

City of El Segundo
Comprehensive Annual Financial Report

YEAR ENDED ● September 30, 2008

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CITY OF EL SEGUNDO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2008



Prepared by the Finance Department
Deborah Cullen, Director of Finance

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CITY OF EL SEGUNDO
COMPREHENSIVE ANNUAL FINANCIAL REPORT

September 30, 2008

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INTRODUCTORY SECTION

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City of El Segundo

May 1, 2009

Honorable Mayor, Members of the City Council and Citizens of El Segundo:

It is a pleasure to present the City of El Segundo's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2008. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including disclosures, rests with the City. We believe that the data, as presented, is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City in accordance with Generally Accepted Accounting Principles (GAAP). All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Under the Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, GAAP requires the City's management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A), which precedes the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

Description of Reporting Entity

The City of El Segundo provides a full range of municipal services, including police and fire protection; highway, street and infrastructure maintenance and construction; water and sewer operations; library services; planning, zoning and code enforcement; recreational and cultural activities; and general administration.

This report includes all funds of the City of El Segundo and those component units controlled by and dependent on the City. Accordingly, this report incorporates financial data for the Park Vista Senior Housing Corporation.

The City's financial statements have been audited by Mayer Hoffman McCann P.C., Certified Public Accountants. The purpose of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2008, are free of material misstatements. The independent audit involves

examining, on a test basis, evidence supporting the amounts and disclosures made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

In addition to the financial audit, the City is required to undergo an annual single audit in accordance with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. The information related to the single audit, including the schedule of expenditures of federal awards, schedule of findings and questioned costs, and auditor's reports on internal control and compliance, is not included with this report and is issued as a separate document.

Local Background

The City of El Segundo is located 14 miles southwest of downtown Los Angeles, adjacent to the City of Los Angeles International Airport. The City was incorporated January 18, 1917, as a general law city, with the Standard Oil Company of California refinery as the major industrial taxpayer and employer. The substantial petroleum base of the local economy remains evident, although the defense industry emerged as a major segment during World War II. Aerospace experienced rapid growth during the early 1980's and accounted for a significant share of El Segundo's industrial growth during those years. A downturn in the aerospace/defense industry began in the late 1980's, and the industry's recovery took place through consolidation and diversification into commercial endeavors. The available commercial/industrial space has been attracting new business-to-business retail services segments, and providing opportunities to diversify and enhance the revenue source of the City.

With a daytime population estimated at 70,000 persons, El Segundo is an employment center of regional and international significance. Many geographic and regional aspects contribute to the City's appeal to the business community. The City borders the Century Freeway (105) on the north and the San Diego Freeway (405) on the east, both of which provide linkages to the other major freeways traveling north, south and east. Additionally, the City is adjacent to the Los Angeles International Airport and within 15 miles of the Port of Los Angeles.

Economic Condition and Outlook

In its first quarterly report of 2009, the UCLA Anderson Forecast reports that the national economic outlook remains bleak. David Shulman, Senior Economist at UCLA, estimates that the unemployment rate will peak at 10.5% in mid-2010 versus the 8.1% recorded in February 2008. Among the job sectors with the highest job losses were:

- Construction – 12.9%
- Durable manufacturing – 12%

- Nondurable manufacturing – 8.8%
- Professional and business services – 4.7%
- Retail trade – 3.8%

The forecast also reports:

“California is in for a rough ride in 2009 and is not going to see economic growth return until shortly after the U.S. economy begins to grow towards the end of the year. General economic weakness will cause continued losses in jobs in construction and manufacturing, but as a consequence rather than as a driver of softness of the economy. Taxable sales will decline this year and not recover until 2011 due to weakness in the demand for consumer durables and the more general fall-off in retail purchases. The potential for declining prices of consumer goods has not been factored into the taxable sales forecast but could, were they to occur, further exacerbate retail sales tax revenue.”

Completed and On-going Projects

- ❖ Aerospace Corporation – Located at the southeast corner of El Segundo Boulevard and Douglas Street, the Aerospace Corporation project includes the addition of an approximately 90,000 square-foot contemporary office building to their existing campus along with a pedestrian bridge over El Segundo Boulevard that will provide secured access between the Aerospace Corporation Campus and the Los Angeles Air Force Base. Construction of the office building has been completed with installation of the bridge to occur in summer of 2009.
- ❖ Equinix Data Center – A 314,300 square-foot state-of-the-art electronic records storage facility (data center) located at the southwest corner of Douglas Street and Mariposa Avenue. The \$100 million project and third data center for the City includes renovation of a 220,000 square-foot building and a 91,300 square-foot expansion with a dedicated 35 megawatt Southern California Edison sub-station.
- ❖ Base Partners Data Center – A 117,000 square-foot electronic records storage facility (data center) located at 444 North Nash Street. This project (the City’s fourth data center) includes renovation of an 83,000 square-foot building and a 34,000 square-foot expansion with a dedicated 20 megawatt Edison sub-station. The developer will provide a shell building and negotiate remaining improvements that will be customized to meet individual tenants’ business needs.
- ❖ Military Entrance Processing Station – A 33,000 square-foot office and medical office LEED-certified building located at 1700 E. Grand Avenue, just west of Sepulveda Boulevard. This project involves a state-of-the-art facility that will test and process military recruits for all branches of the United States Armed Forces prior to their deployment.
- ❖ Grand/Kansas Commercial/Industrial Condominiums – An 80,000 square-foot commercial/light industrial mixed-use condominium project located at the

southeast corner of Grand Avenue and Kansas Street. This contemporary-styled campus will house approximately 40,000 square feet of light industrial uses, 30,000 square feet of office uses, and 10,000 square feet of restaurant uses. The project is anticipated to be constructed by the fall of 2010.

- ❖ Karl Storz Endoscopy-America Inc. Office Building – Major renovation of an existing 82,500 square-foot building at 2151 East Grand Avenue will house the North American corporate headquarters for the internationally acclaimed endoscopy and medical instrument design and manufacturing company.

Financial Information

General Controls

The City's management is responsible for establishing and maintaining an internal control structure designed to ensure that the City's assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable assurance that recognizes: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. Supplemental appropriations where required during the period are also approved by the Council. Intradepartmental budget changes are approved by the City Manager. The legal level of control, that is the level at which expenditures may not exceed appropriations, is at the fund level for any one fund. During the year, several supplementary appropriations were necessary. At fiscal year-end, all operating budget appropriations lapse.

Single Audit

As a recipient of federal, state, and county financial assistance, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. These internal controls are subject to periodic evaluation of the management and staff of the City.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act as amended in 1996 and the United States Office of Management and Budget Circular A-133. In the single audit, tests are made to determine the adequacy of the internal control structure, as well as to determine that the City has complied with applicable laws and regulations. Information related to the single audit, including the schedule of federal financial assistance, findings and recommendations, and the auditor's

report on the internal control structure and compliance with applicable laws and regulations, are published in a separate report.

Proprietary Fund Operations

The Equipment Replacement, Liability Insurance and Workers' Compensation internal service funds had changes in net assets of \$1,292,656, (\$211,330), \$365,637 respectively. The increase in the Equipment Replacement Fund was due to an increase in revenues from charges to City departments. The decrease in the Liability Insurance Fund was primarily due to an increase in the estimate for claims and judgments. The increase in net assets of the Workers' Compensation Fund is due primarily to a decrease in the State workers' compensation rate. The Water Fund and Sewer Fund report increases in net assets of \$475,163 and \$845,550 due to increases in the City's water and sewer rates. The Golf Course had a reduction in net assets of \$520,345. The decrease in the Golf Course Fund is the primarily the result of the capital outlay expense for the driving range.

Fiduciary Funds

The fiduciary funds include only the Performance Deposits fund, which is an Agency Fund. Thus, there were no net assets in the fiduciary funds for the current year.

Debt Administration

On September 30, 2008, the City of El Segundo had four capital lease obligations outstanding as described in the Notes to the Financial Statements. The Golf Course Site Lease has an outstanding balance of \$1,677,361, the Parking Structure Capital Lease had an outstanding balance of \$2,485,941, the Facilities Lease had a balance of \$7,562,163, and the Golf Course equipment capital lease had a balance of \$50,485.

Long-Term Financial Planning

The City's financial security is fundamental to the administration of the City's policies and practices. The City Council has always been and continues to take a conservative approach in maintaining a strong financial position by limiting the growth of spending and acquiring additional debt. It has established an Economic Uncertainty Reserve Fund and Capital Improvement Fund to meet the needs of unforeseen circumstances that may occur in the future.

In November 2004 California voters approved Proposition 1A, which will help stabilize the flow of revenues to municipalities and end future State raids on City finances. This will allow for better forecasting of City revenues and, along with modest economic growth, should allow for future sustainable revenue growth. The City has maintained a strategy of adopting a long-term strategic plan that is reviewed and updated each year by the City's management and the City Council.

Cash Management

The City invests temporarily idle cash in accordance within the Government Code and a formal investment policy approved by the City Council. The policy limits investments to certain types of instruments and requires that investments must meet established criteria for safety, liquidity and yield. Investments are made from pooled cash of all funds and earnings are allocated to the various funds in proportion to their relative cash book balance. Direct responsibility for managing the City's investment portfolio rests with the City Treasurer, who invests according to the approved investment policy. An Investment Advisory Committee meets quarterly to review investment activities.

The City of El Segundo is in compliance with all statutory provisions of the California State Code, which regulates the financial affairs of the cities. Investments are secured by the maximum collateral required under the law with maturities timed to ensure that cash is available when needed. The investments of City funds are limited to:

- Securities of the U.S. Government or its agencies
- Certificates of Deposit
- Negotiable Certificates of Deposit
- Bankers' Acceptances
- Commercial Paper
- Local Agency Investment Fund (LAIF)
- Time Deposits
- Mutual Funds
- Medium Term Notes
- County Pooled Funds

Cash temporarily idle during the past year was invested in certificates of deposit, bankers' acceptances, commercial paper, medium-term notes, U.S. Treasury and Agency Securities, and the Local Agency Investment Fund (LAIF). For fiscal year 2007-2008, the rate of interest earned ranged from 2.77% to 5.50%. The City suffered a loss in the market value of its investment portfolio in the amount of \$3,910,720. Investments held at September 30, 2008, had maturities ranging from one day to 4.6 years.

Risk Management

The City is self-insured against liability and workers' compensation claims. During fiscal year 2007-08, El Segundo continued a proactive liability risk-management role through careful monitoring of losses, working closely with the third-party claims administrator, and designing and implementing programs to minimize risks and reduce losses. Staff also analyzes workers' compensation issues by monitoring work conditions and organizing safety-training programs to reduce employee exposure hazards.

The City is a member of the Independent Cities Risk Management Authority (ICRMA), a joint powers insurance authority of 29 California cities, for the purpose of pooling the City of El Segundo's risk for general liability losses with those of other member cities. The Governing Board of ICRMA is comprised of one elected official or alternate from each member city, selected by each member's City Council. Each Governing Board member has one vote regarding all financial and management issues coming before the

Governing Board. The President of the Board is an El Segundo City Council person and the City has two staff members who participate in the Finance Committee, the Liability Claims committee and also as Board alternate and substitute alternate of the ICRMA. The City is self-insured for the first \$400,000 on each general liability claim against the City. Under ICRMA, insurance coverage in excess of the self-insured amount is provided up to a limit of \$20,000,000.

The City is self-insured for the first \$350,000 on each workers' compensation claim. Insurance coverage in excess on the self-insured amount is also provided by ICRMA up to the statutory limits. The City joined a Workers' Compensation pool program administered by ICRMA in fiscal year 2002-2003, which helped mitigate increasing costs. Additional information on the City's risk management activity can be found in the Notes to the Financial Statements.

OTHER INFORMATION

Independent Audit

The City of El Segundo Municipal Code mandates that a complete financial statement and a report on the finances of the City be submitted to the City Council at the end of each fiscal year. Accordingly this year's audit was performed by the accounting firm of Mayer Hoffman McCann, PC. In addition to meeting the requirement set forth in the municipal code, the audit was also designed to meet the requirements of the federal Single Audit Act of 1984 and related OMB Circular A-133. The auditors' report on the general purpose financial statements is included in the financial section of this report. The examination relating to the single audit is presented in a separate auditors' report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of El Segundo for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of El Segundo has received the award for the last ten fiscal years. We believe that our current CAFR continues to conform to the Certification of Achievement program requirements, and we are again submitting it to GFOA for consideration.

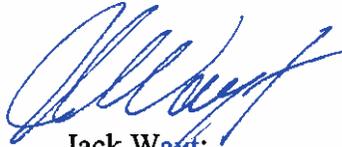
Acknowledgments

Preparation of this Comprehensive Annual Financial Report could not have been accomplished without the support and cooperation of all City of El Segundo staff. We wish to acknowledge the contribution of the Finance Department staff. Their efforts made it possible to prepare the Comprehensive Annual Financial Report, thereby improving the quality of the information being reported to the citizens, the City Council, and other users. Appreciation is also expressed to the Mayor and the City Council for their interest and support in planning and conducting the financial activities of the City in a responsible and progressive manner.

