Total assets	\$ 92,058	\$ 1,060,610	\$ 169,693	\$ 26,697
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 49,162	\$ 687,306	\$ -	\$ -
Accrued wages and benefits payable	6,653	5,222	498	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	167,783
Compensated absences, due within one year	-	-	-	-
Total liabilities	55,815	692,528	498	167,783
Deferred inflows of resources:				
Unavailable revenue	11,819	-	-	-
Total deferred inflows of resources	11,819	-	-	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	24,424	368,082	169,195	-
Unassigned	-	-	-	(141,086)
Total fund balances (deficits)	24,424	368,082	169,195	(141,086)
Total liabilities, deferred inflows and fund balances	\$ 92,058	\$ 1,060,610	\$ 169,693	\$ 26,697

CITY OF HERMOSA BEACH
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds			
	Parks/ Recreation Facilities Tax	Bayview Drive Administrative Expense	Loma District Administrative Expense	Beach Drive Assessment District Admin Expense
ASSETS				
Cash and investments	\$ 410,864	\$ 7,337	\$ -	\$ 1,595
Accounts receivable	-	-	-	-
Property taxes receivable, net	-	-	-	-
Reimbursable grants receivable	-	-	-	-
Interest receivable	3,285	59	-	14
Other assets	-	-	-	-
Total assets	<u>\$ 414,149</u>	<u>\$ 7,396</u>	<u>\$ -</u>	<u>\$ 1,609</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 64,652	\$ 405	\$ -	\$ -
Accrued wages and benefits payable	-	-	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	91	-
Compensated absences, due within one year	-	-	-	-
Total liabilities	<u>64,652</u>	<u>405</u>	<u>91</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	349,497	6,991	-	1,609
Unassigned	-	-	(91)	-
Total fund balances (deficits)	<u>349,497</u>	<u>6,991</u>	<u>(91)</u>	<u>1,609</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 414,149</u>	<u>\$ 7,396</u>	<u>\$ -</u>	<u>\$ 1,609</u>

CITY OF HERMOSA BEACH
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds			
	Proposition "C"	Measure "R"	Air Quality Management District	Supplemental Law Enforcement Services
ASSETS				
Cash and investments	\$ 895,549	\$ 1,142,884	\$ 133,049	\$ 519,832
Accounts receivable	-	-	6,644	-
Property taxes receivable, net	-	-	-	-
Reimbursable grants receivable	-	-	-	-
Interest receivable	7,665	9,189	1,083	4,198
Other assets	-	-	-	-
Total assets	<u>\$ 903,214</u>	<u>\$ 1,152,073</u>	<u>\$ 140,776</u>	<u>\$ 524,030</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 89,172	\$ 744,704	\$ 397	\$ 1,635
Accrued wages and benefits payable	965	44	135	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Compensated absences, due within one year	-	188	-	-
Total liabilities	<u>90,137</u>	<u>744,936</u>	<u>532</u>	<u>1,635</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	813,077	407,137	140,244	522,395
Unassigned	-	-	-	-
Total fund balances (deficits)	<u>813,077</u>	<u>407,137</u>	<u>140,244</u>	<u>522,395</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 903,214</u>	<u>\$ 1,152,073</u>	<u>\$ 140,776</u>	<u>\$ 524,030</u>

CITY OF HERMOSA BEACH
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds				
	Asset Seizure and Forfeiture	Fire Protection	CDBG	Measure "M"	FEMA
ASSETS					
Cash and investments	\$ 579,843	\$ 16,074	\$ 1	\$ 574,356	\$ -
Accounts receivable	241	-	3,191	-	-
Property taxes receivable, net	-	-	-	-	-
Reimbursable grants receivable	-	-	-	-	-
Interest receivable	4,742	121	-	4,894	-
Other assets	-	-	-	-	-
Total assets	\$ 584,826	\$ 16,195	\$ 3,192	\$ 579,250	\$ -
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 55,937	\$ -	\$ -	\$ 545,400	\$ -
Accrued wages and benefits payable	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Due to other funds	-	-	-	-	623,660
Compensated absences, due within one year	-	-	-	-	-
Total liabilities	55,937	-	-	545,400	623,660
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	528,889	16,195	3,192	33,850	-
Unassigned	-	-	-	-	(623,660)
Total fund balances (deficits)	528,889	16,195	3,192	33,850	(623,660)
Total liabilities, deferred inflows and fund balances	\$ 584,826	\$ 16,195	\$ 3,192	\$ 579,250	\$ -

CITY OF HERMOSA BEACH
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds			
	RTI Undersea Cable Tidelands	Proposition "A" Transit	TDA	Measure "W"
ASSETS				
Cash and investments	\$ 451,267	\$ 1,007,080	\$ -	\$ 1,128,529
Accounts receivable	-	-	-	-
Property taxes receivable, net	-	-	-	-
Reimbursable grants receivable	-	-	-	-
Interest receivable	3,711	8,102	-	8,902
Other assets	-	14,692	-	-
Total assets	\$ 454,978	\$ 1,029,874	\$ -	\$ 1,137,431
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 69,646	\$ 887,247	\$ -	\$ -
Accrued wages and benefits payable	-	227	-	695
Unearned revenues	-	-	-	423,950
Due to other funds	-	-	-	-
Compensated absences, due within one year	-	-	-	-
Total liabilities	69,646	887,474	-	424,645
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund Balances:				
Nonspendable	-	14,692	-	-
Restricted	385,332	127,708	-	712,786
Unassigned	-	-	-	-
Total fund balances (deficits)	385,332	142,400	-	712,786
Total liabilities, deferred inflows and fund balances	\$ 454,978	\$ 1,029,874	\$ -	\$ 1,137,431

CITY OF HERMOSA BEACH
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds		Capital Project Fund	Debt Service Fund	Total Nonmajor Governmental Funds
	Sewer	Storm Drain	Greenwich Underground	2015 Lease Revenue Bonds	
ASSETS					
Cash and investments	\$ 3,540,358	\$ 2,651,693	\$ 58,573	\$ 9,818	\$ 14,279,312
Accounts receivable	81,190	-	-	-	268,452
Property taxes receivable, net	24,583	-	-	-	36,402
Reimbursable grants receivable	-	-	-	-	-
Interest receivable	28,271	-	-	-	93,679
Other assets	-	-	-	-	14,692
Total assets	<u>\$ 3,674,402</u>	<u>\$ 2,651,693</u>	<u>\$ 58,573</u>	<u>\$ 9,818</u>	<u>\$ 14,692,537</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 567,774	\$ 45,589	\$ -	\$ -	\$ 3,809,026
Accrued wages and benefits payable	39,885	13,938	-	-	68,262
Unearned revenues	-	-	-	-	423,950
Due to other funds	-	-	-	-	791,534
Compensated absences, due within one year	-	-	-	-	188
Total liabilities	<u>607,659</u>	<u>59,527</u>	<u>-</u>	<u>-</u>	<u>5,092,960</u>
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	11,819
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,819</u>
Fund Balances:					
Nonspendable	-	-	-	-	14,692
Restricted	3,066,743	2,592,166	58,573	9,818	10,337,903
Unassigned	-	-	-	-	(764,837)
Total fund balances (deficits)	<u>3,066,743</u>	<u>2,592,166</u>	<u>58,573</u>	<u>9,818</u>	<u>9,587,758</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,674,402</u>	<u>\$ 2,651,693</u>	<u>\$ 58,573</u>	<u>\$ 9,818</u>	<u>\$ 14,692,537</u>

CITY OF HERMOSA BEACH

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2025

	Special Revenue Funds			
	Lighting and Landscaping District	State Gas Tax	AB 939	Prop A Open Space
REVENUES:				
Property taxes	\$ 451,780	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	1,089,657	-	-
Charges for services	-	-	61,464	-
Miscellaneous	-	-	-	-
Interest earned on investments	4,389	79,493	13,836	-
Total revenues	<u>456,169</u>	<u>1,169,150</u>	<u>75,300</u>	<u>-</u>
EXPENDITURES:				
Current:				
General government	-	-	275,322	-
Public safety	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Public works	815,361	1,296,342	-	-
Capital outlay	-	79,183	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>815,361</u>	<u>1,375,525</u>	<u>275,322</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(359,192)</u>	<u>(206,375)</u>	<u>(200,022)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	419,095	-	-	-
Transfers out	(11,054)	(357,865)	-	(65,520)
Total other financing sources (uses)	<u>408,041</u>	<u>(357,865)</u>	<u>-</u>	<u>(65,520)</u>
CHANGE IN FUND BALANCES	48,849	(564,240)	(200,022)	(65,520)
Fund balances (deficits), beginning of year	(24,425)	932,322	369,217	(75,566)
Fund balances (deficits), end of year	<u>\$ 24,424</u>	<u>\$ 368,082</u>	<u>\$ 169,195</u>	<u>\$ (141,086)</u>

CITY OF HERMOSA BEACH

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)

Nonmajor Governmental Funds

For the Year Ended June 30, 2025

	Special Revenue Funds			
	Parks/ Recreation Facilities Tax	Bayview Drive Administrative Expense	Loma District Administrative Expense	Beach Drive Assessment District Admin Expense
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	19,044	-	-	-
Miscellaneous	-	5,000	-	-
Interest earned on investments	30,018	538	2	173
Total revenues	<u>49,062</u>	<u>5,538</u>	<u>2</u>	<u>173</u>
EXPENDITURES:				
Current:				
General government	-	1,680	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Public works	-	-	-	-
Capital outlay	67,764	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>67,764</u>	<u>1,680</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(18,702)</u>	<u>3,858</u>	<u>2</u>	<u>173</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	(3,000)	-	(2,500)
Total other financing sources (uses)	<u>-</u>	<u>(3,000)</u>	<u>-</u>	<u>(2,500)</u>
CHANGE IN FUND BALANCES	(18,702)	858	2	(2,327)
Fund balances (deficits), beginning of year	<u>368,199</u>	<u>6,133</u>	<u>(93)</u>	<u>3,936</u>
Fund balances (deficits), end of year	<u>\$ 349,497</u>	<u>\$ 6,991</u>	<u>\$ (91)</u>	<u>\$ 1,609</u>

CITY OF HERMOSA BEACH

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)

Nonmajor Governmental Funds

For the Year Ended June 30, 2025

	Special Revenue Funds			
	Proposition "C"	Measure "R"	Air Quality Management District	Supplemental Law Enforcement Services
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	413,914	310,378	-	161,014
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	31,841	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Interest earned on investments	88,359	80,064	9,670	40,628
Total revenues	502,273	390,442	41,511	201,642
EXPENDITURES:				
Current:				
General government	-	-	6,030	-
Public safety	-	-	-	61,168
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Public works	31,383	746,307	-	-
Capital outlay	924,549	-	-	120,792
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	955,932	746,307	6,030	181,960
REVENUES OVER (UNDER) EXPENDITURES	(453,659)	(355,865)	35,481	19,682
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
CHANGE IN FUND BALANCES	(453,659)	(355,865)	35,481	19,682
Fund balances (deficits), beginning of year	1,266,736	763,002	104,763	502,713
Fund balances (deficits), end of year	\$ 813,077	\$ 407,137	\$ 140,244	\$ 522,395

CITY OF HERMOSA BEACH

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)