Respectfully submitted,



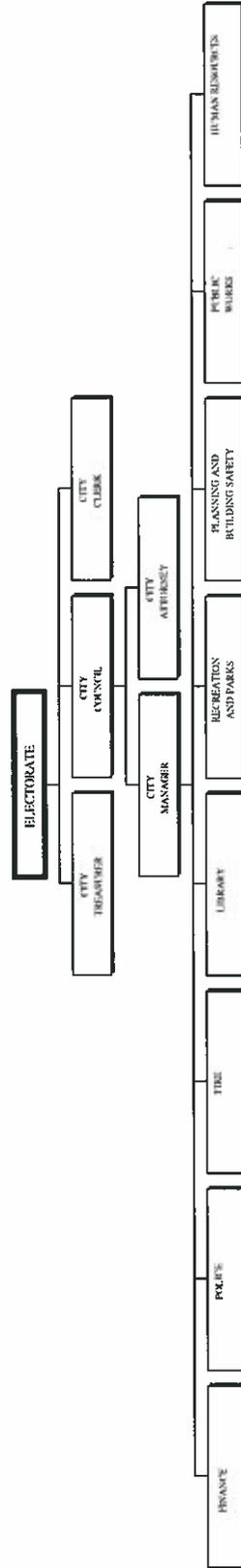
Deborah Cullen:
Director of Finance



Jack West:
City Manager

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CITY OF EL SEGUNDO



CITY OF EL SEGUNDO

September 30, 2008

CITY COUNCIL MEMBERS

<u>Name</u>		<u>Term Expires</u>
Kelly McDowell	Mayor	April 2010
Eric Busch	Mayor Pro Tem	April 2012
Don Brann	Council Member	April 2012
Bill Fisher	Council Member	April 2010
Carl Jacobson	Council Member	April 2012

CITY OFFICIALS

Cindy Mortesen	City Clerk
Ralph Lanphere	City Treasurer
Mark Hensley	City Attorney
Jack Wayt	City Manager

CITY ADMINISTRATION

Bill Crowe	Assistant City Manager
Deborah Cullen	Finance Director
David Cummings	Chief of Police
Kevin Smith	Fire Chief
Debra Brighton	Library Director
Greg Carpenter	Director of Planning & Building Safety
Bob Cummings	Director of Recreation and Parks
Bob Hyland	Director of Human Resources
Dana Greenwood	Director of Public Works

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of El Segundo California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

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



President

Executive Director

FINANCIAL SECTION

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Honorable Mayor and City Council
City of El Segundo, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of El Segundo, California, as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of El Segundo. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the El Segundo Senior Citizen Housing Corporation, a discreetly presented component unit. Those statements for the year ended December 31, 2007 were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for that discreetly presented component unit, is based solely on the report of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The City was not able to provide sufficient audit evidence to substantiate the amount reported as accounts receivable in the Water Fund as of September 30, 2008. In addition, the City has not adopted a methodology for estimating unbilled water receivables in the Water Enterprise Fund. Accounting principles generally accepted in the United States of America require that earned revenue be accrued in the period in which the services are rendered.

In our opinion, except for the effects of adjustments related to agreeing the accounts receivable in the Water Enterprise Fund to underlying supporting documentation and to accruing water sales for unbilled receivables as described in the preceding paragraph, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of El Segundo, California, as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison statements for the General Fund and each major Special Revenue Fund of the

Honorable Mayor and City Council
City of El Segundo, California

City of El Segundo for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described further in note 10 to the financial statements, the City changed its method of accounting for postemployment benefits for fiscal years ending on or after September 30, 2008.

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

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

In accordance with *Governmental Auditing Standards*, we have also issued our report dated May 1, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.



Irvine, California
May 1, 2009

Management's Discussion and Analysis

As management of the City of El Segundo, California (City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of El Segundo for the fiscal year ended September 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the City's financial statements.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$172,906,884 (*net assets*). Of this amount, \$29,665,753 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$7,957,784. This increase is mostly attributable to an increase in sales tax and business license tax revenues generated from new business development, and an increase in capital contributions and grants to support the City's residential sound insulation program.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$33,781,545. Of this amount, \$5,325,389 (*unreserved, undesignated fund balance*) is available for spending at the City's discretion.

At the end of the current year, unreserved, undesignated fund balance for the general fund was \$12,911,736 which represents 22.2% of total general fund expenditures.

The City's total debt increased by \$534,485 (2.11%) during the current fiscal year. The factor in this increase was primarily due to the change in estimates in claims and judgments against the City.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements contain three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements.

This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business. These statements include all assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs regardless of the *timing* of related cash flows. Thus, some of the revenues and expenses reported in this statement will have no effect on cash until some future fiscal period.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover some or all of their costs through user fees and charges (*business-type activities*).

Governmental activities. Most of the City's basic services are reported in this category, including the general administration (city manager, city clerk, administrative services, etc.), police and fire protection, public works and community development. Property taxes, sales tax, transient occupancy tax, user fees, interest income, franchise fees, state and federal grants, contributions from other agencies, and other revenues finance these activities.

Business-type activities. The City charges a fee to customers to cover all or most of the costs of certain services it provides. The City's Water and Sewer utilities and Golf Course operation are reported in this category.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund Financial Statements. The fund financial statements provide detailed information about the most significant funds and other funds – not the City as a whole. Some funds are required by state law and by bond covenants. However, management has established other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other resources. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between the results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

In addition to the major funds reported separately on the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances, the City also maintains 14 special revenue funds, one capital project fund and one debt service fund. Data from these funds are combined into a single, aggregated presentation referred to as *other governmental funds*.

Individual fund data for each of these non-major governmental funds are provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all of its governmental and proprietary funds. A budgetary comparison statement has been provided for the general fund and major special revenue funds to demonstrate compliance with this budget. This comparison can be found on page 28-30 of this report.

The basic governmental fund financial statements can be found on pages 18-24 of this report.

Proprietary funds. When the City charges customers for the services it provides, these services are generally reported in proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer and Golf Course activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its equipment replacement cost and general liability and workers' compensation cost. Because these services predominantly benefit governmental rather than business-type functions, these funds have been included within *governmental activities* in the government-wide financial statement.

Proprietary funds provide the same type of information as the government-wide financial statements except that more detail is presented. The proprietary fund financial statements provide separate information for the Water, Sewer and Golf Course operations, all of which are considered major funds of the City. The City's internal service fund is shown separately under the heading of *governmental activities*.

The basic proprietary fund financial statements can be found on pages 28-31 of this report.

Fiduciary Funds. 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 these funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets.

The basic fiduciary fund financial statements can be found on page 32 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 33-70 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the notes to the financial statement. Combining and individual fund statements and schedules can be found on pages 72-99 of this report.

Government-wide Financial Analysis

As was referenced earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, total assets exceeded total liabilities by \$ 172,906,884 at the close of the most recent fiscal year.

A summary of the government-wide *statement of net assets* follows:

	Governmental Activities		Business Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Assets:						
Current and other assets	\$ 75,609,079	\$ 75,803,231	(\$582,470)	(\$1,610,647)	\$ 75,026,609	\$ 74,192,584
Capital assets	<u>106,993,565</u>	<u>106,059,537</u>	<u>24,490,274</u>	<u>25,103,571</u>	<u>131,483,839</u>	<u>131,163,108</u>
Total assets	<u>182,602,644</u>	<u>181,862,768</u>	<u>23,907,804</u>	<u>23,492,924</u>	<u>206,510,448</u>	<u>205,355,692</u>
Liabilities:						
Current and other liabilities	6,889,080	15,504,502	2,823,470	2,822,335	\$9,712,550	\$18,326,837
Other liabilities	<u>22,031,493</u>	<u>21,580,598</u>	<u>1,859,521</u>	<u>2,229,984</u>	<u>23,891,014</u>	<u>23,810,582</u>
Total liabilities	<u>28,920,573</u>	<u>37,085,100</u>	<u>4,682,991</u>	<u>5,052,319</u>	<u>33,603,564</u>	<u>42,137,419</u>
Net assets:						
Invested in capital assets, net of related debt	96,945,461	93,050,671	22,762,428	22,805,716	119,707,889	115,856,387
Restricted	23,533,242	21,459,215	-	-	23,533,242	21,459,215
Unrestricted	<u>33,203,368</u>	<u>31,998,609</u>	<u>(3,537,615)</u>	<u>(4,365,111)</u>	<u>29,665,753</u>	<u>27,633,498</u>
Total net assets	<u>\$ 153,682,071</u>	<u>\$ 146,508,495</u>	<u>\$ 19,224,813</u>	<u>\$ 18,440,605</u>	<u>\$172,906,884</u>	<u>\$164,949,100</u>

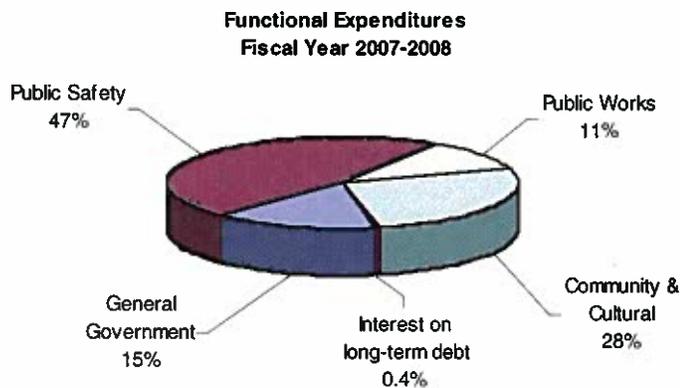
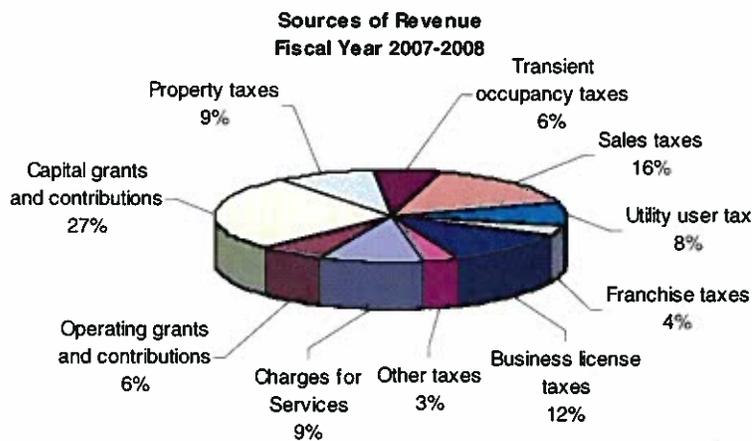
It should be kept in mind while reviewing these schedules that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. These assets are used to provide services to its citizens and are *not* available for future spending.

A summary of the government-wide *statement of activities* follows:

	Governmental Activities		Business Activities		Total Primary Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues						
Program revenues:						
Charges for services	\$7,492,589	\$6,638,904	\$19,627,641	\$17,385,168	\$27,120,230	\$24,024,072
Operating grants and contributions	4,984,065	1,583,770	-	-	4,984,065	1,583,770
Capital grants and contributions	20,921,140	10,875,311	-	-	20,921,140	10,875,311
General revenues:						
Property taxes	7,282,401	7,017,784	-	-	7,282,401	7,017,784
Transient occupancy taxes	4,842,887	4,809,341	-	-	4,842,887	4,809,341
Sales taxes	12,770,990	12,154,510	-	-	12,770,990	12,154,510
Utility user taxes	6,069,513	5,652,880	-	-	6,069,513	5,652,880
Franchise taxes	3,119,996	3,210,688	-	-	3,119,996	3,210,688
Business license taxes	9,661,469	9,619,546	-	-	9,661,469	9,619,546
Other taxes	2,504,864	4,890,664	-	-	2,504,864	4,890,664
Intergovernmental, unrestricted	70,886	93,768	-	-	70,886	93,768
Use of money and property	(1,825,582)	3,420,487	10,256	4,595	(1,815,326)	3,425,082
Other	<u>1,376,666</u>	<u>7,050</u>	<u>89,059</u>	<u>20,010</u>	<u>1,465,725</u>	<u>27,060</u>
Total revenues	79,271,884	69,974,703	19,726,956	17,409,773	98,998,840	87,384,476
Expenses						
General government	10,718,938	10,321,092	-	-	\$10,718,938	10,321,092
Public safety	33,790,991	29,703,159	-	-	\$33,790,991	29,703,159
Public works	8,206,589	7,904,340	-	-	\$8,206,589	7,904,340
Community & cultural	18,969,354	19,171,016	-	-	\$18,969,354	19,171,016
Interest on long-term debt	412,436	262,544	-	-	\$412,436	262,544
Water	-	-	13,988,801	12,876,676	\$13,988,801	12,876,676
Sewer	-	-	2,203,536	2,593,615	\$2,203,536	2,593,615
Golf Course	-	-	<u>2,750,411</u>	<u>2,303,340</u>	<u>\$2,750,411</u>	<u>2,303,340</u>
Total expenses	72,098,308	67,362,151	18,942,748	17,773,631	91,041,056	85,135,782
Excess (deficiency) before transfers	<u>7,173,576</u>	<u>2,612,552</u>	<u>784,208</u>	<u>(363,858)</u>	<u>7,957,784</u>	<u>2,248,694</u>
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	7,173,576	2,612,552	784,208	(363,858)	7,957,784	2,248,694
Beginning net assets (as restated)	<u>146,508,495</u>	<u>137,960,553</u>	<u>18,440,605</u>	<u>18,609,952</u>	<u>164,949,100</u>	<u>156,570,505</u>
Ending net assets	<u>\$153,682,071</u>	<u>\$140,573,105</u>	<u>19,224,813</u>	<u>18,246,094</u>	<u>172,906,884</u>	<u>\$2,248,694</u>

Governmental Activities

The City's net assets from governmental activities increased \$7,173,576. This increase is a result of growth in charges for services, operating grants and contributions, and other taxes. The cost of all governmental activities for the year was \$72 million. However, the taxes that ultimately financed these activities were only \$45.9 million because some of the cost was paid by those who directly benefited from the programs (\$7.5) million or by other governments and organizations that subsidized certain programs with grants and contributions (\$25.9) million. Overall, the City's governmental program revenues were (\$33.4) million; of the remaining "public benefit" governmental activities, \$9.7 million were paid with Business License Taxes, Utility User Taxes of \$6.0 million, Sales and Use Taxes of \$12.7 million, and Property Taxes of \$7.2 million.



Business-Type Activities

The programs for the business-type activities include the water, sewer and the golf course operations.

The City's net assets from business-type activities increased \$1,148,066. The cost of all Proprietary (Business Type) activities this year was \$18,942,748.

Charges for services are the major revenue source for the City’s business-type activities, accounting for 99.5% or \$19,726,956 of total business-type activity revenue.

- The Water Utility net costs of service of \$406,163 is due to an increase in water rates charged to City customers to recover actual costs and prior year losses.
- The Sewer Utility net cost of service of \$887,642 is attributable to an increase in sewer charges charged to City customers to recover actual costs and prior year losses .
- The Golf Course net cost of service of \$(608,912) is primarily due to an increase in operating expenses and a reduction in revenue.

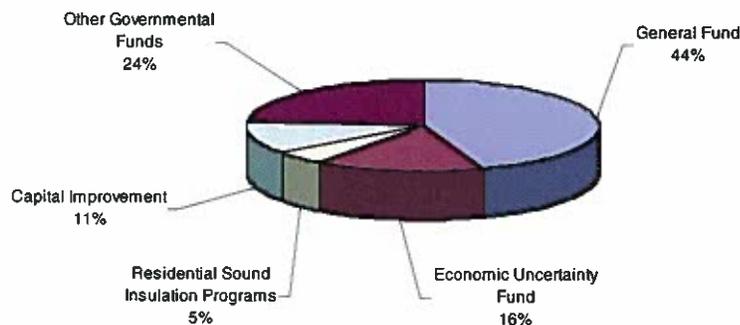
Financial Analysis of the Government’s Funds

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

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

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$33,781,545, a decrease of 9.8% from the previous year. The decrease is primarily attributed to construction costs incurred for the Douglas Gap Closure. Approximately 39.2% of ending fund balance which totaled (\$12,911,736) constitutes *unreserved, undesignated fund balance*. The unreserved, undesignated fund balance represents amount available for spending at the government’s discretion. The remainder of the fund balance is reserved to indicate that it has already been committed (1) to liquidate contracts and purchase orders of the prior period (\$13,733,481) and (2) amounts committed to capital improvements (\$160,275), (3) to represent amounts committed for loans and prepaid costs (\$338,522) and (4) for a variety of other restricted purposes (\$6,479,610).

**Governmental Fund Balance
Fiscal Year 2007-2008**



There are three major funds on the balance sheet for governmental funds. The first is the general fund, the chief operating fund of the City. At the end of the current fiscal year, unreserved, undesignated fund balance was \$12,911,736 which represents 86.2% of total fund balance of \$14,976,714. As a measure of the general fund's liquidity, it may be useful to compare unreserved, undesignated, and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 22.2% of total general fund expenditures, while total fund balance represents 25.8% percent of that same amount.

The fund balance of the City's General Fund decreased by \$754,745 during the current fiscal year. This is mainly attributable to a combination of a \$3,015,467 increase to tax revenues and a loss on the City's investment portfolio of \$3,910,720.

The other two major funds on the City's governmental funds balance sheet are the Economic Uncertainty Fund and the Capital Improvement Fund. The Economic Uncertainty fund is made up of monies designated for additional costs of construction of Fire Station #2, dry period reserves, and naming rights revenues designated to be used for the improvement of the City's athletic fields. The Economic Uncertainty fund has a total fund balance of \$5,317,570, which is \$4,965,010 lower than the prior year's balance of \$10,282,580.

The Capital Improvement Fund has a fund balance of \$3,765,164, which is \$430,531 higher than the prior year's balance of \$3,334,633. This is the result of a decrease to beginning fund balance as a result of a prior-period adjustment of \$4,218,923 related to an overstatement of revenues in the prior year. Another factor was the \$2,795,344 in new revenues received from local agencies to support funding of transportation improvement projects.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements but in greater detail.

Ending unrestricted net assets for the proprietary funds are (\$247,926) for the Water Utility, \$2,117,953 for the Sewer Utility and (\$4,612,298) for the Golf Course. The total change in net assets for the City's three proprietary funds is as follows:

- The Water Utility's net asset increased \$475,163 or an increase of 10.74% over net assets of the prior year (as restated).
- The Sewer Utility's net assets increased \$845,550 or an increase of 10.0% over net assets of the prior year.
- The Golf Course net assets decreased \$520,345 or a net decrease of 2.0% over the prior year (as restated).

Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the year, with the recommendation from the City's staff, the City Council revised the City budget several times. Adjustments were made as the City's staff requested additional appropriations to cover the cost of projects that either had change orders for additional work, or the estimated cost at the beginning of the project was underestimated. Adjustments were also made as department heads requested increases to their budgets to maintain their current level of services. All amendments that result in a net increase in appropriations are approved by the City Council.

Differences between the original budget and the final amended budget of the General Fund resulted in a decrease in projected revenues of \$664,150 and an increase in appropriations of \$2,381,231, or a net change in budgetary fund balance of \$3,045,381. The reasons for the most significant changes were as follows:

Revenue

The budget change between the original budget and the final amended budget was solely attributable to:

- The original budget included a transfer in from a special revenue fund that was eliminated through a budget amendment during the year totaling \$792,700.
- The Building Safety Division had a budget amendment to increase professional and technical services by \$395,000.
- The Planning Division had a budget amendment to increase professional and technical services by \$674,879.

Significant variances between the final budget and actual revenues are as follows

- Taxes – The increase of \$3,204,101 to the final budget is mainly attributable to a steady growth of sales tax revenue as the City captures new and expanding retail businesses at Plaza El Segundo. In addition, of that \$3.2 million, \$1.3 million was attributable to gas utility users taxes over estimated amounts.
- Charges for Services – The increase of \$1,273,769 is attributable to more building activity than originally assumed in the budget.
- Use of money and property – The decrease of \$3,910,582 is attributable to a net decrease in the mark-to-market value of the City's investment portfolio as required by GASB 31.

Appropriations

There was one significant variance between the original and final budgeted appropriations for the general government. The reasons for these variances are as follows:

- Public safety – The variance of approximately \$2.4 million over budgeted amounts was due to an increase in overtime salaries paid out, as well as vacation/sick payouts in excess of projected amounts.

In general, all the departments of the general government were well below budget. This was accomplished through a strong departmental team effort to develop and implement a prioritized expenditure policy. The most significant savings were in the General Government, Public Safety, Public Works and Capital Outlay. The reasons for these savings are as follows:

- General Government was a combined result of reduced personnel and benefits costs due to vacant positions within the department, other operational savings and reduction in capital outlay expenditures.
- The Planning Division saved \$419,937 due to savings in Planning Professional and Technical Services accounts.
- The Building Safety Division saved \$375,450 due to savings in Professional Services and Advertising.
- City Attorney expenses were down \$139,044 as a result of reduced Professional and Technical Services.

For the City's general fund, amounts available for appropriation of \$70,262,457 were \$3,853,017 lower than final budgeted revenues of \$74,115,474. Actual ending expenditures not including transfers out were \$58,058,760, which was \$1,538,629 more than budget of \$56,520,131. The actual ending transfers out of \$1,538,629 were \$49,250 lower than the final amended budget. The net effect of these variances between actual and budgeted was an increase in budgetary fund balance of \$2,363,638. Therefore, there was no need to draw upon existing fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2008 amounts to \$131,483,839 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, park facilities, roads, highways, streets and bridges.

Additional information on the City's capital assets can be found in Note 6 on pages 50-53 of this report.

	Governmental		Business-Type		Total	
	Activities		Activities		Primary Government	
	2008	2007	2008	2007	2008	2007
Capital assets not being depreciated						
Land	\$22,428,998	\$22,428,998	\$5,999,980	\$5,999,980	\$28,428,978	\$28,428,978
Construction in progress	<u>46,718,166</u>	<u>41,719,184</u>	<u>3,827</u>	<u>3,827</u>	<u>46,721,993</u>	<u>41,723,011</u>
Total capital assets not being depreciated	<u>69,147,164</u>	<u>64,148,182</u>	<u>6,003,807</u>	<u>6,003,807</u>	<u>75,150,971</u>	<u>70,151,989</u>
Capital assets being depreciated, net						
Buildings and improvements	14,138,643	14,522,147	4,711,751	4,918,317	18,850,394	19,440,464
Vehicles and equipment	4,298,949	4,070,005	49,286	70,199	4,348,235	4,140,204
Infrastructure	<u>19,408,809</u>	<u>20,614,640</u>	<u>13,725,430</u>	<u>13,916,737</u>	<u>33,134,239</u>	<u>34,531,377</u>
Total capital assets being depreciated, net	<u>37,846,401</u>	<u>39,206,792</u>	<u>18,486,467</u>	<u>18,905,253</u>	<u>56,332,868</u>	<u>58,112,045</u>
Total capital assets, net	<u>\$106,993,565</u>	<u>\$103,354,974</u>	<u>24,490,274</u>	<u>\$24,909,060</u>	<u>131,483,839</u>	<u>128,264,034</u>

Long-term debt. The City's governmental activities total debt decreased by \$1,786,295. The City's business-type activity total debt decreased by \$417,619. This is mainly attributable to a reduction in the principal balance of the Golf Course lease. Compensated absences increased by \$190,528 and Claims and Judgments decreased by \$1,501,037 due to a reduction in ongoing litigation and proactive claims management by the City's third party administrator.

	Governmental		Business-Type		Total	
	Activities		Activities		Primary Government	
	2008	2007	2008	2007	2008	2007
Compensated absences	\$5,702,543	\$5,273,895	\$131,675	\$90,624	\$5,834,218	\$5,364,519
Claims and Judgments	6,280,846	5,522,363	-	-	6,280,846	5,522,363
Capital lease parking structure	2,485,941	2,510,002	-	-	2,485,941	2,510,002
Sewer Assessment District 73 bonds			-	-	-	-
Capital lease			50,485	50,485	50,485	50,485
Golf course site lease			1,677,361	2,088,875	1,677,361	2,088,875
Facility Lease	<u>7,562,163</u>	<u>7,562,163</u>	<u>0</u>	<u>0</u>	<u>7,562,163</u>	<u>7,562,163</u>
Total long-term debt	<u>\$22,031,493</u>	<u>\$20,868,423</u>	<u>\$1,859,521</u>	<u>\$2,229,984</u>	<u>\$23,891,014</u>	<u>\$23,098,407</u>

Additional information on the City's long-term debt can be found in Note 8 on pages 55-58 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the budget for 2008-2009, the following economic factors significantly impacted the budget process:

- The increase cost in CalPERS retirement benefits for employees and funding of GASB 45 liability.
- Ongoing monitoring of gas utility users tax due to the uncertainty of the status of the local power plant expansion.
- A need for completion of existing projects rather than new projects.
- Ongoing monitoring of potential LAX expansion.
- Ongoing monitoring of the impact of the State's budget on the City of El Segundo.
- Performance of national, state and primarily local economy and its impact on El Segundo's major revenue sources.
- Ongoing anticipated increase in construction costs for the City's major capital improvement projects.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of El Segundo's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Department at the City of El Segundo, 350 Main Street, El Segundo, CA 90245.

BASIC FINANCIAL STATEMENTS

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CITY OF EL SEGUNDO

Statement of Net Assets

September 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Park Vista Senior Housing December 31, 2007
<u>Assets</u>				
Cash and investments (note 3)	\$ 48,597,379	1,759,882	50,357,261	424,266
Receivables:				
Taxes	2,808,625	-	2,808,625	-
Accounts	486,900	2,642,876	3,129,776	792
Interest	409,829	-	409,829	-
Notes and loans (note 4)	173,351	-	173,351	-
Internal balances	5,273,683	(5,273,683)	-	-
Due from other governments	13,547,483	-	13,547,483	-
Inventories	107,300	168,101	275,401	-
Prepays	877,005	84,338	961,343	3,006
Advances to component unit (note 5)	3,327,524	-	3,327,524	-
Deferred charges	-	36,016	36,016	-
Capital assets, not being depreciated (note 6)	69,147,164	6,003,807	75,150,971	924,653
Capital assets, net of depreciation (note 6)	37,846,401	18,486,467	56,332,868	2,698,046
Total assets	182,602,644	23,907,804	206,510,448	4,050,763
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	3,261,584	2,443,826	5,705,410	6,838
Accrued liabilities	2,514,547	137,082	2,651,629	-
Retention payable	234,522	-	234,522	-
Unearned revenue	576,036	181,871	757,907	-
Deposits payable	302,391	60,691	363,082	36,532
Advances from primary government	-	-	-	3,382,156
Noncurrent liabilities (note 8):				
Due within one year	2,813,226	589,328	3,402,554	-
Due in more than one year	19,218,267	1,270,193	20,488,460	-
Total liabilities	28,920,573	4,682,991	33,603,564	3,425,526
<u>Net assets</u>				
Invested in capital assets, net of related debt	96,945,461	22,762,428	119,707,889	240,543
Restricted for:				
Public safety	1,417,183	-	1,417,183	-
Capital projects	16,685,018	-	16,685,018	-
Community and cultural	5,365,564	-	5,365,564	-
Debt service	65,477	-	65,477	-
Unrestricted	33,203,368	(3,537,615)	29,665,753	384,694
Total net assets	\$ 153,682,071	19,224,813	172,906,884	625,237

See accompanying notes to basic financial statements.