**Nonmajor Governmental Funds
For the Year Ended June 30, 2025**

	Special Revenue Funds				
	Asset Seizure and Forfeiture	Fire Protection	CDBG	Measure "M"	FEMA
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	351,648	-
Fines and forfeitures	15,963	-	-	-	-
Use of money and property	-	-	-	-	-
Intergovernmental	-	-	109,740	-	27,846
Charges for services	-	4,092	-	-	-
Miscellaneous	-	-	-	-	-
Interest earned on investments	45,670	1,015	-	40,193	-
Total revenues	<u>61,633</u>	<u>5,107</u>	<u>109,740</u>	<u>391,841</u>	<u>27,846</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	76,552	-	-	-	-
Community development	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Public works	-	-	-	545,400	-
Capital outlay	39,420	-	109,740	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>115,972</u>	<u>-</u>	<u>109,740</u>	<u>545,400</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(54,339)</u>	<u>5,107</u>	<u>-</u>	<u>(153,559)</u>	<u>27,846</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCES	(54,339)	5,107	-	(153,559)	27,846
Fund balances (deficits), beginning of year	<u>583,228</u>	<u>11,088</u>	<u>3,192</u>	<u>187,409</u>	<u>(651,506)</u>
Fund balances (deficits), end of year	<u>\$ 528,889</u>	<u>\$ 16,195</u>	<u>\$ 3,192</u>	<u>\$ 33,850</u>	<u>\$ (623,660)</u>

CITY OF HERMOSA BEACH

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)

Nonmajor Governmental Funds

For the Year Ended June 30, 2025

	Special Revenue Funds			
	RTI Undersea Cable Tidelands	Proposition "A" Transit	TDA	Measure "W"
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	499,008	-	156,536
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	18,499	-
Charges for services	-	748	-	-
Miscellaneous	-	-	-	-
Interest earned on investments	34,566	67,687	-	75,003
Total revenues	34,566	567,443	18,499	231,539
EXPENDITURES:				
Current:				
General government	-	130	-	-
Public safety	-	16,881	-	-
Community development	-	53,434	-	-
Culture and recreation	-	67,880	-	-
Public works	-	-	18,499	21,116
Capital outlay	71,479	800,640	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	71,479	938,965	18,499	21,116
REVENUES OVER (UNDER) EXPENDITURES	(36,913)	(371,522)	-	210,423
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
CHANGE IN FUND BALANCES	(36,913)	(371,522)	-	210,423
Fund balances (deficits), beginning of year	422,245	513,922	-	502,363
Fund balances (deficits), end of year	\$ 385,332	\$ 142,400	\$ -	\$ 712,786

CITY OF HERMOSA BEACH

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)

Nonmajor Governmental Funds

For the Year Ended June 30, 2025

	<u>Special Revenue Funds</u>		<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	
	Sewer	Storm Drain	Greenwich Underground	2015 Lease Revenue Bonds	Total Nonmajor Governmental Funds
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 451,780
Other taxes	-	700,000	-	-	2,592,498
Fines and forfeitures	-	-	-	-	15,963
Use of money and property	-	-	-	-	-
Intergovernmental	17,985	-	-	-	1,295,568
Charges for services	1,276,000	-	-	-	1,361,348
Miscellaneous	-	-	-	-	5,000
Interest earned on investments	296,411	130,705	-	-	1,038,420
Total revenues	<u>1,590,396</u>	<u>830,705</u>	<u>-</u>	<u>-</u>	<u>6,760,577</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	283,162
Public safety	-	-	-	-	154,601
Community development	-	-	-	-	53,434
Culture and recreation	-	-	-	-	67,880
Public works	813,588	539,833	-	-	4,827,829
Capital outlay	2,109,822	404,204	-	-	4,727,593
Debt service:					
Principal	-	-	-	450,000	450,000
Interest and fiscal charges	-	-	-	267,200	267,200
Total expenditures	<u>2,923,410</u>	<u>944,037</u>	<u>-</u>	<u>717,200</u>	<u>10,831,699</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,333,014)</u>	<u>(113,332)</u>	<u>-</u>	<u>(717,200)</u>	<u>(4,071,122)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	686,161	1,105,256
Transfers out	-	-	-	-	(439,939)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>686,161</u>	<u>665,317</u>
CHANGE IN FUND BALANCES	<u>(1,333,014)</u>	<u>(113,332)</u>	<u>-</u>	<u>(31,039)</u>	<u>(3,405,805)</u>
Fund balances (deficits), beginning of year	<u>4,399,757</u>	<u>2,705,498</u>	<u>58,573</u>	<u>40,857</u>	<u>12,993,563</u>
Fund balances (deficits), end of year	<u>\$ 3,066,743</u>	<u>\$ 2,592,166</u>	<u>\$ 58,573</u>	<u>\$ 9,818</u>	<u>\$ 9,587,758</u>

CITY OF HERMOSA BEACH

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

Lighting and Landscaping District Special Revenue Fund

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Final</u>		
Fund balance (deficit), July 1, 2024	\$ (24,425)	\$ (24,425)	\$ -
Revenues (inflows):			
Property taxes	461,555	451,780	(9,775)
Interest earned on investments	3,366	4,389	1,023
Transfers in	<u>419,095</u>	<u>419,095</u>	<u>-</u>
Amount available for appropriations	<u>884,016</u>	<u>875,264</u>	<u>(8,752)</u>
Charges to appropriations (outflows):			
Public works	844,129	815,361	28,768
Transfers out	<u>11,054</u>	<u>11,054</u>	<u>-</u>
Total charges to appropriations	<u>855,183</u>	<u>826,415</u>	<u>28,768</u>
Fund balance (deficit), June 30, 2025	<u>\$ 4,408</u>	<u>\$ 24,424</u>	<u>\$ 20,016</u>

CITY OF HERMOSA BEACH

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

State Gas Tax Special Revenue Fund

For the Year Ended June 30, 2025

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
	Final		
Fund balance, July 1, 2024	\$ 932,322	\$ 932,322	\$ -
Revenues (inflows):			
Intergovernmental	1,052,849	1,089,657	36,808
Interest earned on investments	43,577	79,493	35,916
Amount available for appropriations	1,096,426	1,169,150	72,724
Charges to appropriations (outflows):			
Public works	1,456,070	1,296,342	159,728
Capital outlay	203,912	79,183	124,729
Transfers out	357,865	357,865	-
Total charges to appropriations	2,017,847	1,733,390	284,457
Fund balance, June 30, 2025	\$ 10,901	\$ 368,082	\$ 357,181

CITY OF HERMOSA BEACH

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

AB 939 Special Revenue Fund

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Final</u>		
Fund balance, July 1, 2024	\$ 369,217	\$ 369,217	\$ -
Revenues (inflows):			
Charges for services	64,000	61,464	(2,536)
Interest earned on investments	<u>13,776</u>	<u>13,836</u>	<u>60</u>
Amount available for appropriations	<u>77,776</u>	<u>75,300</u>	<u>(2,476)</u>
Charges to appropriations (outflows):			
General government	<u>281,643</u>	<u>275,322</u>	<u>6,321</u>
Total charges to appropriations	<u>281,643</u>	<u>275,322</u>	<u>6,321</u>
Fund balance, June 30, 2025	<u>\$ 165,350</u>	<u>\$ 169,195</u>	<u>\$ 3,845</u>

CITY OF HERMOSA BEACH

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

Prop A Open Space Special Revenue Fund

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance (deficit), July 1, 2024	\$ (75,566)	\$ (75,566)	\$ -
Revenues (inflows):			
Intergovernmental	<u>127,258</u>	<u>-</u>	<u>(127,258)</u>
Amount available for appropriations	<u>127,258</u>	<u>-</u>	<u>(127,258)</u>
Charges to appropriations (outflows):			
Transfers out	<u>65,520</u>	<u>65,520</u>	<u>-</u>
Total charges to appropriations	<u>65,520</u>	<u>65,520</u>	<u>-</u>
Fund balance (deficit), June 30, 2025	<u><u>\$ (13,828)</u></u>	<u><u>\$ (141,086)</u></u>	<u><u>\$ (127,258)</u></u>

CITY OF HERMOSA BEACH

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

Parks/Recreation Facilities Tax Special Revenue Fund

For the Year Ended June 30, 2025

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
	Final		
Fund balance, July 1, 2024	\$ 368,199	\$ 368,199	\$ -
Revenues (inflows):			
Other taxes	57,526	-	(57,526)
Charges for services	60,000	19,044	(40,956)
Interest earned on investments	16,569	30,018	13,449
Amount available for appropriations	134,095	49,062	(85,033)
Charges to appropriations (outflows):			
Public works	310,000	-	310,000
Capital outlay	121,545	67,764	53,781
Total charges to appropriations	431,545	67,764	363,781
Fund balance, June 30, 2025	\$ 70,749	\$ 349,497	\$ 278,748

CITY OF HERMOSA BEACH

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

Bayview Drive Administrative Expense Special Revenue Fund

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2024	\$ 6,133	\$ 6,133	\$ -
Revenues (inflows):			
Miscellaneous	5,000	5,000	-
Interest earned on investments	<u>300</u>	<u>538</u>	<u>238</u>
Amount available for appropriations	<u>5,300</u>	<u>5,538</u>	<u>238</u>
Charges to appropriations (outflows):			
General government	1,800	1,680	120
Transfers out	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Total charges to appropriations	<u>4,800</u>	<u>4,680</u>	<u>120</u>
Fund balance, June 30, 2025	<u>\$ 6,633</u>	<u>\$ 6,991</u>	<u>\$ 358</u>

CITY OF HERMOSA BEACH

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

Loma District Administrative Expense Special Revenue Fund

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Final</u>		
Fund balance (deficit), July 1, 2024	\$ (93)	\$ (93)	\$ -
Revenues (inflows):			
Interest earned on investments	<u>1</u>	<u>2</u>	<u>1</u>
Amount available for appropriations	<u>1</u>	<u>2</u>	<u>1</u>
Charges to appropriations (outflows):			
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), June 30, 2025	<u><u>\$ (92)</u></u>	<u><u>\$ (91)</u></u>	<u><u>\$ 1</u></u>

CITY OF HERMOSA BEACH

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

Beach Drive Assessment District Administrative Expense Special Revenue Fund

For the Year Ended June 30, 2025

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
	Final		
Fund balance, July 1, 2024	\$ 3,936	\$ 3,936	\$ -
Revenues (inflows):			
Miscellaneous	4,000	-	(4,000)
Interest earned on investments	189	173	(16)
Amount available for appropriations	4,189	173	(4,016)
Charges to appropriations (outflows):			
General government	1,600	-	1,600
Transfers out	2,500	2,500	-
Total charges to appropriations	4,100	2,500	1,600
Fund balance, June 30, 2025	\$ 4,025	\$ 1,609	\$ (2,416)

CITY OF HERMOSA BEACH

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

Proposition "C" Special Revenue Fund

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Final</u>		
Fund balance, July 1, 2024	<u>\$ 1,266,736</u>	<u>\$ 1,266,736</u>	<u>\$ -</u>
Revenues (inflows):			
Other taxes	443,697	413,914	(29,783)
Interest earned on investments	<u>68,168</u>	<u>88,359</u>	<u>20,191</u>
Amount available for appropriations	<u>511,865</u>	<u>502,273</u>	<u>(9,592)</u>
Charges to appropriations (outflows):			
Public works	32,314	31,383	931
Capital outlay	<u>1,776,325</u>	<u>924,549</u>	<u>851,776</u>
Total charges to appropriations	<u>1,808,639</u>	<u>955,932</u>	<u>852,707</u>
Fund balance (deficit), June 30, 2025	<u>\$ (30,038)</u>	<u>\$ 813,077</u>	<u>\$ 843,115</u>