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CITY OF EL SEGUNDO

Statement of Activities

Year Ended September 30, 2008

	Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 10,718,938	806,733	-	-
Public safety	33,790,991	1,514,759	1,185,643	5,465,825
Public works	8,206,589	10,486	3,164,395	15,455,315
Community and cultural	18,969,354	5,160,611	634,027	-
Interest on long-term debt	<u>412,436</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>72,098,308</u>	<u>7,492,589</u>	<u>4,984,065</u>	<u>20,921,140</u>
Business-type activities:				
Water	13,988,801	14,394,964	-	-
Sewer	2,203,536	3,091,178	-	-
Golf course	<u>2,750,411</u>	<u>2,141,499</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>18,942,748</u>	<u>19,627,641</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 91,041,056</u>	<u>27,120,230</u>	<u>4,984,065</u>	<u>20,921,140</u>
Component unit:				
Park Vista Senior Housing	<u>\$ 551,302</u>	<u>561,463</u>	<u>-</u>	<u>-</u>

General revenues:

Taxes:

- Property taxes, levied for general purpose
- Transient occupancy taxes
- Sales taxes
- Utility user taxes
- Franchise taxes
- Business licenses taxes
- Other taxes

Intergovernmental, unrestricted:

- Motor vehicles in lieu
- Use of money and property, unrestricted
- Other

Total general revenues and transfers

Change in net assets

Net assets at beginning of year,
as restated (note 16)

Net assets at end of year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Park Vista Senior Housing, Year Ended December 31, 2007
(9,912,205)	-	(9,912,205)	-
(25,624,764)	-	(25,624,764)	-
10,423,607	-	10,423,607	-
(13,174,716)	-	(13,174,716)	-
(412,436)	-	(412,436)	-
<u>(38,700,514)</u>	<u>-</u>	<u>(38,700,514)</u>	<u>-</u>
-	406,163	406,163	-
-	887,642	887,642	-
<u>-</u>	<u>(608,912)</u>	<u>(608,912)</u>	<u>-</u>
-	684,893	684,893	-
<u>(38,700,514)</u>	<u>684,893</u>	<u>(38,015,621)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>10,161</u>
7,282,401	-	7,282,401	-
4,842,887	-	4,842,887	-
12,770,990	-	12,770,990	-
6,069,513	-	6,069,513	-
3,119,996	-	3,119,996	-
9,661,469	-	9,661,469	-
2,504,864	-	2,504,864	-
70,886	-	70,886	-
(1,825,582)	10,256	(1,815,326)	11,771
<u>1,376,666</u>	<u>89,059</u>	<u>1,465,725</u>	<u>-</u>
<u>45,874,090</u>	<u>99,315</u>	<u>45,973,405</u>	<u>11,771</u>
7,173,576	784,208	7,957,784	21,932
<u>146,508,495</u>	<u>18,440,605</u>	<u>164,949,100</u>	<u>603,305</u>
<u>\$ 153,682,071</u>	<u>19,224,813</u>	<u>172,906,884</u>	<u>625,237</u>

CITY OF EL SEGUNDO

Governmental Funds

Balance Sheet

September 30, 2008

	General	Special Revenue	
		Economic Uncertainty Fund	Residential Sound Insulation Fund
<u>Assets</u>			
Cash and investments	\$ 7,495,076	5,317,570	-
Receivables:			
Taxes	2,808,625	-	-
Accounts	455,730	-	-
Interest	407,048	-	-
Notes and loans	79,744	-	-
Due from other funds (note 7)	7,426,882	-	-
Due from other governments	228,790	-	4,065,350
Advances to other agencies	-	3,327,524	-
Inventories	107,300	-	-
Prepays	151,478	-	-
	<hr/>	<hr/>	<hr/>
Total assets	\$ 19,160,673	8,645,094	4,065,350
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 1,613,808	-	680,947
Accrued liabilities	2,262,843	-	21,887
Retentions payable	-	-	-
Due to other funds (note 7)	-	-	2,840,815
Deferred revenue	307,308	3,327,524	3,318,832
Deposits payable	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	4,183,959	3,327,524	6,862,481
Fund balances (deficit):			
Reserved for:			
Encumbrances	633,221	-	4,737,503
Notes and loans receivable	79,744	-	-
Inventory	107,300	-	-
Prepays	151,478	-	-
Unreserved:			
Designated for:			
Fire station #2	-	1,500,000	-
Claims	-	900,000	-
Power plant revenue offset	-	1,200,000	-
Athletic fields naming rights	-	1,500,000	-
Continuing appropriations	1,093,235	-	-
Undesignated	12,911,736	217,570	(7,534,634)
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	-
Debt service fund	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances (deficit)	14,976,714	5,317,570	(2,797,131)
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 19,160,673	8,645,094	4,065,350

See accompanying notes to basic financial statements.

Special Revenue Revenue	Capital Projects	Nonmajor Governmental Funds	Total
LAWA	Capital Improvements Fund		
2,671,884	3,676,419	9,405,677	28,566,626
-	-	-	2,808,625
-	-	29,860	485,590
2,781	-	-	409,829
-	-	93,607	173,351
-	-	-	7,426,882
1,738,845	7,240,836	273,662	13,547,483
-	-	-	3,327,524
-	-	-	107,300
-	160,275	-	311,753
<u>4,413,510</u>	<u>11,077,530</u>	<u>9,802,806</u>	<u>57,164,963</u>
-	506,125	313,776	3,114,656
-	138	204,131	2,488,999
-	212,972	21,550	234,522
-	-	107,728	2,948,543
-	6,593,131	747,512	14,294,307
-	-	302,391	302,391
-	<u>7,312,366</u>	<u>1,697,088</u>	<u>23,383,418</u>
-	8,287,682	82,569	13,740,975
-	-	-	79,744
-	-	-	107,300
-	160,275	-	311,753
-	-	-	1,500,000
-	-	-	900,000
-	-	-	1,200,000
-	-	-	1,500,000
-	-	295,552	1,388,787
4,413,510	(4,682,793)	-	5,325,389
-	-	7,662,120	7,662,120
-	-	65,477	65,477
<u>4,413,510</u>	<u>3,765,164</u>	<u>8,105,718</u>	<u>33,781,545</u>
<u>4,413,510</u>	<u>11,077,530</u>	<u>9,802,806</u>	<u>57,164,963</u>

CITY OF EL SEGUNDO

Governmental Funds

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets**

September 30, 2008

Fund balances of governmental funds	\$ 33,781,545
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	
Capital assets	137,053,697
Accumulated depreciation	(32,757,395)
Long term debt and compensated absences have not been included in the governmental fund activity.	
Capital leases payable	(10,048,104)
Compensated absences	(5,702,543)
Some of the City's revenue will be collected after year-end, but are not available soon enough to pay for the current period's expenditure and, therefore, are reported as deferred revenue in the governmental funds.	13,718,271
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.	<u>17,636,600</u>
Net assets of governmental activities	<u>\$ 153,682,071</u>

See accompanying notes to basic financial statements.

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CITY OF EL SEGUNDO

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended September 30, 2008

		Special Revenue	
	General	Economic Uncertainty Fund	Residential Sound Insulation Fund
Revenues:			
Taxes	\$ 36,590,651	-	-
Licenses and permits	11,062,494	-	-
Intergovernmental	362,946	-	5,746,520
Charges for services	4,465,919	-	134,740
Use of money and property	(1,825,582)	-	-
Fines and forfeitures	469,134	-	-
Miscellaneous	1,194,946	750,000	-
Total revenues	52,320,508	750,000	5,881,260
Expenditures:			
Current:			
General government	10,664,418	-	-
Public safety	33,921,157	-	-
Public works	5,899,145	-	-
Community and cultural	6,782,115	-	11,042,591
Capital outlay	99,913	-	-
Debt service:			
Principal retirement	256,199	-	-
Interest and fiscal charges	435,813	-	-
Total expenditures	58,058,760	-	11,042,591
Excess (deficiency) of revenues over (under) expenditures	(5,738,252)	750,000	(5,161,331)
Other financing sources (uses):			
Transfers in (note 7)	6,063,509	-	1,575,223
Transfers out (note 7)	(1,080,000)	(5,715,010)	-
Total other financing sources (uses)	4,983,509	(5,715,010)	1,575,223
Net change in fund balances	(754,743)	(4,965,010)	(3,586,108)
Fund balances (deficit) at beginning of year, as restated (note 16)	15,731,457	10,282,580	788,977
Fund balances (deficit), end of year	\$ 14,976,714	5,317,570	(2,797,131)

See accompanying notes to basic financial statements.

<u>Special Revenue</u>	<u>Capital Projects</u>		
<u>LAWA Fund</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
-	-	-	36,590,651
-	-	-	11,062,494
5,901,481	4,942,441	1,567,515	18,520,903
-	-	-	4,600,659
87,252	-	122,327	(1,616,003)
-	-	1,062,605	1,531,739
-	-	254,381	2,199,327
<u>5,988,733</u>	<u>4,942,441</u>	<u>3,006,828</u>	<u>72,889,770</u>
-	-	117,412	10,781,830
-	-	668,466	34,589,623
-	-	36,335	5,935,480
-	-	703,741	18,528,447
-	5,184,981	503,241	5,788,135
-	-	-	256,199
-	-	-	435,813
<u>-</u>	<u>5,184,981</u>	<u>2,029,195</u>	<u>76,315,527</u>
<u>5,988,733</u>	<u>(242,540)</u>	<u>977,633</u>	<u>(3,425,757)</u>
-	4,891,994	75,000	12,605,726
<u>(1,575,223)</u>	<u>-</u>	<u>(4,490,493)</u>	<u>(12,860,726)</u>
<u>(1,575,223)</u>	<u>4,891,994</u>	<u>(4,415,493)</u>	<u>(255,000)</u>
4,413,510	4,649,454	(3,437,860)	(3,680,757)
-	(884,290)	11,543,578	37,462,302
<u>4,413,510</u>	<u>3,765,164</u>	<u>8,105,718</u>	<u>33,781,545</u>

CITY OF EL SEGUNDO

Governmental Funds

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities**

Year Ended September 30, 2008

Net change in fund balances - total governmental funds \$ (3,680,757)

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

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

Capital outlay	5,349,128
Depreciation expense	(2,190,959)

Repayment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 256,199

Accrued interest for debt service. This is the net change in accrued interest for the current period. 23,377

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (428,649)

Receivable amounts that were earned in the audit period but not collected within the availability period have not been reported in the governmental funds. 6,382,114

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the internal service funds must be added to the Statement of Net Assets. 1,463,123

Change in net assets of governmental activities \$ 7,173,576

See accompanying notes to basic financial statements.