CITY OF HERMOSA BEACH

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

Measure "R" Special Revenue Fund

For the Year Ended June 30, 2025

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
	Final		
Fund balance, July 1, 2024	\$ 763,002	\$ 763,002	\$ -
Revenues (inflows):			
Other taxes	332,772	310,378	(22,394)
Interest earned on investments	41,897	80,064	38,167
Amount available for appropriations	374,669	390,442	15,773
Charges to appropriations (outflows):			
Public works	1,094,066	746,307	347,759
Capital outlay	31,751	-	31,751
Total charges to appropriations	1,125,817	746,307	379,510
Fund balance, June 30, 2025	\$ 11,854	\$ 407,137	\$ 395,283

CITY OF HERMOSA BEACH

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

Air Quality Management District Special Revenue Fund

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Final</u>		
Fund balance, July 1, 2024	\$ 104,763	\$ 104,763	\$ -
Revenues (inflows):			
Intergovernmental	25,000	31,841	6,841
Interest earned on investments	<u>5,237</u>	<u>9,670</u>	<u>4,433</u>
Amount available for appropriations	<u>30,237</u>	<u>41,511</u>	<u>11,274</u>
Charges to appropriations (outflows):			
General government	10,000	6,030	3,970
Capital outlay	<u>125,000</u>	<u>-</u>	<u>125,000</u>
Total charges to appropriations	<u>135,000</u>	<u>6,030</u>	<u>128,970</u>
Fund balance, June 30, 2025	<u>\$ -</u>	<u>\$ 140,244</u>	<u>\$ 140,244</u>

CITY OF HERMOSA BEACH

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

Supplemental Law Enforcement Services Special Revenue Fund

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Final</u>		
Fund balance, July 1, 2024	\$ 502,713	\$ 502,713	\$ -
Revenues (inflows):			
Other taxes	145,000	161,014	16,014
Interest earned on investments	<u>23,310</u>	<u>40,628</u>	<u>17,318</u>
 Amount available for appropriations	 <u>168,310</u>	 <u>201,642</u>	 <u>33,332</u>
Charges to appropriations (outflows):			
Public safety	140,169	61,168	79,001
Capital outlay	<u>139,281</u>	<u>120,792</u>	<u>18,489</u>
 Total charges to appropriations	 <u>279,450</u>	 <u>181,960</u>	 <u>97,490</u>
 Fund balance, June 30, 2025	 <u>\$ 391,573</u>	 <u>\$ 522,395</u>	 <u>\$ 130,822</u>

CITY OF HERMOSA BEACH

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

Asset Seizure and Forfeiture Special Revenue Fund

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2024	\$ 583,228	\$ 583,228	\$ -
Revenues (inflows):			
Fines and forfeitures	-	15,963	15,963
Interest earned on investments	<u>27,081</u>	<u>45,670</u>	<u>18,589</u>
 Amount available for appropriations	<u>27,081</u>	<u>61,633</u>	<u>34,552</u>
Charges to appropriations (outflows):			
Public safety	67,097	76,552	(9,455)
Capital outlay	<u>10,250</u>	<u>39,420</u>	<u>(29,170)</u>
 Total charges to appropriations	<u>77,347</u>	<u>115,972</u>	<u>(38,625)</u>
 Fund balance, June 30, 2025	<u>\$ 532,962</u>	<u>\$ 528,889</u>	<u>\$ (4,073)</u>

CITY OF HERMOSA BEACH

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

Fire Protection Special Revenue Fund

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2024	\$ 11,088	\$ 11,088	\$ -
Revenues (inflows):			
Charges for services	4,000	4,092	92
Interest earned on investments	<u>265</u>	<u>1,015</u>	<u>750</u>
Amount available for appropriations	<u>4,265</u>	<u>5,107</u>	<u>842</u>
Charges to appropriations (outflows):			
Public safety	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2025	<u>\$ 15,353</u>	<u>\$ 16,195</u>	<u>\$ 842</u>

CITY OF HERMOSA BEACH

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

Community Development Block Grant Special Revenue Fund

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2024	\$ 3,192	\$ 3,192	\$ -
Revenues (inflows):			
Intergovernmental	<u>147,148</u>	<u>109,740</u>	<u>(37,408)</u>
Amount available for appropriations	<u>147,148</u>	<u>109,740</u>	<u>(37,408)</u>
Charges to appropriations (outflows):			
Capital outlay	<u>147,148</u>	<u>109,740</u>	<u>37,408</u>
Total charges to appropriations	<u>147,148</u>	<u>109,740</u>	<u>37,408</u>
Fund balance, June 30, 2025	<u><u>\$ 3,192</u></u>	<u><u>\$ 3,192</u></u>	<u><u>\$ -</u></u>

CITY OF HERMOSA BEACH

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

Measure "M" Special Revenue Fund

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2024	\$ 187,409	\$ 187,409	\$ -
Revenues (inflows):			
Other taxes	377,141	351,648	(25,493)
Interest earned on investments	<u>25,987</u>	<u>40,193</u>	<u>14,206</u>
 Amount available for appropriations	 <u>403,128</u>	 <u>391,841</u>	 <u>(11,287)</u>
Charges to appropriations (outflows):			
Public works	<u>574,105</u>	<u>545,400</u>	<u>28,705</u>
Total charges to appropriations	<u>574,105</u>	<u>545,400</u>	<u>28,705</u>
Fund balance, June 30, 2025	<u>\$ 16,432</u>	<u>\$ 33,850</u>	<u>\$ 17,418</u>

CITY OF HERMOSA BEACH

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

FEMA Special Revenue Fund

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance (deficit), July 1, 2024	\$ (651,506)	\$ (651,506)	\$ -
Revenues (inflows):			
Intergovernmental	<u>27,846</u>	<u>27,846</u>	<u>-</u>
Amount available for appropriations	<u>27,846</u>	<u>27,846</u>	<u>-</u>
Charges to appropriations (outflows):			
General government	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), June 30, 2025	<u><u>\$ (623,660)</u></u>	<u><u>\$ (623,660)</u></u>	<u><u>\$ -</u></u>

CITY OF HERMOSA BEACH

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

RTI Undersea Cable Tidelands Special Revenue Fund

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2024	\$ 422,245	\$ 422,245	\$ -
Revenues (inflows):			
Interest earned on investments	<u>19,768</u>	<u>34,566</u>	<u>14,798</u>
Amount available for appropriations	<u>19,768</u>	<u>34,566</u>	<u>14,798</u>
Charges to appropriations (outflows):			
Capital outlay	<u>409,337</u>	<u>71,479</u>	<u>337,858</u>
Total charges to appropriations	<u>409,337</u>	<u>71,479</u>	<u>337,858</u>
Fund balance, June 30, 2025	<u>\$ 32,676</u>	<u>\$ 385,332</u>	<u>\$ 352,656</u>

CITY OF HERMOSA BEACH

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

Proposition "A" Transit Special Revenue Fund

For the Year Ended June 30, 2025

	Budgeted Amounts	Actual	Variance with
	Final	Amounts	Final Budget
Fund balance, July 1, 2024	<u>\$ 513,922</u>	<u>\$ 513,922</u>	<u>\$ -</u>
Revenues (inflows):			
Other taxes	534,912	499,008	(35,904)
Charges for services	900	748	(152)
Interest earned on investments	<u>25,909</u>	<u>67,687</u>	<u>41,778</u>
Amount available for appropriations	<u>561,721</u>	<u>567,443</u>	<u>5,722</u>
Charges to appropriations (outflows):			
General government	500	130	370
Public safety	32,500	16,881	15,619
Community development	56,758	53,434	3,324
Culture and recreation	81,000	67,880	13,120
Capital outlay	<u>809,600</u>	<u>800,640</u>	<u>8,960</u>
Total charges to appropriations	<u>980,358</u>	<u>938,965</u>	<u>41,393</u>
Fund balance, June 30, 2025	<u><u>\$ 95,285</u></u>	<u><u>\$ 142,400</u></u>	<u><u>\$ 47,115</u></u>

CITY OF HERMOSA BEACH

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

Transportation Development Act (TDA) Special Revenue Fund

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2024	\$ -	\$ -	\$ -
Revenues (inflows):			
Intergovernmental	<u>18,000</u>	<u>18,499</u>	<u>499</u>
Amount available for appropriations	<u>18,000</u>	<u>18,499</u>	<u>499</u>
Charges to appropriations (outflows):			
Public works	<u>18,000</u>	<u>18,499</u>	<u>(499)</u>
Total charges to appropriations	<u>18,000</u>	<u>18,499</u>	<u>(499)</u>
Fund balance, June 30, 2025	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF HERMOSA BEACH

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

Measure "W" Special Revenue Fund

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2024	\$ 502,363	\$ 502,363	\$ -
Revenues (inflows):			
Other taxes	376,992	156,536	(220,456)
Interest earned on investments	<u>25,662</u>	<u>75,003</u>	<u>49,341</u>
Amount available for appropriations	<u>402,654</u>	<u>231,539</u>	<u>(171,115)</u>
Charges to appropriations (outflows):			
Public works	21,619	21,116	503
Capital outlay	<u>644,265</u>	<u>-</u>	<u>644,265</u>
Total charges to appropriations	<u>665,884</u>	<u>21,116</u>	<u>644,768</u>
Fund balance, June 30, 2025	<u>\$ 239,133</u>	<u>\$ 712,786</u>	<u>\$ 473,653</u>

CITY OF HERMOSA BEACH

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

Sewer Special Revenue Fund

For the Year Ended June 30, 2025

	Budgeted Amounts	Actual	Variance with
	Final	Amounts	Final Budget
Fund balance, July 1, 2024	\$ 4,399,757	\$ 4,399,757	\$ -
Revenues (inflows):			
Intergovernmental	-	17,985	17,985
Charges for services	1,240,578	1,276,000	35,422
Interest earned on investments	193,284	296,411	103,127
Amount available for appropriations	1,433,862	1,590,396	156,534
Charges to appropriations (outflows):			
Public works	932,692	813,588	119,104
Capital outlay	4,148,655	2,109,822	2,038,833
Total charges to appropriations	5,081,347	2,923,410	2,157,937
Fund balance, June 30, 2025	\$ 752,272	\$ 3,066,743	\$ 2,314,471

CITY OF HERMOSA BEACH

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

Storm Drain Special Revenue Fund

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2024	\$ 2,705,498	\$ 2,705,498	\$ -
Revenues (inflows):			
Other taxes	700,000	700,000	-
Intergovernmental	25,000	-	(25,000)
Interest earned on investments	<u>122,050</u>	<u>130,705</u>	<u>8,655</u>
Amount available for appropriations	<u>847,050</u>	<u>830,705</u>	<u>(16,345)</u>
Charges to appropriations (outflows):			
Public works	700,650	539,833	160,817
Capital outlay	<u>2,664,876</u>	<u>404,204</u>	<u>2,260,672</u>
Total charges to appropriations	<u>3,365,526</u>	<u>944,037</u>	<u>2,421,489</u>
Fund balance, June 30, 2025	<u>\$ 187,022</u>	<u>\$ 2,592,166</u>	<u>\$ 2,405,144</u>