CITY OF EL SEGUNDO

General Fund

Budgetary Comparison Statement

Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Budgetary fund balance, October 1	\$ 15,731,457	15,731,457	15,731,457	-
Resources (Inflows):				
Taxes	33,386,550	33,386,550	36,590,651	3,204,101
Licenses and permits	10,618,900	10,618,900	11,062,494	443,594
Intergovernmental	721,200	721,200	362,946	(358,254)
Charges for services	3,192,150	3,192,150	4,465,919	1,273,769
Use of money and property	2,085,000	2,085,000	(1,825,582)	(3,910,582)
Fines and forfeitures	491,900	491,900	469,134	(22,766)
Miscellaneous	832,250	960,800	1,194,946	234,146
Transfers in	3,867,200	3,074,500	6,063,509	2,989,009
Amounts available for appropriation	<u>70,926,607</u>	<u>70,262,457</u>	<u>74,115,474</u>	<u>3,853,017</u>
Charges to appropriation (outflow):				
General government:				
City Council	225,900	225,900	243,612	(17,712)
City Treasurer	234,400	234,400	255,127	(20,727)
City Clerk	357,700	357,700	307,449	50,251
City Manager	1,729,950	1,515,113	1,551,973	(36,860)
City Attorney	569,200	569,200	430,156	139,044
Planning	1,042,000	1,716,879	1,296,942	419,937
Administrative Services	2,436,400	2,536,399	2,607,524	(71,125)
Non-departmental	3,501,550	3,853,003	3,971,635	(118,632)
Public safety:				
Police	16,329,400	16,392,723	17,389,334	(996,611)
Fire	12,921,600	13,191,575	14,635,081	(1,443,506)
Building Safety	1,607,900	2,125,011	1,749,561	375,450
Animal Control	157,950	157,950	147,181	10,769
Public works:				
Administration	273,050	273,050	195,960	77,090
Government Buildings	1,159,100	1,159,100	1,270,481	(111,381)
Engineering	427,900	427,900	534,355	(106,455)
Streets	1,657,000	1,828,462	1,847,321	(18,859)
Solid Waste	711,900	711,900	657,240	54,660
Storm Drain	184,300	184,300	204,252	(19,952)
Equipment Maintenance	1,100,900	1,100,900	1,189,536	(88,636)
Community and cultural:				
Recreation and Parks	4,319,400	4,327,375	4,344,357	(16,982)
Library	2,013,300	2,013,300	2,017,265	(3,965)
Community Cable TV	421,650	421,650	420,493	1,157
Capital outlay	-	439,891	99,913	339,978
Debt service:				
Principal	213,750	213,750	256,199	(42,449)
Interest and fiscal charges	542,700	542,700	435,813	106,887
Transfers out	<u>1,129,250</u>	<u>1,129,250</u>	<u>1,080,000</u>	<u>49,250</u>
Total charges to appropriations	<u>55,268,150</u>	<u>57,649,381</u>	<u>59,138,760</u>	<u>(1,489,379)</u>
Budgetary fund balance, September 30	\$ <u>15,658,457</u>	<u>12,613,076</u>	<u>14,976,714</u>	<u>2,363,638</u>

CITY OF EL SEGUNDO
Major Special Revenue Fund

Economic Uncertainty Fund

Budgetary Comparison Statement

Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, October 1	\$ 10,282,580	10,282,580	10,282,580	-
Resources (Inflows):				
Miscellaneous	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>-</u>
Amounts available for appropriation	<u>11,032,580</u>	<u>11,032,580</u>	<u>11,032,580</u>	<u>-</u>
Charges to appropriation (Outflow):				
Transfers out	<u>2,700,000</u>	<u>5,715,010</u>	<u>5,715,010</u>	<u>-</u>
Total charges to appropriations	<u>2,700,000</u>	<u>5,715,010</u>	<u>5,715,010</u>	<u>-</u>
Budgetary fund balance, September 30	<u>\$ 8,332,580</u>	<u>5,317,570</u>	<u>5,317,570</u>	<u>-</u>

See accompanying notes to basic financial statements.

CITY OF EL SEGUNDO
Major Special Revenue Fund

Residential Sound Insulation Fund

Budgetary Comparison Statement

Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance, October 1	\$ 788,977	788,977	788,977	-
Resources (Inflows):				
Intergovernmental	10,450,000	10,450,000	5,746,520	(4,703,480)
Charges for services	3,000	600,000	134,740	(465,260)
Use of money and property	200,000	200,000	-	(200,000)
Miscellaneous	600,000	3,000	-	(3,000)
Transfers in	-	-	<u>1,575,223</u>	<u>1,575,223</u>
Amounts available for appropriation	<u>12,041,977</u>	<u>12,041,977</u>	<u>8,245,460</u>	<u>(3,796,517)</u>
Charges to appropriation (outflow):				
Community and cultural	<u>14,200,350</u>	<u>18,348,694</u>	<u>11,042,591</u>	<u>7,306,103</u>
Total charges to appropriations	<u>14,200,350</u>	<u>18,348,694</u>	<u>11,042,591</u>	<u>7,306,103</u>
Budgetary fund balance (deficit), September 30	<u>\$ (2,158,373)</u>	<u>(6,306,717)</u>	<u>(2,797,131)</u>	<u>3,509,586</u>

CITY OF EL SEGUNDO

Proprietary Funds

Statement of Net Assets

September 30, 2008

		Business-Type Activities - Enterprise Funds			
		Water	Sewer	Golf Course	Total
		<u>Assets</u>			
Current assets:					
Cash and investments		\$ 35,895	1,723,987	-	1,759,882
Receivables:					
Accounts		2,233,587	370,740	38,549	2,642,876
Inventories		-	-	168,101	168,101
Prepays		-	71,696	12,642	84,338
Total current assets		<u>2,269,482</u>	<u>2,166,423</u>	<u>219,292</u>	<u>4,655,197</u>
Noncurrent assets:					
Deferred charges		-	-	36,016	36,016
Capital assets, net		5,143,614	7,131,242	12,215,418	24,490,274
Total noncurrent assets		<u>5,143,614</u>	<u>7,131,242</u>	<u>12,251,434</u>	<u>24,526,290</u>
Total assets		<u>7,413,096</u>	<u>9,297,665</u>	<u>12,470,726</u>	<u>29,181,487</u>
		<u>Liabilities</u>			
Current liabilities:					
Accounts payable		2,246,967	20,635	176,224	2,443,826
Accrued liabilities		83,876	27,835	25,371	137,082
Unearned revenue		-	-	181,871	181,871
Deposits payable		54,891	-	5,800	60,691
Due to other funds		-	-	4,478,339	4,478,339
Claims and judgments		-	-	-	-
Compensated absences		128,151	-	-	128,151
Capital leases payable		-	-	461,177	461,177
Total current liabilities		<u>2,513,885</u>	<u>48,470</u>	<u>5,328,782</u>	<u>7,891,137</u>
Noncurrent liabilities:					
Claims and judgments, net of current		-	-	-	-
Compensated absences, net of current		3,524	-	-	3,524
Capital leases payable, net of current		-	-	1,266,669	1,266,669
Total noncurrent liabilities		<u>3,524</u>	<u>-</u>	<u>1,266,669</u>	<u>1,270,193</u>
Total liabilities		<u>2,517,409</u>	<u>48,470</u>	<u>6,595,451</u>	<u>9,161,330</u>
		<u>Net assets</u>			
Net assets:					
Invested in capital assets, net of related debt		5,143,614	7,131,242	10,487,572	22,762,428
Unrestricted		<u>(247,927)</u>	<u>2,117,953</u>	<u>(4,612,297)</u>	<u>(2,742,271)</u>
Total net assets		<u>\$ 4,895,687</u>	<u>9,249,195</u>	<u>5,875,275</u>	<u>20,020,157</u>
Reconciliation of Net Assets to the Statements of Net Assets:					
Net assets per statements of net assets- proprietary funds					\$ 20,020,157
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds					(779,184)
Adjustments to reflect the consolidation of internal service activities related to enterprise funds					<u>(16,160)</u>
Net Assets per Statement of Net Assets					<u>\$ 19,224,813</u>

See accompanying notes to basic financial statements.

CITY OF EL SEGUNDO
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
Year Ended September 30, 2008

	<u>Business-Type Activities - Enterprise Funds</u>				Governmental
	<u>Water</u>	<u>Sewer</u>	<u>Golf Course</u>	<u>Total</u>	Activities - Internal Service Funds
Operating revenues:					
Sales and service charges	\$ 14,394,964	3,091,178	2,141,499	19,627,641	-
Interdepartmental charges	-	-	-	-	4,536,201
Miscellaneous	<u>76,396</u>	<u>-</u>	<u>12,663</u>	<u>89,059</u>	<u>76,245</u>
Total operating revenues	<u>14,471,360</u>	<u>3,091,178</u>	<u>2,154,162</u>	<u>19,716,700</u>	<u>4,612,446</u>
Operating expenses:					
Personnel services	1,109,239	542,727	629,781	2,281,747	154,998
Materials and supplies	142,436	69,891	503,130	715,457	142,585
Purchased water/utilities	11,213,822	-	112,815	11,326,637	-
Insurance and claims	478,800	-	176,331	655,131	2,644,679
Contractual services	76,147	765,199	-	841,346	-
Repairs and maintenance	193,106	128,079	488,206	809,391	-
Administrative cost	376,029	154,600	316,214	846,843	-
Depreciation	<u>416,874</u>	<u>585,132</u>	<u>373,677</u>	<u>1,375,683</u>	<u>478,221</u>
Total operating expenses	<u>14,006,453</u>	<u>2,245,628</u>	<u>2,600,154</u>	<u>18,852,235</u>	<u>3,420,483</u>
Operating income (loss)	<u>464,907</u>	<u>845,550</u>	<u>(445,992)</u>	<u>864,465</u>	<u>1,191,963</u>
Nonoperating revenues (expenses):					
Interest revenue	10,256	-	-	10,256	-
Interest expense	<u>-</u>	<u>-</u>	<u>(74,353)</u>	<u>(74,353)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>10,256</u>	<u>-</u>	<u>(74,353)</u>	<u>(64,097)</u>	<u>-</u>
Income (loss) before transfers	475,163	845,550	(520,345)	800,368	1,191,963
Transfers:					
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>255,000</u>
Change in net assets	475,163	845,550	(520,345)	800,368	1,446,963
Net assets at beginning of year, as restated (note 16)	<u>4,420,524</u>	<u>8,403,645</u>	<u>6,395,620</u>	<u>19,219,789</u>	<u>15,394,293</u>
Net assets at end of year	<u>\$ 4,895,687</u>	<u>9,249,195</u>	<u>5,875,275</u>	<u>20,020,157</u>	<u>16,841,256</u>
Reconciliation of Changes in Net Assets to the Statement of Activities:					
Changes in Net Assets per Statement of Revenues, Expenses and Changes in Fund Net Assets- Proprietary Funds				\$ 800,368	
Adjustment to reflect the consolidation of internal service activities related to enterprise funds				<u>(16,160)</u>	
Changes in Net Assets of Business-Type Activities per Statement of Activities				<u>\$ 784,208</u>	

See accompanying notes to basic financial statements.

CITY OF EL SEGUNDO

Proprietary Funds

Statement of Cash Flows

Year Ended September 30, 2008

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Water</u>	<u>Sewer</u>	<u>Golf Course</u>	<u>Total</u>	<u>Activities - Internal Service Funds</u>
Cash flows from operating activities:					
Cash received from customers	\$ 13,875,753	2,904,881	2,199,885	18,980,519	-
Cash received from user departments	-	-	-	-	4,628,050
Cash payments to suppliers for goods and services	(12,304,981)	(1,437,313)	(1,599,973)	(15,342,267)	(1,992,107)
Cash payments to employees for services	<u>(1,019,707)</u>	<u>(541,340)</u>	<u>(628,612)</u>	<u>(2,189,659)</u>	<u>(151,335)</u>
Net cash provided by (used for) operating activities	<u>551,065</u>	<u>926,228</u>	<u>(28,700)</u>	<u>1,448,593</u>	<u>2,484,608</u>
Cash flows from noncapital financing activities:					
Cash received from other funds	<u>-</u>	<u>-</u>	<u>364,116</u>	<u>364,116</u>	<u>255,000</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>364,116</u>	<u>364,116</u>	<u>255,000</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(742,714)	-	(19,672)	(762,386)	(958,643)
Interest paid on capital lease obligations	-	-	(74,353)	(74,353)	-
Principal paid on capital lease obligations	<u>-</u>	<u>-</u>	<u>(411,514)</u>	<u>(411,514)</u>	<u>-</u>
Net cash provided by capital and related financing activities	<u>(742,714)</u>	<u>-</u>	<u>(505,539)</u>	<u>(1,248,253)</u>	<u>(958,643)</u>
Cash flows from investing activities:					
Interest received	<u>10,256</u>	<u>-</u>	<u>-</u>	<u>10,256</u>	<u>-</u>
Net cash provided by (used for) investing financing activities	<u>10,256</u>	<u>-</u>	<u>-</u>	<u>10,256</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(181,393)	926,228	(170,123)	574,712	1,780,965
Cash and cash equivalents at beginning of year	<u>217,288</u>	<u>797,759</u>	<u>170,123</u>	<u>1,185,170</u>	<u>18,249,788</u>
Cash and cash equivalents at end of year	<u>\$ 35,895</u>	<u>1,723,987</u>	<u>-</u>	<u>1,759,882</u>	<u>20,030,753</u>

(Continued)

See accompanying notes to basic financial statements.

CITY OF EL SEGUNDO
Proprietary Funds

Statement of Cash Flows

(Continued)

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Total</u>	<u>Governmental</u>
	<u>Water</u>	<u>Sewer</u>	<u>Golf Course</u>		<u>Activities - Internal Service Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 464,907	845,550	(445,992)	864,465	1,191,963
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	416,874	585,132	373,677	1,375,683	478,221
(Increase) decrease in accounts receivable	(595,607)	(186,297)	38,720	(743,184)	15,604
(Increase) decrease in inventories	-	-	(24,042)	(24,042)	-
(Increase) decrease in prepaids	305	(71,590)	4,769	(66,516)	69,074
(Increase) decrease in other assets	-	-	-	-	-
Increase (decrease) in accounts payable	181,104	(250,207)	13,226	(55,877)	(36,194)
Increase (decrease) in accrued liabilities	51,941	3,640	1,169	56,750	7,457
Increase (decrease) in unearned revenue	-	-	7,003	7,003	-
Increase (decrease) in deposits payable	(9,510)	-	2,770	(6,740)	-
Increase (decrease) in compensated absences payable	41,051	-	-	41,051	-
Increase (decrease) in claims and judgments	-	-	-	-	758,483
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used for) operating activities	<u>\$ 551,065</u>	<u>926,228</u>	<u>(28,700)</u>	<u>1,448,593</u>	<u>2,484,608</u>

Noncash capital, financing, investing activities

There were no noncash capital, financing, or investing activities during the fiscal year ended September 30, 2008.

CITY OF EL SEGUNDO
Agency Funds

Statement of Fiduciary Assets and Liabilities

September 30, 2008

<u>Assets</u>	
Cash and investments (note 2)	\$ 927,268
Receivables:	
Accounts	<u>136,393</u>
 Total assets	 <u>\$ 1,063,661</u>
<u>Liabilities</u>	
Accounts payable	\$ 73,062
Deposits	<u>990,599</u>
 Total liabilities	 <u>\$ 1,063,661</u>

See accompanying notes to basic financial statements.

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2008

(1) Organization and Summary of Significant Accounting Policies

(a) Description of the Reporting Entity

The City of El Segundo was incorporated on January 18, 1917, under the laws of the State of California and enjoys all the rights and privileges applicable to a general law city. It is governed by an elected five-member board. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of El Segundo (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The component units discussed below are included in the reporting entity because of their operational or financial relationships with the City of El Segundo.

The inclusion of an organization within the scope of the reporting entity of the City of El Segundo is based on the provision of GASB Statement No. 14. A component unit is included in the primary government's financial statements if one of the following criteria is met: (1) the primary government appoints a voting majority of the organization's governing body and is either able to impose its will on the organization or there is a potential financial benefit/burden to the primary government, (2) the organization is fiscally dependent on the primary government; or (3) the nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete,

Blended Component Unit

The El Segundo Capital Improvement Corporation ("the Corporation") was established July 1, 1988, pursuant to the Nonprofit Public Benefit Corporation Law of the State of California (Title 1, Division 2, Part 2 of the California Corporations Code) solely for the purpose of providing financial assistance to the City by acquiring, constructing, improving and developing certain real and personal property. Activities of the Corporation are recorded in the Capital Projects and Debt Service Funds. The City Council of the City of El Segundo is the governing board for the Corporation. During fiscal year, 2007-2008, the Corporation had no financial activities and separate financial statements have not been issued.

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(a) **Description of the Reporting Entity (Continued)**

Discretely Presented Component Unit

The El Segundo Senior Citizen Housing Corporation, dba Park Vista Senior Apartments (“the Corporation”) is a California nonprofit public benefit corporation created by the City of El Segundo in 1984 to operate a low income senior apartment complex. The apartment complex was built and funded by the City. In 1987, the complex was ready for occupancy. Rather than operate the complex as a fund of the City, the City elected to form the Corporation to facilitate better communications with the residents who live there. The Corporation is managed by a seven-member Board of Directors, which is appointed by the City Council. The City is financially accountable and has the ability to impose its will on the Corporation which has the potential to provide specific financial benefits to, or impose specific financial burdens on, the City. All members of the Board of Directors are unpaid volunteers.

Activities of the Corporation have been discretely presented because the Corporation has a different fiscal year end as the City’s. Separate financial statements may be obtained at City Hall, City of El Segundo, 350 Main Street, El Segundo, CA 90245.

(b) **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF EL SEGUNDO
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Organization and Summary of Significant Accounting Policies (Continued)

(b) Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(c) Fund Classifications

The City reports the following major governmental funds:

General Fund

This fund is used to account for all financial resources that are not restricted as to their use. These include sales and use taxes, business license fees, property taxes, utility user's tax, franchise taxes, interest earnings, various permit fees, charges for services, and other miscellaneous revenues.

Economic Uncertainty Fund

This fund accounts for monies designated for special purposes.

Residential Sound Insulation Fund

This fund accounts for the Federal Aviation Administration grant funds used for residential sound insulation of dwellings located in the airport noise impact area.

LAWA Fund

This fund accounts for additional funding for the City's Residential Sound Insulation Program.

Capital Improvement Fund

This fund accounts for financial resources to be used for the acquisition, improvement or construction of major capital facilities.

CITY OF EL SEGUNDO
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Organization and Summary of Significant Accounting Policies (Continued)

(c) Fund Classifications (Continued)

The City reports the following major enterprise funds:

Water Fund

This fund accounts for water utility revenues, including service fees and installation charges, and all expenses related to the construction and maintenance of City's water distribution system.

Sewer Fund

This fund accounts for the financial transactions of the City's wastewater collection system.

Golf Course Fund

This fund accounts for revenues from user fees and expenses incurred for the operation and maintenance of the "Lakes at El Segundo" golf facility.

Additionally, the City reports the following fund types:

Internal Service Funds

These funds account for financial transactions related to repair, replacement and maintenance of City-owned equipment, and the City's self-insurance programs. These services are provided to other departments or agencies of the City on a cost reimbursement basis.

Agency Funds

These funds are used to account for deposits held by the City Treasurer as a guarantee of specific performance by outside organizations. These deposits are refundable upon completion of the specified performance.

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Organization and Summary of Significant Accounting Policies (Continued)

(d) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Organization and Summary of Significant Accounting Policies (Continued)

(d) Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 Enterprise Funds and of the Internal Service Funds are charges to customers for sales and services. Operating expenses for Enterprises Funds and Internal Service Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

The City reports one agency fund. Agency funds are used to account for situations where the government's role is purely custodial. All assets reported in an agency fund are offset by a liability to the party on whose behalf they are held. Agency funds have no measurement focus.

(e) Cash and Investments

For purpose of the statement of cash flows, the City considers cash and cash equivalents as short-term, highly liquid investments with maturities of three months or less at the time of purchase. The City follows the practice of pooling cash and investments of all funds. Since cash and investments are pooled, the City utilizes the assumption that the cash and investments in the Enterprise and Internal Service Funds are cash and cash equivalents.

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(e) Cash and Investments (Continued)

Investments for the City, as well as for its component units, are reported at fair value as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In applying GASB 31, the City utilized the following methods and assumptions:

1. Fair value is based on quoted market prices as of the valuation date;
2. The portfolio did not hold investments in any of the following:
 - a. Items required to be reported at amortized cost,
 - b. Items in external pools that are not SEC-registered,
 - c. Items subject to involuntary participation in an external pool, and
 - d. Items associated with a fund other than the fund to which the income is assigned;
3. Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation will be recognized within the General Fund to the extent its cash and investments' balances exceed the cumulative value of those investments subject to GASB 31;
4. The unrealized gain/loss resulting from valuation will be reported within the revenue account "use of money and property" on the Statement of Revenues, Expenditures and Changes in Fund Balance.

The City's policy is generally to hold investments until maturity or until market values equal or exceed cost. The State Treasurer's Investment Pool operates in accordance with appropriate State laws and regulations. The reported value of the pool is equal to the fair value of the pool shares.

(f) Receivables and Payables

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

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Organization and Summary of Significant Accounting Policies (Continued)

(f) Receivables and Payables (Continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property tax revenue is recognized on the basis of NCGA Interpretation No. 3 (adopted by GASB); that is, in the fiscal year for which the taxes have been levied providing they become available. Available means collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of Los Angeles collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property as it exists on that date. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on March 1 each year and are delinquent, if unpaid, on August 31.

(g) Inventories and Prepaid Items

Inventories of materials and supplies are carried at cost on a first-in, first-out basis. The City uses the consumption fund types have been reserved for amounts equal to the inventories in the fund-level statements, since these amounts are not available for appropriation.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The fund balances in the governmental fund types have been reserved for amounts equal to the prepaid items in the fund-level statements, since these amounts are not available for appropriation.

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Organization and Summary of Significant Accounting Policies (Continued)

(h) Prepaid Costs

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The fund balances in the governmental fund types have been reserved for amounts equal to the prepaid items in the fund-level statements, since these amounts are not available for appropriation.

(i) Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with GASB Statement No. 34, the City has reported its general infrastructure assets. The City defined infrastructure assets as roadway, storm drain, parks, water system, sewer system and similar items with an initial individual cost of more than \$100,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Infrastructure, property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

CITY OF EL SEGUNDO
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Organization and Summary of Significant Accounting Policies (Continued)

(i) Capital Assets (Continued)

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Vehicles and equipment	5-50
Infrastructure	25-100

(j) Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Upon termination an employee will be paid for any unused vacation pay up to 240 hours. Sick leave is payable when an employee is unable to work because of illness. Upon retirement (minimum five years of service) an employee will be paid at a rate of 50% to 80% depending on the type of retirement. All vacation pay and sick leave are accrued when incurred in the government-wide financial statements and proprietary fund financial statements.

(k) Claims and Judgments

The City is partially self-insured for general liability and workers' compensation claims. The City records estimated liabilities for such claims filed or estimated to be filed for incidents, which have occurred. The City's claims and judgments payable are recorded in the City's Liability Insurance and Workers' Compensation Internal Service Funds. See Note 12 for details on possible future claims.

(l) Fund Equity

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

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Organization and Summary of Significant Accounting Policies (Continued)

(m) Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance cost are reported as deferred charges and amortized over the term of the related debt, in the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(n) Functional Classifications

Expenditures of the Governmental Funds are classified by function. Functional classifications are defined as follows:

General Government includes legislative activities that have a primary objective of providing legal and policy guidelines for the City. Also, included in this classification are those activities that provide management or support services across more than one functional area.

Public Safety includes those activities that involve the protection of people and property.

Public Works includes those activities that involve the maintenance and improvement of City streets, roads and park department development and maintenance.

Community and Cultural includes those activities that involve the enhancing of the general quality of life.

Debt Service includes those activities that account for the payment of long-term debt principal, interest and fiscal charges.

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Organization and Summary of Significant Accounting Policies (Continued)

(o) Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

(2) Stewardship, Compliance and Accountability

(a) General Budget Policies

The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. Supplemental appropriations where required during the period are also approved by the Council. Intradepartmental budget changes are approved by the City Manager. The legal level of control, that is defined as the level at which City Council approval is required for changes, is at the department level for any one fund. During the year, several supplementary appropriations were necessary. At fiscal year-end, all operating budget appropriations lapse.

(b) Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts-in-process at year-end are completed. They do not constitute expenditures or estimated liabilities.

(c) Budget Basis of Accounting

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) as part of the appropriation budget. Except for the LAWA Fund and the Assessment District #73 Debt Service Fund, all governmental funds had adopted a budget for fiscal year 2007-2008.

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(2) Stewardship, Compliance and Accountability (Continued)

(d) Excess of Expenditures Over Appropriations

It is the City's intention to seek authority from the City Council to realign the current year's budget to reflect priority changes in the goals and objectives of the City. This realignment did not take place in the current year budget; therefore, expenditures exceeded appropriations in the following funds:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	\$59,138,760	58,009,382	(1,129,378)
Community Development Block Grant Fund	275,070	235,600	(39,470)
Prop "A" Fund	304,835	271,250	(33,585)
Air Pollution Reduction Fund	53,528	26,600	(26,928)
C.O.P.S. Fund	280,857	143,158	(137,699)
Project Deposits Fund	23,238	19,900	(3,338)
Infrastructure Replacement Fund	4,141,995	-	(4,141,995)

(e) Fund Balance Deficits

The following funds contained deficit fund balances at September 30, 2008:

Special Revenue Funds:	
Residential Sound Insulation Fund	\$(2,797,131)
Community Development Block Grant Fund	(216,180)
FEMA Fund	(18,390)

The City expects to eliminate these deficits when future reimbursements are received from granting agencies.

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(3) Cash and Investments

Cash and investments as of September 30, 2008 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$50,357,261
Fiduciary Funds:	
Statement of Assets and Liabilities:	
Cash and investments	<u>927,268</u>
 Total cash and investments	 <u>\$51,284,529</u>

Cash and investments as of September 30, 2008 consist of the following:

Cash on hand	\$ 16,108
Deposits with financial institutions	7,681,927
Investments	<u>43,586,494</u>
 Total cash and investments	 <u>\$51,284,529</u>

Investments Authorized by California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code Section 53601 or the City's investment policy, where more restrictive. The table also identifies certain provisions of the California Government Code (or the City's investment policy if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum* Maturity</u>	<u>Maximum* Percentage of Portfolio</u>	<u>Maximum* Investment in One Issuer</u>
U S Treasury Securities	5 years	100%	none
U S Agency Securities	5 years	100%	none
Bankers' Acceptance	180 days	40%	30%
Commercial Paper	180 days	25%	10%
Negotiable CDs	5 years	30%	none
Repurchase Agreements	90 days	100%	none
Medium Term Notes	5 years	30%	none
Mutual Funds	N/A	15%	10%
Local Agency Investment Fund (LAIF)	N/A	None	100%*

* Based on state law requirements or investment policy requirements whichever is more restrictive.

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(3) Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity.

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>		
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>
Federal agency securities	\$20,500,247	2,000,630	-	18,499,617
Medium term notes	8,315,410	-	-	8,315,410
State investment pool	<u>14,770,837</u>	<u>14,770,837</u>	-	-
Total	<u>\$43,586,494</u>	<u>16,771,467</u>	<u>-</u>	<u>26,815,027</u>

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government code or the City's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type:

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Total</u>	<u>Remaining as of Year End</u>					
			<u>AAA</u>	<u>A</u>	<u>A-3</u>	<u>BAA1</u>	<u>WR</u>	<u>Not rated</u>
Federal agency securities	N/A	\$20,500,247	20,500,247	-	-	-	-	-
Medium term notes	A	8,315,410	1,009,360	861,400	5,523,080	546,570	375,000	-
State investment pool	N/A	<u>14,770,837</u>	-	-	-	-	-	<u>14,770,837</u>
Total		<u>\$43,586,494</u>	<u>21,509,607</u>	<u>861,400</u>	<u>5,523,080</u>	<u>546,570</u>	<u>375,000</u>	<u>14,770,837</u>

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(3) Cash and Investments (Continued)

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond what is stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal National Mortgage Association	Federal agency securities	\$10,548,497
Federal Home Loan Bank	Federal agency securities	6,948,760

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the City. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured City deposits. As of September 30, 2008, \$7,355,128 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts.