CITY OF HERMOSA BEACH

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

2015 Lease Revenue Bonds Debt Service Fund

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Final</u>		
Fund balance, July 1, 2024	\$ 40,857	\$ 40,857	\$ -
Revenues (inflows):			
Transfers in	<u>686,161</u>	<u>686,161</u>	<u>-</u>
Amount available for appropriations	<u>686,161</u>	<u>686,161</u>	<u>-</u>
Charges to appropriations (outflows):			
Principal	450,000	450,000	-
Interest and fiscal charges	<u>267,200</u>	<u>267,200</u>	<u>-</u>
Total charges to appropriations	<u>717,200</u>	<u>717,200</u>	<u>-</u>
Fund balance, June 30, 2025	<u>\$ 9,818</u>	<u>\$ 9,818</u>	<u>\$ -</u>

CITY OF HERMOSA BEACH

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

Capital Improvements Capital Project Fund

For the Year Ended June 30, 2025

	Budgeted Amounts	Actual	Variance with
	Final	Amounts	Final Budget
Fund balance, July 1, 2024	<u>\$ 16,426,314</u>	<u>\$ 16,426,314</u>	<u>\$ -</u>
Revenues (inflows):			
Miscellaneous	250,000	4,254	(245,746)
Interest earned on investments	<u>615,459</u>	<u>931,888</u>	<u>316,429</u>
Amount available for appropriations	<u>865,459</u>	<u>936,142</u>	<u>70,683</u>
Charges to appropriations (outflows):			
Public works	308,367	312,661	(4,294)
Capital outlay	<u>10,306,980</u>	<u>3,960,682</u>	<u>6,346,298</u>
Total charges to appropriations	<u>10,615,347</u>	<u>4,273,343</u>	<u>6,342,004</u>
Fund balance, June 30, 2025	<u><u>\$ 6,676,426</u></u>	<u><u>\$ 13,089,113</u></u>	<u><u>\$ 6,412,687</u></u>

CITY OF HERMOSA BEACH

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

Greenwich Underground Capital Project Fund

For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2024	\$ 58,573	\$ 58,573	\$ -
Revenues (inflows):			
Use of money and property	<u>-</u>	<u>-</u>	<u>-</u>
Amount available for appropriations	<u>-</u>	<u>-</u>	<u>-</u>
Charges to appropriations (outflows):			
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2025	<u><u>\$ 58,573</u></u>	<u><u>\$ 58,573</u></u>	<u><u>\$ -</u></u>

INTERNAL SERVICE FUNDS

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

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

CITY OF HERMOSA BEACH
Combining Schedule of Net Position
All Internal Service Funds
June 30, 2025

	Insurance Fund	Equipment Replacement Fund	Total
ASSETS			
Current assets:			
Cash and investments	\$ 10,653,127	\$ 8,640,647	\$ 19,293,774
Account receivables	9,437	221	9,658
Total current assets	10,662,564	8,640,868	19,303,432
Noncurrent assets:			
Nondepreciable capital assets	-	354,549	354,549
Depreciable capital assets, net of accumulated depreciation	-	2,879,192	2,879,192
Total noncurrent assets	-	3,233,741	3,233,741
Total assets	10,662,564	11,874,609	22,537,173
LIABILITIES			
Current liabilities:			
Accounts payable	194,486	91,190	285,676
Accrued wages and benefits payable	10,124	10,791	20,915
Workers' compensation claims payable - due within one year	1,241,918	-	1,241,918
General liability claims payable - due within one year	965,072	-	965,072
Subscription lease payable - due within one year	-	87,072	87,072
Total current liabilities	2,411,600	189,053	2,600,653
Long-term liabilities:			
Workers' compensation claims payable - due in more than one year	4,324,724	-	4,324,724
General liability claims payable - due in more than one year	1,244,122	-	1,244,122
Subscription lease payable - due in more than one year	-	232,627	232,627
Total long-term liabilities	5,568,846	232,627	5,801,473
Total liabilities	7,980,446	421,680	8,402,126
NET POSITION			
Net investment in capital assets	-	2,917,096	2,917,096
Unrestricted	2,682,118	8,535,833	11,217,951
Total net position	\$ 2,682,118	\$ 11,452,929	\$ 14,135,047

CITY OF HERMOSA BEACH
Combining Schedule of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds
For the year ended June 30, 2025

	Insurance Fund	Equipment Replacement Fund	Total
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES:			
Charges for services	\$ 3,927,895	\$ 2,008,298	\$ 5,936,193
Miscellaneous revenue	182,906	-	182,906
Total operating revenues	<u>4,110,801</u>	<u>2,008,298</u>	<u>6,119,099</u>
OPERATING EXPENSES:			
Salaries and wages	161,666	334,687	496,353
Contract services	2,420,054	1,125,156	3,545,210
Supplies	1	317,897	317,898
Claims expense	2,239,307	-	2,239,307
Depreciation	-	615,799	615,799
Total operating expenses	<u>4,821,028</u>	<u>2,393,539</u>	<u>7,214,567</u>
OPERATING INCOME	<u>(710,227)</u>	<u>(385,241)</u>	<u>(1,095,468)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest expense	-	(1,451)	(1,451)
Gain on disposal of capital assets	-	29,418	29,418
Total non-operating revenues (expenses)	<u>-</u>	<u>27,967</u>	<u>27,967</u>
INCOME BEFORE TRANSFERS	<u>(710,227)</u>	<u>(357,274)</u>	<u>(1,067,501)</u>
Transfers in	392,345	337,424	729,769
Total transfers	<u>392,345</u>	<u>337,424</u>	<u>729,769</u>
Change in net position	<u>(317,882)</u>	<u>(19,850)</u>	<u>(337,732)</u>
Net position, beginning of year	3,000,000	11,472,779	14,472,779
Net position, end of year	<u>\$ 2,682,118</u>	<u>\$ 11,452,929</u>	<u>\$ 14,135,047</u>

CITY OF HERMOSA BEACH

Combining Schedule of Cash Flows

All Internal Service Funds

For the year ended June 30, 2025

	Insurance Fund	Equipment Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received for services from other funds	\$ 3,927,895	\$ 2,008,077	\$ 5,935,972
Cash received From insurance recovery	240,470	-	240,470
Cash payments to suppliers for goods and services	(2,479,486)	(1,548,426)	(4,027,912)
Cash payments to employees for services	(156,528)	(338,627)	(495,155)
Cash payments for insurance premiums and claims	(1,853,023)	-	(1,853,023)
Net cash provided (used by) operating activities	(320,672)	121,024	(199,648)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers in	392,345	337,424	729,769
Net cash provided (used by) non-capital financing activities	392,345	337,424	729,769
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	(983,184)	(983,184)
Proceeds from subscription agreement	-	435,335	435,335
Interest paid	-	(1,451)	(1,451)
Payment on subscription lease	-	(115,636)	(115,636)
Net cash provided (used by) capital and related financing activities	-	(664,936)	(664,936)
Net increase (decrease) in cash and cash equivalents	71,673	(206,488)	(134,815)
Cash and equivalents, beginning of year	10,581,454	8,847,135	19,428,589
Cash and equivalents, end of year	\$ 10,653,127	\$ 8,640,647	\$ 19,293,774
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED BY) OPERATING ACTIVITIES:			
Operating income (loss)	\$ (710,227)	\$ (385,241)	\$ (1,095,468)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	615,799	615,799
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	57,564	(221)	57,343
Increase (decrease) in accounts payable	(59,432)	(105,373)	(164,805)
Increase (decrease) in accrued wages and benefits payable	5,139	(3,940)	1,199
Increase (decrease) in workers' compensation claims payable	44,128	-	44,128
Increase (decrease) in general liability claims payable	342,156	-	342,156
Increase (decrease) in compensated absences	-	-	-
Total adjustments	389,555	506,265	895,820
Net cash provided (used) by operating activities	\$ (320,672)	\$ 121,024	\$ (199,648)

FIDUCIARY FUND FINANCIAL STATEMENTS

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

CITY OF HERMOSA BEACH
Combining Schedule of Fiduciary Net Position
All Custodial Funds
June 30, 2025

	Bayview Drive Redemption	Bayview Drive Reserve	Lower Pier Avenue Assessment District Redemption	Beach Drive Assessment District Redemption
ASSETS				
Cash and investments	\$ 65,957	16,810	3,556	528
Interest receivable	550	137	28	18
Other receivables	<u>387</u>	<u>-</u>	<u>-</u>	<u>809</u>
Total assets	<u>\$ 66,894</u>	<u>16,947</u>	<u>3,584</u>	<u>1,355</u>
LIABILITIES				
Installment account	\$ 62,412	5,674	3,320	1,191
Reserve requirement	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>62,412</u>	<u>15,674</u>	<u>3,320</u>	<u>1,191</u>
NET POSITION	<u>\$ 4,482</u>	<u>\$ 1,273</u>	<u>\$ 264</u>	<u>\$ 164</u>

CITY OF HERMOSA BEACH
Combining Schedule of Fiduciary Net Position
All Custodial Funds
June 30, 2025

	Beach Drive Assessment District Reserve	Myrtle Avenue Utility Underground Assessment District	Loma Drive Utility Underground Assessment District	Total
ASSETS				
Cash and investments	\$ 5,183	51,709	90,230	233,973
Interest receivable	42	-	-	775
Other receivables	-	-	-	1,196
Total assets	<u>\$ 5,225</u>	<u>51,709</u>	<u>90,230</u>	<u>235,944</u>
LIABILITIES				
Installment account	\$ 1,836	51,709	90,230	216,372
Reserve requirement	<u>3,000</u>	-	-	<u>13,000</u>
Total liabilities	<u>4,836</u>	<u>51,709</u>	<u>90,230</u>	<u>229,372</u>
NET POSITION	<u>\$ 389</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,572</u>

CITY OF HERMOSA BEACH

Combining Schedule of Changes in Fiduciary Net Position

All Custodial Funds

For the Year Ended June 30, 2025

	<u>Bayview Drive Redemption</u>	<u>Bayview Drive Reserve</u>
Additions:		
Interest income	\$ 4,482	1,273
Other revenues	<u>58,220</u>	<u>14,823</u>
Total additions	<u>62,702</u>	<u>16,096</u>
Deductions:		
Miscellaneous	<u>62,412</u>	<u>15,674</u>
Total deductions	<u>62,412</u>	<u>15,674</u>
Changes in net position	290	422
Net position, beginning of year	<u>4,192</u>	<u>851</u>
Net position, end of year	<u>\$ 4,482</u>	<u>1,273</u>

CITY OF HERMOSA BEACH

Combining Schedule of Changes in Fiduciary Net Position

All Custodial Funds

For the Year Ended June 30, 2025

	Lower Pier Ave Assessment District <u>Redemption</u>	Beach Drive Assessment District <u>Redemption</u>
Additions:		
Interest income	\$ 264	164
Other revenues	<u>3,143</u>	<u>-</u>
Total additions	<u>3,407</u>	<u>164</u>
Deductions:		
Miscellaneous	<u>3,320</u>	<u>1,355</u>
Total deductions	<u>3,320</u>	<u>1,355</u>
Changes in net position	87	(1,191)
Net position, beginning of year	<u>177</u>	<u>1,355</u>
Net position, end of year	<u>\$ 264</u>	<u>164</u>

CITY OF HERMOSA BEACH

Combining Schedule of Changes in Fiduciary Net Position

All Custodial Funds

For the Year Ended June 30, 2025

	Beach Drive Assessment District Reserve	Myrtle Ave Utility Underground Assesment District
Additions:		
Interest income	\$ 389	-
Other revenues	<u>4,576</u>	<u>51,709</u>
Total additions	<u>4,965</u>	<u>51,709</u>
Deductions:		
Miscellaneous	<u>4,836</u>	<u>51,709</u>
Total deductions	<u>4,836</u>	<u>51,709</u>
Changes in net position	129	-
Net position, beginning of year	<u>260</u>	<u>-</u>
Net position, end of year	<u>\$ 389</u>	<u>-</u>

CITY OF HERMOSA BEACH

Combining Schedule of Changes in Fiduciary Net Position

All Custodial Funds

For the Year Ended June 30, 2025

	Loma Drive Utility Underground Assessment District	Totals
Additions:		
Interest income	\$ -	6,572
Other revenues	<u>90,230</u>	<u>222,701</u>
Total additions	<u>90,230</u>	<u>229,273</u>
Deductions:		
Miscellaneous	<u>90,230</u>	<u>229,536</u>
Total deductions	<u>90,230</u>	<u>229,536</u>
Changes in net position	-	(263)
Net position, beginning of year	<u>-</u>	<u>6,835</u>
Net position, end of year	<u><u>\$ -</u></u>	<u><u>6,572</u></u>

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Pages
Financial Trends	147-152
These schedules contain trend information to help the reader understand how the government's financial performance and well being have changed over time.	
Revenue Capacity	153-159
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	160-171
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	172-174
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	175-176
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

CITY OF HERMOSA BEACH
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2016	2017	2018	2019	2020
Governmental activities:					
Net investment in capital assets	\$ 66,933,796	\$ 66,417,072	\$ 66,333,070	\$ 64,375,911	\$ 66,556,499
Restricted	3,774,552	5,260,908	5,584,794	5,056,977	6,399,646
Unrestricted	(18,769,530)	(13,287,058)	(10,942,703)	(8,841,583)	(12,400,420)
Total governmental activities net position	\$ 51,938,818	\$ 58,390,922	\$ 60,975,161	\$ 60,591,305	\$ 60,555,725
Business-type activities:					
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total business-type activities net position	\$ -	\$ -	\$ -	\$ -	\$ -
Primary government:					
Net investment in capital assets	\$ 66,933,796	\$ 66,417,072	\$ 66,333,070	\$ 64,375,911	\$ 66,556,499
Restricted	3,774,552	5,260,908	5,584,794	5,056,977	6,399,646
Unrestricted	(18,769,530)	(13,287,058)	(10,942,703)	(8,841,583)	(12,400,420)
Total primary government net position	\$ 51,938,818	\$ 58,390,922	\$ 60,975,161	\$ 60,591,305	\$ 60,555,725

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

CITY OF HERMOSA BEACH
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting) (Continued)

	Fiscal Year				
	2021	2022	2023	2024	2025
Governmental activities:					
Net investment in capital assets	\$ 65,145,247	\$ 66,545,127	\$ 67,871,420	\$ 72,320,196	\$ 82,379,137
Restricted	8,376,641	10,995,392	13,556,867	20,141,771	20,199,250
Unrestricted	(13,440,076)	(11,325,466)	(729,396)	(4,374,704)	(10,041,265)
Total governmental activities net position	\$ 60,081,812	\$ 66,215,053	\$ 80,698,891	\$ 88,087,263	\$ 92,537,122
Business-type activities:					
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total business-type activities net position	\$ -	\$ -	\$ -	\$ -	\$ -
Primary government:					
Net investment in capital assets	\$ 65,145,247	\$ 66,545,127	\$ 67,871,420	\$ 72,320,196	\$ 82,379,137
Restricted	8,376,641	10,995,392	13,556,867	20,141,771	20,199,250
Unrestricted	(13,440,076)	(11,325,466)	(729,396)	(4,374,704)	(10,041,265)
Total primary government net position	\$ 60,081,812	\$ 66,215,053	\$ 80,698,891	\$ 88,087,263	\$ 92,537,122

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

CITY OF HERMOSA BEACH
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2016	2017	2018	2019	2020
Expenses:					
Governmental activities:					
Legislative and legal	\$ 2,083,297	\$ 2,043,740	\$ 1,869,599	\$ 1,563,872	\$ 1,644,044
General government	2,262,107	3,598,512	4,129,246	4,257,735	6,023,648
Public safety	20,034,932	18,911,734	25,496,398	21,257,544	25,546,098
Community development	1,347,087	1,787,364	2,264,015	2,054,759	3,215,102
Culture and recreation	1,108,749	1,310,740	1,769,893	1,565,784	1,867,143
Public works	9,131,490	7,957,044	9,176,521	12,847,372	7,515,310
Interest and fiscal charges	-	-	-	375,815	295,723
Total governmental activities expenses	<u>35,967,662</u>	<u>35,609,134</u>	<u>44,705,672</u>	<u>43,922,881</u>	<u>46,107,068</u>
Business-type activities:					
Downtown Enhancement	-	-	-	-	-
Parking	-	-	-	-	-
Proposition "A" Transit	-	-	-	-	-
Proposition "C" Transit	-	-	-	-	-
Total business-type activities expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government expenses	<u>35,967,662</u>	<u>35,609,134</u>	<u>44,705,672</u>	<u>43,922,881</u>	<u>46,107,068</u>
Program revenues:					
Governmental activities:					
Charges for services:					
General government	2,414,955	2,433,987	2,538,028	476,403	685,320
Public safety	5,254,859	4,993,104	4,957,188	3,137,319	4,857,617
Community development	1,996,538	1,664,132	1,691,752	1,735,699	1,532,538
Culture and recreation	1,178,323	1,341,455	1,223,789	974,306	546,379
Public works	2,217,610	2,374,774	2,292,254	3,426,223	1,426,203
Operating grants and contributions	755,650	601,816	517,244	3,505,669	3,419,173
Capital grants and contributions	203,033	327,534	27,821	526,421	833,644
Total governmental activities program revenues:	<u>14,020,968</u>	<u>13,736,802</u>	<u>13,248,076</u>	<u>13,782,040</u>	<u>13,300,874</u>
Business-type activities:					
Charges for services:					
Downtown Enhancement	-	-	-	-	-
Parking	-	-	-	-	-
Proposition A Transit	-	-	-	-	-
Proposition C Transit	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government program revenues:	<u>14,020,968</u>	<u>13,736,802</u>	<u>13,248,076</u>	<u>13,782,040</u>	<u>13,300,874</u>

CITY OF HERMOSA BEACH
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting) (Continued)

	Fiscal Year				
	2016	2017	2018	2019	2020
Net revenues (expenses):					
Governmental activities	(21,946,694)	(21,872,332)	(31,457,596)	(30,140,841)	(32,806,194)
Business-type activities	-	-	-	-	-
Total net revenues (expenses)	<u>(21,946,694)</u>	<u>(21,872,332)</u>	<u>(31,457,596)</u>	<u>(30,140,841)</u>	<u>(32,806,194)</u>
General revenues and other changes in net position:					
Governmental activities:					
Taxes:					
Property taxes	15,317,458	15,714,094	17,097,712	18,640,303	19,584,959
Sales tax	2,895,794	2,816,289	3,151,207	3,133,311	2,722,468
Other taxes	7,527,467	7,930,375	7,878,400	7,107,116	7,134,010
Grants and contributions not restricted to specific programs	1,369,042	1,304,880	1,315,223	2,346,524	1,829,299
Investment income	455,234	-	-	-	-
Other general revenues	267,849	564,798	982,343	2,701,560	1,499,878
Transfers	-	-	-	-	-
Settlement (Note 14)	-	-	-	-	-
Total governmental activities	<u>27,832,844</u>	<u>28,330,436</u>	<u>30,424,885</u>	<u>33,928,814</u>	<u>32,770,614</u>
Business-type activities:					
Investment income	-	-	-	-	-
Other general revenues	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Transfers	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>27,832,844</u>	<u>28,330,436</u>	<u>30,424,885</u>	<u>33,928,814</u>	<u>32,770,614</u>
Changes in net position					
Governmental activities:	5,886,150	6,458,104	(1,032,711)	3,787,973	(35,580)
Business-type activities:	-	-	-	-	-
Total primary government	<u>\$ 5,886,150</u>	<u>\$ 6,458,104</u>	<u>\$ (1,032,711)</u>	<u>\$ 3,787,973</u>	<u>\$ (35,580)</u>

¹ Transit operations were transferred to special revenue funds in fiscal year 2005.

² The Parking Fund was combined with the General Fund in fiscal year 2006.

CITY OF HERMOSA BEACH
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting) (Continued)

	Fiscal Year				
	2021	2022	2023	2024	2025
Expenses:					
Governmental activities:					
Legislative and legal	\$ 1,868,411	\$ 1,541,621	\$ 1,450,333	\$ 1,828,651	\$ 1,975,949
General government	6,183,616	5,787,890	5,522,123	7,293,441	8,259,843
Public safety	26,942,447	26,720,959	24,019,361	29,781,399	29,528,050
Community development	2,725,596	2,364,948	1,962,635	2,655,249	2,717,060
Culture and recreation	1,571,300	2,476,406	1,878,360	2,485,981	2,831,827
Public works	7,272,166	8,721,736	9,693,424	11,018,772	15,992,436
Interest and fiscal charges	400,465	149,145	257,618	124,125	92,301
Total governmental activities expenses	<u>46,964,001</u>	<u>47,762,705</u>	<u>44,783,854</u>	<u>55,187,618</u>	<u>61,397,466</u>
Business-type activities:					
Downtown Enhancement	-	-	-	-	-
Parking					
Proposition "A" Transit					
Proposition "C" Transit					
Total business-type activities expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government expenses	<u>46,964,001</u>	<u>47,762,705</u>	<u>44,783,854</u>	<u>55,187,618</u>	<u>61,397,466</u>
Program revenues:					
Governmental activities:					
Charges for services:					
General government	650,066	1,039,464	475,489	1,184,159	1,413,053
Public safety	4,602,983	4,464,241	4,664,069	6,175,263	6,286,249
Community development	1,494,412	1,634,826	2,210,691	1,512,639	1,623,490
Culture and recreation	849,247	1,045,006	1,022,525	1,064,165	1,063,840
Public works	1,578,604	1,417,059	1,597,076	1,584,914	1,597,155
Operating grants and contributions	2,640,033	4,964,468	7,956,332	4,096,793	5,912,765
Capital grants and contributions	45,817	60,645	(47,367)	2,824,689	1,620,660
Total governmental activities program revenues:	<u>11,861,162</u>	<u>14,625,709</u>	<u>17,878,815</u>	<u>18,442,622</u>	<u>19,517,212</u>
Business-type activities:					
Charges for services:					
Downtown Enhancement	-	-	-	-	-
Parking	-	-	-	-	-
Proposition A Transit	-	-	-	-	-
Proposition C Transit	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government program revenues:	<u>11,861,162</u>	<u>14,625,709</u>	<u>17,878,815</u>	<u>18,442,622</u>	<u>19,517,212</u>

¹ Transit operations were transferred to special revenue funds in fiscal year 2005.

² The Parking Fund was combined with the General Fund in fiscal year 2006.