Investments held by a bond trustee are selected under the terms of the applicable trust agreement. The trustee acquires the investment and holds the investment on behalf of the reporting government.

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(3) Cash and Investments (Continued)

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. 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). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

(4) Notes and Loans Receivables

The balance of notes receivable in the General Fund consists of loans made to employees for computer purchases. The notes balance at September 30, 2008 was \$79,744.

The balance of notes receivable in the other governmental funds consists of minor home repair loans made to qualifying homeowners residing within the City. The balance at September 30, 2008 was \$93,607.

(5) Advances to Other Agency

In May 1986, the City entered into an agreement with the Senior Housing Board. The City built the Senior Housing Center, and the Senior Housing Board issued a promissory note for \$1,780,000, payable over 20 years at 8% interest to repay the City for its construction costs. Furthermore, the City and Board issued an additional amount of \$2,345,538 and \$882,545, principal and interest, respectively. The City will still own the property at the end of 20 years. Therefore, the note payments are treated as rent income and the note balance is offset by deferred revenue. The note balance at September 30, 2008 was \$3,327,524. The corresponding liability to the Senior Housing Board as of their December 31, 2007 fiscal year end was \$3,382,156.

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(6) Capital Assets

Primary Government:

Capital asset activity for the year ended September 30, 2008 was as follows:

	<u>Balance at October 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2008</u>
Government activities:				
Capital assets, not being depreciated:				
Land and rights of way	\$ 22,428,998	-	-	22,428,998
Construction-in-progress	<u>41,719,184</u>	<u>4,998,982</u>	<u>-</u>	<u>46,718,166</u>
Total capital assets, not being depreciated	<u>64,148,182</u>	<u>4,998,982</u>	<u>-</u>	<u>69,147,164</u>
Depreciable capital assets:				
Buildings and improvements	22,866,535	75,333	-	22,941,868
Vehicles and equipment	11,484,921	1,482,411	287,729	12,679,603
Infrastructure:				
Pavement	25,094,968	-	-	25,094,968
Sidewalks	2,454,970	-	-	2,454,970
Curb and gutter	1,773,741	-	-	1,773,741
Traffic signal	4,848,792	-	-	4,848,792
Medians	546,730	-	-	546,730
Street trees	302,692	-	-	302,692
Storm drain	3,489,578	-	-	3,489,578
Parks and recreation	<u>1,617,249</u>	<u>-</u>	<u>-</u>	<u>1,617,249</u>
Total depreciable capital assets	<u>74,480,176</u>	<u>1,557,744</u>	<u>287,729</u>	<u>75,750,191</u>
Less accumulated depreciation:				
Buildings and improvements	8,344,388	458,837		8,803,225
Vehicles and equipment	7,414,916	1,253,467	287,729	8,380,654
Infrastructure:				
Pavement	14,554,507	825,627	-	15,380,134
Sidewalks	481,206	49,099	-	530,305
Curb and gutter	488,391	35,475	-	523,866
Traffic signal	2,801,067	192,768	-	2,993,835
Medians	123,488	10,935	-	134,423
Storm drain	679,220	34,896	-	714,116
Parks and recreation	<u>386,201</u>	<u>57,031</u>	<u>-</u>	<u>443,232</u>
Total accumulated depreciation	<u>35,273,384</u>	<u>2,918,135</u>	<u>287,729</u>	<u>37,903,790</u>
Total capital assets being depreciated, net	<u>39,206,792</u>	<u>(1,360,391)</u>	<u>-</u>	<u>37,846,401</u>
Governmental activities capital assets	<u>\$103,354,974</u>	<u>3,638,590</u>	<u>-</u>	<u>106,993,565</u>

CITY OF EL SEGUNDO
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(6) Capital Assets (Continued)

	Balance at October 1, 2007 <u>as restated*</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>September 30, 2008</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,999,980	-	-	5,999,980
Construction-in-progress	<u>3,827</u>	<u>-</u>	<u>-</u>	<u>3,827</u>
Total capital assets, not depreciable assets	<u>6,003,807</u>	<u>-</u>	<u>-</u>	<u>6,003,807</u>
Capital assets being depreciated:				
Building and improvements	8,755,788	-	-	8,755,788
Vehicles and equipments	253,934	19,672	-	273,606
Infrastructure	<u>30,374,007</u>	<u>742,714</u>	<u>-</u>	<u>31,116,721</u>
Total capital assets being depreciated	<u>39,383,729</u>	<u>762,386</u>	<u>-</u>	<u>40,146,115</u>
Less accumulated depreciation:				
Building and improvements	3,837,471	206,566	-	4,044,037
Vehicles and equipment	183,735	40,585	-	224,320
Infrastructure	<u>16,262,759</u>	<u>1,128,532</u>	<u>-</u>	<u>17,391,291</u>
Total accumulated depreciation	<u>20,283,965</u>	<u>1,375,683</u>	<u>-</u>	<u>21,659,648</u>
Total capital assets being depreciated, net	<u>19,099,764</u>	<u>(613,297)</u>	<u>-</u>	<u>18,486,467</u>
Business-type activities capital assets	<u>\$25,103,572</u>	<u>(613,297)</u>	<u>-</u>	<u>24,490,274</u>

* See Note 16 for additional information.

CITY OF EL SEGUNDO
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(6) Capital Assets (Continued)

Discretely Presented Component Unit

The following is a summary of discretely presented capital assets for the year ended December 31, 2007:

	<u>Balance at January 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2007</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ <u>924,653</u>	<u>-</u>	<u>-</u>	<u>924,653</u>
Total capital assets, not depreciable assets	<u>924,653</u>	<u>-</u>	<u>-</u>	<u>924,653</u>
Capital assets being depreciated:				
Building and improvements	5,208,641	477,808	-	5,686,449
Furniture and equipments	<u>560,795</u>	<u>12,289</u>	<u>477,808</u>	<u>95,276</u>
Total capital assets being depreciated	<u>5,769,436</u>	<u>490,097</u>	<u>477,808</u>	<u>5,781,725</u>
Less accumulated depreciation:				
Building and improvements	2,671,193	331,625	-	3,002,818
Furniture and equipment	<u>237,598</u>	<u>5,224</u>	<u>161,961</u>	<u>80,861</u>
Total accumulated depreciation	<u>2,908,791</u>	<u>336,849</u>	<u>161,961</u>	<u>3,083,679</u>
Total capital assets being depreciated, net	<u>2,860,645</u>	<u>(153,248)</u>	<u>315,847</u>	<u>2,698,046</u>
Business-type activities capital assets	<u>\$3,785,298</u>	<u>(153,248)</u>	<u>315,847</u>	<u>3,622,699</u>

CITY OF EL SEGUNDO
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(6) Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 9,237
Public safety	68,094
Public works	2,152,795
Community and cultural	209,788
Capital assets held by the City's internal service funds are charges to the various function based on their usage of assets	478,221
Total governmental activities	\$2,918,135
Business-type activities:	
Water	\$416,874
Sewer	585,132
Golf course	373,677
Total business activities	\$1,375,683
Component unit:	
Park Vista Senior Housing	\$ 336,849

(7) Interfund Receivable, Payable and Transfers

The composition of interfund balances as of September 30, 2008 is as follows:

Due to/From Other Funds

	Due to Other Funds			Total
	Residential Sound Insulation Fund	Golf Course Fund	Non-Major Governmental Funds	
Due From Other Funds:				
General Fund	\$2,840,815	4,478,339	107,728	7,426,882

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(7) Interfund Receivable, Payable and Transfers (Continued)

Due to/From Other Funds (Continued)

The due to other funds between the Residential Sound Insulation Fund and the LAWA Fund are short term balances for expenditures incurred by the Residential Sound Insulation Fund to be reimbursed by the LAWA Fund, Other due to and from other funds are made to cover negative cash balances at September 30, 2008.

Interfund Transfers

<u>Transfers In</u>	<u>Transfers out</u>				<u>Total</u>
	<u>General Fund</u>	<u>Economic Uncertainty Fund</u>	<u>LAWA Fund</u>	<u>Non-Major Governmental Fund</u>	
General Fund	-	5,715,010	-	348,499	6,063,509
Economic Uncertainty Fund	-	-	-	-	-
Residential Sound Insulation Fund	-	-	1,575,223	-	1,575,223
Capital Improvement Fund	750,000	-	-	4,141,994	4,891,994
Internal Service Funds	255,000	-	-	-	255,000
Non-Major Governmental Funds	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,000</u>
Totals	<u>\$1,080,000</u>	<u>5,715,010</u>	<u>1,575,223</u>	<u>4,490,493</u>	<u>12,860,726</u>

The General Fund transfers in from Non-Major Governmental Funds support expenditure in the Police Department Traffic Safety division, the Public Work Street Maintenance division and various recreation programs within the Recreations and Parks department. The Capital Improvement Fund transfers in from the General Fund were an annual allocation for capital improvements projects approved by the City Council and the Capital Improvement Program Advisory Committee (CIPAC). The Residential Sound Insulation Fund transfers in from the LAWA Fund were additional funding for the City's Residential Sound Insulation program received from LAWA.

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(8) Noncurrent Liabilities

Governmental Activities

The following is a summary of changes in governmental activities long-term debt of the City for the year ended September 30, 2008:

	Balance at October 1, 2007, <u>as restated*</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, 2008	Due within one year
Compensated absences	\$ 5,273,894	1,540,990	(1,112,341)	5,702,543	1,197,500
Claims and judgments	5,522,363	1,179,513	(421,030)	6,280,846	1,351,177
Capital lease – Parking structure	2,510,002	-	(24,061)	2,485,941	25,749
Facility lease	<u>7,794,301</u>	<u>-</u>	<u>(232,138)</u>	<u>7,562,163</u>	<u>238,800</u>
Totals	<u>\$21,100,560</u>	<u>6,542,914</u>	<u>(5,611,981)</u>	<u>22,031,493</u>	<u>2,813,226</u>

* See Note 16 for additional information.

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$5,702,543 at September 30, 2008 will be paid in future years from the General Fund.

Claims and Judgments

The City's self-insurance contingencies are described in Note 12. This liability, amounting to \$6,280,846 at September 30, 2008, will be paid in future years from the internal service funds.

Capital Lease - Parking Structure

During Fiscal Year 2003-04, the City entered into a capital lease agreement with 612 Twin Holdings, LLC to acquire a two story, three level parking structure and certain retail space. The terms of the lease include an initial payment of \$1,100,000, monthly lease payments of \$16,167 with an imputed interest rate of 6.80% for 408 months, and a purchase option for \$200,000 due on January 1, 2039. The capital asset acquired has a present value of \$3,688,222 (\$1,659,700 and \$2,028,522 for the building structure and the land respectively) with an annual depreciation of \$33,194. The outstanding balance of the capital lease liability at September 30, 2008, is \$2,485,941 and the debt service to maturity is as follows:

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(8) Noncurrent Liabilities (Continued)

<u>Year Ending June 30</u>	<u>Parking Structure – Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 25,749	168,251
2010	27,555	166,445
2011	29,489	164,512
2012	31,577	162,443
2013	33,772	160,229
2014-2018	207,903	762,097
2019-2023	291,813	678,187
2024-2028	409,589	560,412
2029-2033	574,899	395,102
2034-2038	<u>853,595</u>	<u>156,719</u>
Total	<u>\$2,485,941</u>	<u>3,374,395</u>

Facility Lease – Douglas Street Gap Closure

On September 1, 2005, the City entered into a Facility Lease agreement with the California Infrastructure and Economic Development Bank (CIEDB) whereby CIEDB issued bonds in the amount of \$10,000,000 to finance the Douglas Street Gap Closure Project. The City will make rental lease payments over a 30-year period starting on February 1, 2006, at an interest rate of 2.87% per annum. Interest payments on the lease obligation are due on February 1 and August 1 of each year. Base rental payment will be mailed to the City reflecting the actual amount owed prior to each base rental payment due date. The outstanding balance of the Facility Lease at September 30, 2008, is \$7,562,163, and the debt service to maturity is as follows:

<u>Year Ending June 30</u>	<u>Facility Lease – Douglas Street Gap Closure</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 238,800	273,861
2010	245,654	267,008
2011	252,704	259,957
2012	259,957	252,705
2013	267,417	245,244
2014-2018	1,456,711	1,106,595
2019-2023	1,678,097	885,209
2024-2028	1,933,129	630,178
2029-2033	<u>1,229,694</u>	<u>378,897</u>
Total	<u>\$7,562,163</u>	<u>4,299,654</u>

CITY OF EL SEGUNDO
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(8) Noncurrent Liabilities (Continued)

Business-Type Activities

The following is a summary of changes in business-type activities long-term debt of the City for the year ended September 30, 2008:

	Balance at October 1, <u>2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, 2008	Due within <u>one year</u>
Compensated absences	\$ 90,624	128,151	87,100	131,675	128,151
Capital leases	50,485	-	-	50,485	24,499
Golf course site lease	<u>2,088,875</u>	<u>-</u>	<u>411,514</u>	<u>1,677,361</u>	<u>436,678</u>
Total	<u>\$2,229,984</u>	<u>128,151</u>	<u>498,614</u>	<u>1,859,521</u>	<u>589,328</u>

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$131,675 at September 30, 2008, will be paid in future years from the Water Fund.