CITY OF HERMOSA BEACH
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting) (Continued)

	Fiscal Year				
	2021	2022	2023	2024	2025
Net revenues (expenses):					
Governmental activities	(35,102,839)	(33,136,996)	(26,905,039)	(36,744,996)	(41,880,254)
Business-type activities	-	-	-	-	-
Total net revenues (expenses)	<u>(35,102,839)</u>	<u>(33,136,996)</u>	<u>(26,905,039)</u>	<u>(36,744,996)</u>	<u>(41,880,254)</u>
General revenues and other changes in net position:					
Governmental activities:					
Taxes:					
Property taxes	20,966,460	21,886,313	23,145,983	24,975,484	26,327,991
Sales tax	3,192,853	3,848,960	3,621,875	3,772,564	3,493,656
Other taxes	7,233,903	9,991,454	10,592,183	9,791,653	9,910,707
Grants and contributions not restricted to specific programs	2,490,562	2,212,461	2,200,305	2,716,844	2,501,482
Investment income	-	-	-	-	-
Other general revenues	745,148	1,331,049	1,828,531	2,876,823	4,096,277
Transfers	-	-	-	-	-
Settlement (Note 14)	-	-	-	-	-
Total governmental activities	<u>34,628,926</u>	<u>39,270,237</u>	<u>41,388,877</u>	<u>44,133,368</u>	<u>46,330,113</u>
Business-type activities:					
Investment income	-	-	-	-	-
Other general revenues	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Transfers	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>34,628,926</u>	<u>39,270,237</u>	<u>41,388,877</u>	<u>44,133,368</u>	<u>46,330,113</u>
Changes in net position					
Governmental activities:	(473,913)	6,133,241	14,483,838	7,388,372	4,449,859
Business-type activities:	-	-	-	-	-
Total primary government	<u>\$ (473,913)</u>	<u>\$ 6,133,241</u>	<u>\$ 14,483,838</u>	<u>\$ 7,388,372</u>	<u>\$ 4,449,859</u>

¹ Transit operations were transferred to special revenue funds in fiscal year 2005.

² The Parking Fund was combined with the General Fund in fiscal year 2006.

CITY OF HERMOSA BEACH
Governmental Activities Tax Revenues By Source
Last Ten Years
(accrual basis of accounting)

Fiscal year ended June 30	Property tax	Sales tax	Real property transfer tax	Franchise fees	1/2 cent sales tax extension for public safety	Transient occupancy tax	Utility user's tax	Business license	Total
2016	15,317,458	2,895,795	320,731	776,316	212,511	2,762,444	2,388,825	1,058,663	25,732,743
2017	15,714,094	2,886,298	345,603	720,338	218,092	3,237,026	2,302,024	1,098,421	26,521,896
2018	17,097,712	3,151,207	326,224	722,316	233,291	3,295,207	2,229,906	1,061,130	28,116,993
2019	18,640,303	3,133,311	272,138	720,853	244,252	3,251,349	2,195,815	1,107,723	29,565,744
2020	19,584,959	2,722,468	313,331	717,191	239,965	2,599,810	2,093,903	1,162,017	29,433,644
2021	20,966,460	3,192,853	453,596	721,090	261,051	2,552,964	2,171,538	1,065,762	31,385,314
2022	21,886,313	3,848,960	685,820	757,448	299,037	4,730,760	2,369,269	1,149,120	35,726,727
2023	23,145,983	3,621,875	338,528	823,981	294,525	5,151,136	2,761,918	1,222,095	37,360,041
2024	24,975,484	3,772,564	319,702	927,439	290,699	4,942,254	2,041,200	1,270,359	38,539,701
2025	26,327,991	3,493,656	392,143	1,035,378	285,766	4,759,609	2,151,044	1,286,767	39,732,354

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CITY OF HERMOSA BEACH
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2016	2017	2018	2019	2020
General Fund:					
Reserved					
Unreserved					
Non-spendable	\$ 21,261	\$ 66,700	\$ 478,479	\$ -	\$ -
Restricted	329,890	158,149	170,336	-	-
Committed	28,900	1,115,600	1,144,500	-	-
Assigned	8,529,250	8,322,103	7,781,460	-	-
Unassigned	-	-	-	10,514,092	13,122,873
Total general fund	<u>\$ 8,909,301</u>	<u>\$ 9,662,552</u>	<u>\$ 9,574,775</u>	<u>\$ 10,514,092</u>	<u>\$ 13,122,873</u>
All other governmental funds:					
Reserved					
Unreserved, reported in:					
Special revenue funds					
Non-spendable	\$ 5,835	\$ 7,083	\$ 9,280	\$ 2,310	\$ -
Restricted	3,430,617	5,102,759	7,677,889	5,561,493	6,399,757
Committed	1,305,276	879,008	1,144,884	1,024,954	1,405,179
Assigned	11,348,565	12,706,958	13,068,691	16,241,139	5,327,702
Unassigned	(24,138)	-	-	(111)	9,446,109
Total all other governmental funds	<u>\$ 16,066,155</u>	<u>\$ 18,695,808</u>	<u>\$ 21,900,744</u>	<u>\$ 22,829,785</u>	<u>\$ 22,578,747</u>
Total governmental funds	<u>\$ 24,975,456</u>	<u>\$ 28,358,360</u>	<u>\$ 31,475,519</u>	<u>\$ 33,343,877</u>	<u>\$ 35,701,620</u>

Note: GASB 54 was implemented in year ended June 30, 2011; prior years have no comparable data.

CITY OF HERMOSA BEACH
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting) (Continued)

	Fiscal Year				
	2021	2022	2023	2024	2025
General Fund:					
Reserved					
Unreserved					
Non-spendable	\$ 560,718	\$ 15,408	\$ 622,095	\$ 954,276	\$ 1,102,047
Restricted	437,326	454,115	513,248	567,910	1,730,045
Committed	1,995,135	2,255,235	2,255,235	2,255,235	1,233,660
Assigned	10,669,958	13,879,982	13,059,368	13,272,035	13,283,523
Unassigned	5,834,252	4,046,666	2,700,989	-	2,944,264
Total general fund	<u>\$ 19,497,389</u>	<u>\$ 20,651,406</u>	<u>\$ 19,150,935</u>	<u>\$ 17,049,456</u>	<u>\$ 20,293,539</u>
All other governmental funds:					
Reserved					
Unreserved, reported in:					
Special revenue funds					
Non-spendable	\$ 15,179	\$ -	\$ 18,325	\$ 19,176	\$ 14,692
Restricted	9,989,766	12,260,261	14,971,332	13,725,977	10,337,903
Committed	2,592,712	2,741,002	2,852,821	3,279,269	3,098,201
Assigned	10,646,352	9,412,839	12,331,476	16,426,314	13,089,113
Unassigned	(827,043)	(1,059,597)	(2,138,529)	(1,052,257)	(1,331,160)
Total all other governmental funds	<u>\$ 22,416,966</u>	<u>\$ 23,354,505</u>	<u>\$ 28,035,425</u>	<u>\$ 32,398,479</u>	<u>\$ 25,208,749</u>
Total governmental funds	<u>\$ 41,914,355</u>	<u>\$ 44,005,911</u>	<u>\$ 47,186,360</u>	<u>\$ 49,447,935</u>	<u>\$ 45,502,288</u>

Note: GASB 54 was implemented in year ended June 30, 2011; prior years have no comparable data.

CITY OF HERMOSA BEACH
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2016	2017	2018	2019	2020
Revenues:					
Property taxes	\$ 15,113,479	\$ 16,209,008	\$ 17,530,492	\$ 18,565,796	\$ 19,573,354
Other taxes	11,302,910	11,821,528	12,248,900	12,306,567	11,188,808
Licenses and permits	1,111,366	967,956	1,055,631	850,059	729,622
Fines and forfeitures	2,412,554	2,122,335	2,809,367	2,373,432	2,237,802
Use of money and property	965,738	1,047,084	1,340,018	1,952,941	1,069,049
Intergovernmental	949,255	1,031,191	358,523	1,062,434	1,333,882
Charges for services	8,130,681	8,412,322	9,259,210	8,303,529	7,346,217
Miscellaneous	679,937	540,021	249,152	634,114	673,546
Interest earned on investments	445,260	6,175	152,359	1,380,012	1,173,125
Total revenues	<u>41,111,180</u>	<u>42,157,620</u>	<u>45,003,652</u>	<u>47,428,884</u>	<u>45,325,405</u>
Expenditures					
Current:					
Legislative and legal	1,958,940	1,448,509	1,313,261	1,499,065	1,300,018
General government	3,458,191	3,722,659	3,751,020	4,274,743	4,850,826
Public safety	21,272,474	21,392,637	21,468,409	22,087,381	21,604,659
Community development	1,806,130	1,869,018	2,034,235	2,063,502	2,601,067
Culture and recreation	1,291,808	1,395,915	1,446,996	1,600,519	1,587,893
Public works	6,622,698	6,106,648	6,343,525	6,756,773	6,685,858
Capital outlay	2,953,123	1,644,253	2,164,817	6,058,710	4,863,984
Debt service:					
Principal	-	335,000	434,992	460,000	480,000
Interest	233,425	375,332	355,738	332,497	310,107
Total expenditures	<u>39,363,364</u>	<u>38,289,971</u>	<u>39,312,993</u>	<u>45,133,190</u>	<u>44,284,412</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,747,816</u>	<u>3,867,649</u>	<u>5,690,659</u>	<u>2,295,694</u>	<u>1,040,993</u>
Other financing sources (uses)					
Proceeds from sale of assets	11,799,905	-	-	-	-
Transfers in	5,733,408	1,942,014	1,271,842	4,155,801	3,930,602
Transfers out	(16,392,700)	(2,356,750)	(3,915,326)	(4,583,137)	(2,613,852)
Proceeds from Subscriptions	-	-	-	-	-
Total other financing sources (uses)	<u>1,140,613</u>	<u>(414,736)</u>	<u>(2,643,484)</u>	<u>(427,336)</u>	<u>1,316,750</u>
Net change in fund balances	<u>\$ 2,888,429</u>	<u>\$ 3,452,913</u>	<u>\$ 3,047,175</u>	<u>\$ 1,868,358</u>	<u>\$ 2,357,743</u>
Debt service as a percentage of noncapital expenditures					
	0.6%	2.0%	2.2%	2.1%	2.1%

CITY OF HERMOSA BEACH
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting) (Continued)

	Fiscal Year				
	2021	2022	2023	2024	2025
Revenues:					
Property taxes	\$ 20,968,403	\$ 21,922,948	\$ 23,174,289	\$ 24,973,329	\$ 26,012,429
Other taxes	11,972,339	15,687,716	16,595,064	16,181,568	15,996,861
Licenses and permits	904,362	867,849	1,049,519	870,207	1,063,710
Fines and forfeitures	2,133,603	1,643,056	1,436,162	1,449,099	1,654,549
Use of money and property	1,542,571	1,461,133	1,951,194	1,218,084	1,830,293
Intergovernmental	1,324,163	3,427,949	3,877,989	3,648,226	2,037,303
Charges for services	7,543,716	8,585,682	8,920,954	11,501,579	11,296,246
Miscellaneous	196,138	850,282	637,368	887,555	1,288,596
Interest earned on investments	10,289	(1,015,424)	(211,644)	2,512,545	3,525,131
Total revenues	<u>46,595,584</u>	<u>53,431,191</u>	<u>57,430,895</u>	<u>63,242,192</u>	<u>64,705,118</u>
Expenditures					
Current:					
Legislative and legal	1,474,436	1,329,719	1,538,192	1,536,996	1,792,165
General government	4,882,989	5,251,041	5,856,643	6,299,059	7,418,680
Public safety	22,155,535	24,971,084	25,474,408	27,020,271	28,124,014
Community development	2,177,790	2,146,386	2,081,527	2,329,128	2,425,164
Culture and recreation	1,338,693	1,913,671	1,992,148	2,233,376	2,553,684
Public works	6,581,335	7,945,832	9,070,353	10,468,773	14,486,027
Capital outlay	853,530	4,671,131	5,433,171	6,625,573	10,393,023
Debt service:					
Principal	491,542	395,000	430,839	462,144	460,615
Interest	229,987	309,638	304,178	285,519	267,624
Total expenditures	<u>40,185,837</u>	<u>48,933,502</u>	<u>52,181,459</u>	<u>57,260,839</u>	<u>67,920,996</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,409,747</u>	<u>4,497,689</u>	<u>5,249,436</u>	<u>5,981,353</u>	<u>(3,215,878)</u>
Other financing sources (uses)					
Proceeds from sale of assets	-	-	-	-	-
Transfers in	4,504,242	6,933,843	7,278,839	7,499,745	1,545,195
Transfers out	(4,504,242)	(9,339,976)	(9,412,204)	(11,248,348)	(2,274,964)
Proceeds from Subscriptions	-	-	64,378	28,825	-
Total other financing sources (uses)	<u>-</u>	<u>(2,406,133)</u>	<u>(2,068,987)</u>	<u>(3,719,778)</u>	<u>(729,769)</u>
Net change in fund balances	<u>\$ 6,409,747</u>	<u>\$ 2,091,556</u>	<u>\$ 3,180,449</u>	<u>\$ 2,261,575</u>	<u>\$ (3,945,647)</u>
Debt service as a percentage of noncapital expenditures					
	1.9%	1.4%	1.6%	1.5%	1.3%

CITY OF HERMOSA BEACH
General Government Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal year ended June 30	Property tax	Sales tax	Real property transfer tax	Franchise fees	Transient occupancy tax	Utility user's tax	Other	Total
2016	15,113,479	2,895,794	320,731	776,316	2,762,444	2,388,824	2,290,061	26,547,649
2017	16,209,008	2,886,298	345,603	720,338	3,237,026	2,302,024	2,330,238	28,030,538
2018	17,530,492	3,151,207	326,224	722,316	3,295,207	2,229,906	2,524,040	29,779,392
2019	18,565,796	3,133,311	272,138	720,853	3,251,349	1,495,815	3,433,101	30,872,363
2020	19,573,354	2,722,468	313,331	717,191	2,599,810	2,093,903	2,742,105	30,762,162
2021	20,968,403	3,192,853	453,596	721,090	2,552,964	2,171,538	3,580,298	33,640,742
2022	21,922,948	3,848,960	685,820	757,448	4,730,760	2,369,269	3,332,094	37,647,299
2023	23,174,289	3,621,875	338,528	823,981	5,151,136	2,761,918	3,897,626	39,769,353
2024	24,973,329	3,772,564	319,702	927,439	4,942,254	2,741,200	3,478,409	41,154,897
2025	26,012,429	3,493,656	392,143	1,035,378	4,759,609	2,851,044	3,465,031	42,009,290

CITY OF HERMOSA BEACH
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(In Thousands)

Fiscal year ended June 30	Residential property	Commercial property	Industrial property	Other	Less exemptions	Total taxable assessed value	Total direct tax rate	Estimated actual taxable value	Percentage increase
2016	5,522,546	484,979	13,186	111,635	(43,260)	6,089,089	1.00	6,045,828	6.62%
2017	5,994,296	508,160	13,921	120,700	(43,295)	6,593,784	1.00	6,550,489	8.29%
2018	6,432,195	532,168	14,242	145,238	(41,125)	7,082,716	1.00	7,041,591	7.42%
2019	6,837,257	566,389	15,437	162,374	(41,043)	7,540,415	1.00	7,499,372	6.46%
2020	7,218,636	599,922	16,254	181,411	(26,930)	7,989,293	1.00	7,962,363	5.95%
2021	7,682,189	624,581	17,697	149,144	(34,812)	8,459,799	1.00	8,424,987	5.89%
2022	7,995,527	658,655	16,545	197,187	(31,914)	8,836,000	1.00	8,804,087	4.45%
2023	8,501,986	686,782	16,876	207,849	(33,766)	9,379,727	1.00	9,345,962	6.15%
2024	9,180,945	758,520	17,214	238,817	(29,748)	10,174,748	1.00	10,145,000	8.48%
2025	9,637,781	821,050	20,400	226,765	(32,710)	10,673,285	1.00	10,640,575	4.90%

NOTE:

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

Source: Los Angeles County Auditor-Controller

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

CITY OF HERMOSA BEACH
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$100 of assessed value)

Fiscal Year	City direct rate	Overlapping rates					Total
	Basic rate *	Hermosa Beach School District	El Camino Community College District	Los Angeles County	Flood Control District	Metropolitan Water District	
2016	1.000000	0.015746	0.017447	-	-	0.003500	1.036693
2017	1.000000	0.014928	0.022942	-	-	0.003500	1.041370
2018	1.000000	0.040245	0.021199	-	-	0.003500	1.064944
2019	1.000000	0.025942	0.022229	-	-	0.003500	1.051671
2020	1.000000	0.039696	0.021555	-	-	0.003500	1.064751
2021	1.000000	0.039111	0.023624	-	-	0.003500	1.066235
2022	1.000000	0.035275	0.022639	-	-	0.003500	1.061414
2023	1.000000	0.034923	0.022989	-	-	0.003500	1.061412
2024	1.000000	0.034953	0.021160	-	-	0.003500	1.059613
2025	1.000000	0.033242	0.021012	-	-	0.007000	1.061254

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

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

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

Source: Los Angeles County Auditor-Controller

CITY OF HERMOSA BEACH
Principal Property Tax Payers
Current Year and Ten Years ago

Taxpayer	2025	
	Taxable assessed value	Percent of total city taxable assessed value
415 Herondo Street Ground Owner LP (1)	\$ 169,303,792	1.59%
414 2nd Street Ground Owner LP (1)	117,362,138	1.10%
Manhattan Avenue Properties LLC (5)	39,238,307	0.37%
Park Pacific Realty Partners LP (3)	37,397,219	0.35%
Hermosa Pier and Strand LLC (7)	31,803,402	0.30%
South Bay LLC (7)	29,474,223	0.28%
1601 PCH LP (1)	28,837,704	0.27%
Sailfish Holdings LLC (3)	22,887,833	0.21%
Skechers USA Inc (1)	22,094,434	0.21%
Hermosa Hotel Investments LLC (1)	20,843,328	0.20%
	<u>\$ 519,242,380</u>	<u>4.86%</u>

Taxpayer	2016	
	Taxable assessed value	Percent of total city taxable assessed value
Crico of Fountain Place LP (1)	\$ 78,024,766	1.28%
EQR Gallery Apartments LPp (1)	69,853,155	1.15%
1601 PCH LP (1)	24,518,113	0.40%
Strand and Pier Hermosa Parent LLC (4)	20,019,902	0.33%
Hermosa Hotel Investments LLC (1)	17,259,731	0.28%
Sepulveda Blvd Properties LLC (6)	16,962,712	0.28%
South Bay III LLC (1)	16,218,688	0.27%
Reg8 Plaza Hermosa LLC (7)	15,326,982	0.25%
Johnny and Elizabeth Lopez Trust (1)	15,095,704	0.25%
IWF Hotel Hermosa LP (1)	15,063,966	0.25%
	<u>\$ 288,343,719</u>	<u>4.74%</u>

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

CITY OF HERMOSA BEACH
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal year ended June 30	Taxes levied for the fiscal year	Collected within the fiscal year of levy		Collections in subsequent years	Total collections to date	
		Amount	Percent of levy		Amount	Percent of levy
2016	12,879,664	12,577,259	97.65%		12,577,259	97.65%
2017	13,875,400	13,547,393	97.64%		13,547,393	97.64%
2018	14,957,019	14,575,846	97.45%		14,575,846	97.45%
2019	15,894,003	15,455,825	97.24%		15,455,825	97.24%
2020	16,884,378	16,257,197	96.29%		16,257,197	96.29%
2021	17,849,937	17,293,022	96.88%		17,293,022	96.88%
2022	18,585,314	18,052,702	97.13%		18,052,702	97.13%
2023	19,634,765	19,105,717	97.31%		19,105,717	97.31%
2024	21,450,615	20,796,127	96.95%		20,796,127	96.95%
2025	22,510,277	21,645,101	96.16%		21,645,101	96.16%

Source: Los Angeles County Auditor-Controller

CITY OF HERMOSA BEACH
Construction Value and Property Value
Last Ten Fiscal Years

Fiscal year ended June 30	Residential		Commercial		Total assessed value
	Number of permits	Valuation	Number of permits	Valuation	
2016	554	44,224,105	68	9,283,387	6,089,089,031
2017	448	37,467,738	40	4,791,924	6,593,783,921
2018	475	30,748,372	44	6,234,344	7,082,716,558
2019	422	40,170,245	38	2,785,223	7,540,414,646
2020	388	31,076,905	43	4,961,480	7,989,293,188
2021	806	24,132,281	63	27,325,785	8,459,798,643
2022	384	37,378,630	30	6,463,748	8,836,000,467
2023	538	40,525,944	58	35,274,799	9,379,727,251
2024	564	38,975,840	58	4,823,196	10,174,748,050
2025	572	44,935,145	59	4,847,187	10,174,748,050

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

CITY OF HERMOSA BEACH
Direct and Overlapping Debt
June 30, 2025

City assessed valuation	\$ 10,673,285,822	
Redevelopment agency incremental valuation	-	
Total assessed valuation	<u>\$ 10,673,285,822</u>	
	<u>Percentage applicable</u>	<u>Outstanding debt 6/30/25</u>
		<u>Estimated share of overlapping debt</u>
Overlapping debt repaid with property taxes:		
West Basin Water District debt service	0.262%	17,155,000
Hermosa Beach School District debt service	100.000%	56,706,348
El Camino Community College District debt service	6.753%	480,045,366
Total overlapping debt repaid with property taxes		<u>\$ 553,906,714</u>
City direct debt:		
2015 Lease Revenue Bonds (including premiums)		\$ 7,397,638
Subscription Agreements		327,425
Total City direct debt		7,725,063
Total direct and overlapping debt		<u>\$ 96,893,821</u>
Direct Debt	0.072%	
Overlapping Debt	0.835%	
Total Debt	0.908%	

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

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

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CITY OF HERMOSA BEACH
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year				
	2016	2017	2018	2019	2020
Assessed valuation	\$ 6,089,089,031	\$ 6,593,783,921	\$ 7,082,716,558	\$ 7,540,414,646	\$ 7,989,293,188
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	\$ 1,522,272,258	\$ 1,648,445,980	\$ 1,770,679,140	\$ 1,885,103,662	\$ 1,997,323,297
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	\$ 228,340,839	\$ 247,266,897	\$ 265,601,871	\$ 282,765,549	\$ 299,598,495
Total net debt applicable to limit	\$ 11,500,000	\$ 11,265,000	\$ 10,830,000	\$ 10,370,000	\$ 9,890,000
Legal debt margin	\$ 239,840,839	\$ 236,001,897	\$ 254,771,871	\$ 272,395,549	\$ 289,708,495
Total debt applicable to the limit as a percentage of debt limit	5.3%	4.7%	4.3%	3.8%	3.4%

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

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

**CITY OF HERMOSA BEACH
Legal Debt Margin Information
Last Ten Fiscal Years (Continued)**

	Fiscal Year				
	2021	2022	2023	2024	2025
Assessed valuation	\$ 8,459,798,643	\$ 8,836,000,467	\$ 9,379,727,251	\$ 10,174,748,050	\$ 10,673,285,822
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	\$ 2,114,949,661	\$ 2,209,000,117	\$ 2,344,931,813	\$ 2,543,687,013	\$ 2,668,321,456
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	\$ 317,242,449	\$ 331,350,018	\$ 351,739,772	\$ 381,553,052	\$ 400,248,218
Total net debt applicable to limit	\$ 8,150,000	\$ 7,755,000	\$ 7,340,000	\$ 6,905,000	\$ 6,455,000
Legal debt margin	\$ 309,092,449	\$ 323,595,018	\$ 344,399,772	\$ 374,648,052	\$ 393,793,218
Total debt applicable to the limit as a percentage of debt limit	2.6%	2.4%	2.1%	1.8%	1.6%

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

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

CITY OF HERMOSA BEACH
Ratios of Outstanding Debt by Type
Last Ten Calendar Years

Fiscal Year Ended June 30	Governmental Activities			Total Primary Government	Percentage of Personal Income ¹	Per Capita Debt ²
	Lease Revenue Bonds	Subscription Liabilities	Total Government Activities			
2016	\$ 11,464,040	\$ -	\$ 11,464,040	\$ 11,464,040	0.97%	579
2017	\$ 11,008,280	\$ -	\$ 11,008,280	\$ 11,008,280	1.01%	561
2018	\$ 10,537,892	\$ -	\$ 10,537,892	\$ 10,537,892	1.15%	536
2019	\$ 10,047,508	\$ -	\$ 10,047,508	\$ 10,047,508	1.24%	506
2020	\$ 9,537,124	\$ -	\$ 9,537,124	\$ 9,537,124	1.43%	486
2021	\$ 9,721,058	\$ -	\$ 9,721,058	\$ 9,721,058	1.47%	500
2022	\$ 9,168,953	\$ -	\$ 9,168,953	\$ 9,168,953	1.57%	478
2023	\$ 8,596,848	\$ 91,969	\$ 8,688,817	\$ 8,688,817	1.72%	452
2024	\$ 8,004,743	\$ 21,395	\$ 8,026,138	\$ 8,026,138	1.38%	420
2025	\$ 7,397,638	\$ 327,425	\$ 7,725,063	\$ 7,725,063	2.15%	406

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements

¹ This ratio is calculated using the median household income for the prior calendar year.

² This ratio is calculated using the population total as of January 1 of the calendar year.

CITY OF HERMOSA BEACH
Ratios of General Bonded Debt Outstanding
Last Ten Calendar Years
(In thousands, except per capita)

Outstanding General Bonded Debt

Fiscal Year Ended June 30	Lease Revenue Bonds	Total	Percent Assessed Value¹	Per Capita
2016	\$ 11,464,040	\$ 11,464,040	0.17%	579
2017	\$ 11,008,280	\$ 11,008,280	0.16%	561
2018	\$ 10,537,892	\$ 10,537,892	0.14%	536
2019	\$ 10,047,508	\$ 10,047,508	0.13%	506
2020	\$ 9,537,124	\$ 9,537,124	0.11%	486
2021	\$ 9,721,058	\$ 9,721,058	0.11%	500
2022	\$ 9,168,953	\$ 9,168,953	0.10%	478
2023	\$ 8,596,848	\$ 8,596,848	0.08%	452
2024	\$ 8,004,743	\$ 8,004,743	0.07%	419
2025	\$ 7,397,638	\$ 7,397,638	0.07%	389

Note: General bonded is debt payable with government fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

¹ Assessed value has been used because actual value of taxable property is not readily available in the State of California.

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CITY OF HERMOSA BEACH
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal income (in thousands) (2)	Per capita personal income (2)	City per capita personal income (3)	Unemployment rate (4)	School enrollment (5)
2016	19,801	544,324,900	53,521	-	2.2%	1,765
2017	19,616	563,907,868	55,624	-	1.9%	1,672
2018	19,673	593,741,110	58,419	-	2.2%	1,576
2019	19,847	628,808,732	62,224	-	2.2%	1,568
2020	19,614	653,482,910	65,094	-	10.2%	1,593
2021	19,451	678,829,092	68,272	-	7.0%	1,414
2022	19,171	728,772,915	74,141	-	3.2%	1,432
2023	19,018	720,740,528	74,142	-	3.2%	1,513
2024	19,088	756,659,481	78,302	-	3.6%	1,578
2025	19,014	818,509,319	83,888	-	4.7%	1,655

Source:

- (1) State of California Department of Finance.
- (2) U.S. Department of Commerce, Bureau of Economic Analysis (data shown is for Los Angeles County), which was last updated in 2023.
- (3) Personal Income figures for 2008 are from the Internal Revenue Service individual income tax statistics by zip code and for Internal Revenue Service figures are not an ongoing statistical project therefore all years are not available. Census information is available every 10 years, however 2010 information is not yet available.
- (4) State of California Employment Development Department.
- (5) State of California Department of Education.

CITY OF HERMOSA BEACH
Principal Employers
Current Year and Ten Years Ago

Employer	2025	
	Number of employees	Percent of total employment
City of Hermosa Beach	183	4.30%
Hermosa Beach City School District	161	3.78%
Killian Communications	126	2.96%
Lazy Acres	120	2.82%
Von's	112	2.63%
Trader Joe's	110	2.58%
Sunrise Assisted Living	81	1.90%
Hennessey's Tavern	69	1.62%
Marlin Equity Partners	69	1.62%
Hammitt Los Angeles	61	1.43%

Employer	2016	
	Number of employees	Percent of total employment
City of Hermosa Beach	189	4.75%
24 Hour Fitness	182	4.57%
Von's	115	2.89%
Sangira / American Junkie	94	2.36%
Hermosa Beach City School District	89	2.24%
Hennessey's Tavern	85	2.13%
Intensive Behavior Intervention Consultants LLC	81	2.03%
Firststeps for Kids, Inc.	78	1.96%
HYFN	64	1.61%
Patrick Molloy's	55	1.38%

Source: City of Hermosa Beach Administrative Services Department

CITY OF HERMOSA BEACH
Full-time and Part-time City Employees by Function
Last Ten Fiscal Years

<u>Function</u>	Full-time employees as of June 30									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government	20	21	21	20	20	20	21	24	26	27
Public safety	82	76	63 ¹	64 ¹	65 ¹	71 ¹	57 ¹	61 ¹	62 ¹	65 ¹
Community development	10	11	12	11	12	12	10	12	13	12
Culture and recreation	4	4	4	4	4	4	3	6	6	8
Public works	23	23	21	20	22	22	26	27	34	32
Total	139	135	121	119	123	129	117	130	141	144

<u>Function</u>	Part-time employees as of June 30									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government	6	4	5	10	5	9	11	3	3	5
Public safety	14	5	3 ¹	3 ¹	2 ¹	1 ¹	2 ¹	6 ¹	3 ¹	4 ¹
Community development	2	3	2	4	3	2	1	-	-	-
Culture and recreation	27	29	25	40	9	23	22	24	27	28
Public works	1	3	2	3	3	5	3	5	3	2
Total	50	44	37	60	22	40	39	38	36	39

Source: City of Hermosa Beach Finance Department

¹Beginning 12/30/17, Fire Services are now provided by Los Angeles Co. Fire Department.

CITY OF HERMOSA BEACH
Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Public safety										
Police:										
Physical arrests	739	615	589	536	389	492	1,029	1,223	996	955
Traffic citations issued	1,966	1,826	1,408	1,154	498	629	1,838	1,843	2,287	2,880
Parking citations issued	62,957	56,398	57,206	66,029	66,029	59,861	44,907	46,526	43,307	47,894
Fire:										
Number of emergency calls ¹	2,678	2,427	1,965	1,549	2,344	2,506	2,578	1,991	1,962	1,553
Inspections ²	540	611	227	-	-	-	-	-	-	-
Community development:										
Building permits issued	622	488	519	460	431	977 ³	414 ³	596 ³	622 ³	631 ³
Culture and recreation:										
Number of recreation classes	526	498	617	422	431	598	662	702	636	415
Total enrollment	4,947	4,817	5,271	5,109	3,050	3,530	5,564	5,521	5,341 ⁵	5,537
Public works:										
Graffiti removal	200	112	201 ⁴	148 ⁴	49 ⁴	36 ⁴	19 ⁴	17 ⁴	35 ⁴	21 ⁴
Permits issued	1,406	1,496	1,617	1,615	2,717	3,482	4,971	2,342	809	801

Source: Various city departments.

Note:

¹ Beginning 12/30/17, Fire Services are now provided by Los Angeles Co. Fire Department

² Fire Department Inspections were done by the City from 7/1/17 through 12/29/17. As of 12/30/17, these inspections are no longer provided by the City.

³ A new software program was added to issue permits in the 2020-21 fiscal year. The software does not break down by type of permit issued at this time.

⁴ Beginning in 2017-18, Graffiti removal reflects the number of services calls due to a change in reporting software. All prior fiscal years reflect graffiti removal hours.

⁵ The total for FY24 has been corrected. The original total listed (10,511) was incorrect due to a software issue.

CITY OF HERMOSA BEACH
Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Public safety										
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Parking meters	1,553	1,557	1,558	1,558	1,558	1,558	1,570	1,599	1,599	1,595
Fire:										
Fire stations	1	1	1	1	1	1	1	1	1	1
Culture and recreation										
Community centers	1	1	1	1	1	1	1	1	1	1
Community theatres	1	1	1	1	1	1	1	1	1	1
Public works:										
Beach (acres)	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5
Greenbelt (acres)	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5
Parks	20	20	20	20	20	20	20	20	20	20
Parks (acres)	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7
Sanitary sewers (miles)	40	40	40	40	40	37	37	37	37	37
Streets (miles)	40	40	40	40	40	40	40	40	40	40
Streetlights	400	400	400	400	400	400	400	400	400	400
Storm drains (miles)	2	2	2	2	2	2	2	2	2	2
Traffic Signals	19	19	19	19	19	19	19	19	19	19
Infiltration (miles) ¹	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2

Source: City of Hermosa Beach Finance Department

¹This is a system for monitoring the water quality before it reached the Pacific Ocean. The project was funded by a Federal ARRA Grant passed through the California State Water Control Board. Grant approval required the submission on an ongoing monitoring plan that was accepted by the grantor. The project received an award from the American Public Works Association in 2010.

OTHER REPORTS

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Honorable Mayor and City Council
City of Hermosa Beach
Hermosa Beach, California

**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**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hermosa Beach, California as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise City of Hermosa Beach's basic financial statements, and have issued our report thereon dated March 31, 2026.

Internal Control Over Financial Reporting

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

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

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

Honorable Mayor and City Council
City of Hermosa Beach
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Compliance and Other Matters

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

Purpose of this Report

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

Gruber and Lopez, Inc.

Gruber and Lopez, Inc.

Newport Beach, California
March 31, 2026