Capital Leases

During fiscal year 2004-2005, the City entered in a capital lease in the amount \$117,511 with John Deere Credit for the purchase of maintenance equipment for the Golf Course. The outstanding balance of the liability at September 30, 2008, is \$50,485 and the debt service to maturity is as follows:

<u>Year Ending June 30</u>	<u>Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$24,499	107
2010	<u>25,986</u>	<u>107</u>
Total	<u>\$50,485</u>	<u>214</u>

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(8) **Noncurrent Liabilities (Continued)**

Golf Course Site Lease

During fiscal year 2003-2004, the City of El Segundo entered into a lease agreement with LaSalle Bank National Association in the amount of \$3,270,011 to defease its portion of the 1992 Certificates of Participation and to finance the costs of the construction of certain improvements at the Lakes at El Segundo Golf Course. The term of the lease includes monthly payments of \$43,725 until to December 2011, and \$32,077 thereafter until May 2012. The minimum lease payments contain an imputed interest rate of 5.950% per annum. The outstanding balance at September 30, 2008 is \$1,677,361 and the debt service to maturity is as follows:

<u>Year Ended June 30</u>	<u>Golf Course Site Lease</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 436,678	88,022
2010	463,382	61,319
2011	491,716	32,984
2012	<u>285,585</u>	<u>5,976</u>
Total	<u>\$1,677,361</u>	<u>188,301</u>

(9) **Retirement Plan**

Plan Description

The City of El Segundo contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 "Q" Street, Sacramento, CA 95811.

Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees with over three years of service on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and City contract with bargaining groups.

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(9) **Retirement Plan (Continued)**

Annual Pension Cost

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2007 to June 30, 2008 has been determined by an actuarial valuation of the plan as of June 30, 2005. The contribution rate indicated for the period is 25.491% of payroll for the safety plan and 10.368% of payroll for the miscellaneous plan. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of September 30, 2008, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2007 to June 30, 2008.

A summary of principle assumptions and methods used to determine the annual required contribution is as follows:

Valuation date	June 30, 2005
Actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll
Average remaining period	Safety employees: 32 years as of the valuation date. Miscellaneous employees: 22 years as of the valuation date
Asset valuation method	15-year smoothed market
Actuarial assumptions investment rate of return project salary increases	7.75% (net of administrative expenses) 3.25% to 14.45% depending on age, service and type of employment
Inflation	3.00%
Payroll growth	3.25%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(9) Retirement Plan (Continued)

Annual Pension Cost (Continued)

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into Cal PERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

The schedule of funding progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. The schedule of funding progress, presented below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Required Supplementary Information

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
6-30-05:						
Miscellaneous	\$ 50,480,127	54,054,986	3,574,859	93.4%	10,920,108	32.7%
Safety	<u>113,315,496</u>	<u>132,292,733</u>	<u>18,977,237</u>	85.7%	<u>11,148,829</u>	170.2%
Total	<u>\$163,795,623</u>	<u>186,347,719</u>	<u>22,552,096</u>	87.9%	<u>22,068,937</u>	102.2%
6-30-06:						
Miscellaneous	\$ 54,036,180	58,063,870	4,027,690	93.1%	11,101,079	36.3%
Safety	<u>121,291,476</u>	<u>144,552,932</u>	<u>23,261,456</u>	83.9%	<u>12,590,362</u>	184.8%
Total	<u>\$175,327,656</u>	<u>202,616,802</u>	<u>27,289,146</u>	86.5%	<u>23,691,441</u>	115.2%
6-30-07:						
Miscellaneous	\$ 58,342,734	62,701,036	4,358,302	93.0%	12,130,240	35.9%
Safety	<u>130,535,290</u>	<u>157,457,061</u>	<u>26,921,771</u>	82.9%	<u>13,663,855</u>	197.0%
Total	<u>\$188,878,024</u>	<u>220,158,097</u>	<u>31,280,073</u>	85.8%	<u>25,794,095</u>	121.3%

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(9) Retirement Plan (Continued)

Annual Pension Cost (Continued)

<u>Fiscal Year</u>	<u>Three-Year Trend Information</u>		
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2005-2006	\$ 6,598,514	100%	\$ 0
2006-2007	6,873,160	100%	0
2007-2008	6,749,223	100%	0

(10) Post-Employment Health Insurance

During the year ended September 30, 2008, the City implemented GASB Statement No. 45 which changed the accounting and financial reporting used by local government employers for postemployment benefits. Previously, the costs of such benefits were generally recognized as expenditures/expenses of local government employers on a pay-as-you-go basis. The new reporting requirements for these benefit programs as they pertain to the City are as set forth below.

Plan Description

The City provides postretirement medical benefits to employees who retire directly from the City under CalPERS, with age and service requirements that vary by bargaining unit. For eligible retirees, the City contributes a portion of the premium for the medical plan selected by the retiree. For retirees not meeting the eligibility requirement, the City pays only the PEMHCA minimum employer contribution only.

Benefit provisions for CalPERS are established and amended through negotiations between the city and the respective unions. The plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports may be obtained by writing or calling the plans at the following address or telephone number:

CalPERS Member Services Division
P.O. Box 942704
Sacramento, CA 94229-2704
1-888-225-7377

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(10) Post-Employment Health Insurance (Continued)

Funding Policy and Annual OPEB Cost.

Contribution requirements of the plan members and the City are established and may be amended by the City Council. The City's annual other postemployment benefit (OPEB) cost (expense) for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City's annual OPEB cost for the current year and the related information for each plan are as follows (dollar amounts in thousands):

	<u>Retiree Healthcare Plan</u>
Contribution rates:	
City	Actuarially 21.1%
Plan members	N/A
Annual required contribution	\$4,370,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	\$4,370,000
Contributions made	<u>(4,370,000)</u>
Increase in net OPEB obligation	-
Net OPEB obligation – beginning of year	<u>4,370,000</u>
Net OPEB obligation – end of year	<u>\$ -</u>

Contributions from the City have been transferred to an irrevocable trust administered by CalPERS on behalf of the City in which the plan assets held by the trust have been dedicated solely to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer or the plan administrator. Accordingly, City contributions to this trust have been accounted for as reductions of the City's liability for its net OPEB obligation.

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(10) Post-Employment Health Insurance (Continued)

Funding Policy and Annual OPEB Cost (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the two preceding years for each of the plans were as follows (dollar amounts in thousands):

	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Municipal Retired	9/30/06	N/A	N/A	\$ -
Employees	9/30/07	N/A	N/A	-
Healthcare Plan	9/30/08	\$4,370,000	100%	-

Funded Status and Funding Progress. The funded status of the plans as of September 30, 2008, was as follows (dollar amounts in thousands):

Actuarial accrued liability (a)	\$47,344,000
Actuarial value of plan assets (b)	<u>4,370,000</u>
Unfunded actuarial accrued liability (funding excess) (a)-(b)	<u>\$42,974,000</u>
Funded ratio (b)/(a)	9.23%
Covered payroll (c)	\$20,720,000
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ((a)-(b))/(c))	207.40%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(10) Post-Employment Health Insurance (Continued)

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the city and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date	6/30/06**
Actuarial method	Actuarial cost method
Remaining amortization period	30 years
Asset valuation method	Biennial

Actuarial assumptions:

Investment rate of return*	7.75%‡
Projected salary increases*	3.25%
Healthcare inflation rate*	12% initial 5% ultimate

* Includes an inflation assumption of 3.0%.

** Rolled forward to 9/30/07.

‡ Determined as a blended rate of the expected long-term investment returns of plan assets based on the funded level of the plan at the valuation date.

Required Supplementary Information - Schedule of Funding Progress
(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age* (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/05	n/a	n/a	n/a	n/a	n/a	n/a
9/30/06	n/a	n/a	n/a	n/a	n/a	n/a
9/30/07	\$4,370,000	\$47,344,000	\$42,974,000	9.23%	\$20,720,000	21.1%

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(10) Post-Employment Health Insurance (Continued)

Actuarial Methods and Assumptions (Continued)

- * The aggregate actuarial cost method is used for funding purposes. However, because this method does not identify or separately amortize unfunded actuarial liabilities, the entry age actuarial cost method has been used to provide required information about funded status and funding progress. The information presented in this schedule is intended to approximate the funding progress of the plan based on the use of the aggregate actuarial cost method.

(11) Summary Disclosure of Self-Insurance Contingencies

The City adopted a self-insured workers' compensation program, which is administered by a service agent. The City is self-insured for the first \$350,000 on each claim. Insurance coverage in excess of the self-insured amount is provided by the Independent Cities Risk Management Authority (ICRMA) up to a limit of \$49,650,000.

Also, the City is self-insured for the first \$400,000 on each general liability claim against the City. The insurance coverage in excess of the self-insured amount is provided by Independent Cities Risk Management Authority (ICRMA) up to a limit of \$19,600,000.

Effective July 17, 1990, the City became a member of the Independent Cities Risk Management Authority (ICRMA), a joint powers authority of 24 participating members, for the purpose of pooling the City of El Segundo's risk for general liability and workers' compensation losses with those of other member cities. The Governing Board of the ICRMA is comprised of one elected official or alternate from each member city, selected by each member city's City Council. Each governing Board member has one vote regarding all financial and management issues coming before the governing Board.

At September 30, 2008, \$4,876,940 is shown as a liability in the Worker's Compensation Fund and \$4,403,906 is shown as a liability in the Liability Insurance Fund for liability claims. While the ultimate amount of loss incurred through September 30, 2008, is dependent on future developments, based upon information from the service agent and others involved with the administration of the programs, management believes that these amounts are adequate to cover such losses. Settlement amounts have not exceeded insurance coverage for each of the past three years.

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(11) Summary Disclosure of Self-Insurance Contingencies (Continued)

Changes in liability claims for the years ended September 30, 2007 and September 30, 2008 were as follows:

	<u>Workers' Compensation Fund</u>	<u>Liability Insurance Fund</u>	<u>Total</u>
Balance – October 1, 2006	\$5,118,000	\$1,905,400	\$7,023,400
Claim payments	(678,416)	(260,627)	(939,043)
Current year claims and changes in estimate	<u>259,416</u>	<u>(821,410)</u>	<u>(561,994)</u>
Balance – September 30, 2007	<u>\$4,699,000</u>	<u>\$ 823,363</u>	<u>\$5,522,363</u>
Balance – October 1, 2007	\$4,699,000	\$ 823,363	\$5,522,363
Claim payments	(209,145)	(211,884)	(421,030)
Current year claims and changes in estimate	<u>387,085</u>	<u>792,427</u>	<u>1,179,513</u>
Balance – September 30, 2008	<u>\$4,876,940</u>	<u>\$1,403,906</u>	<u>\$6,280,846</u>

(12) Risk Management – ICRMA

The City is a member of the Independent Cities Risk Management Authority (the "Authority"). The Authority is comprised of 24 members and organized under a joint powers agreement pursuant to the California Government Code. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Each member city has a representative on the Board of Directors. Officers of the Authority are elected annually by the Board members.

ICRMA furnishes the City of El Segundo excess liability coverage, providing \$19.6 million and \$49.65 million in limits above the City's \$400,000 and \$350,000 self-insured retention (SIR) for general liability and workers' compensation, respectively.

The City is responsible for the SIR and report directly for claims occurring in that layer. As of June 30, 2008, ICRMA has claim reserves of \$8,003,514 or claims that may ultimately result in losses. As of this date, the ultimate outcome of these claims has not been determined and it is unlikely that they will be resolved in the next year. The Incurred But Not Reported (IBNR) claims reserve as of June 30, 2008 was \$15,319,831.

CITY OF EL SEGUNDO
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(12) Risk Management – ICRMA, (Continued)

As of June 30, 2008, ICRMA's summary financial information is as follows:

Assets	<u>\$56,884,635</u>
Liabilities	25,903,933
Net assets	<u>30,980,702</u>
 Total liabilities and net assets	 <u>\$56,884,635</u>
 Operating revenues	 20,104,952
Operating expenses	<u>(22,273,205)</u>
 Operating income	 (2,168,253)
 Non-operating revenues (expenses)	 <u>3,431,616</u>
 Changes in net assets	 <u>\$ 1,263,363</u>

(13) Joint Venture

The City of El Segundo is a member of the Los Angeles Interagency Metropolitan Police Apprehension Crime Task Force (L.A. IMPACT), a joint powers authority of the police departments of cities and other institutions in Los Angeles County. The Organization was formed July 1, 1991, with the mission to promote coordinated law enforcement efforts and to address emerging criminal justice issues, mainly in the areas of drug trafficking and money laundering. The executive council consists of 14 police chiefs and other various police officers. All financial decisions were made by the executive council. The members received monetary distributions from the asset seizures based on their respective contribution to the effort.

L.A. IMPACT's latest summary financial information as of June 30, 2008 is as follows:

Assets	\$8,377,064
Liabilities	<u>2,032,398</u>
 Net assets	 <u>6,344,666</u>
 Program revenues	 7,505,809
Program expenditures	5,445,811
Other financing sources	<u>91,340</u>
 Changes in net assets	 <u>\$2,151,338</u>

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(13) Joint Venture (Continued)

Complete financial statements for the above joint venture may be obtained at the entity's administrative office:

L.A. IMPACT
5700 South Eastern Avenue
Commerce, CA 90040-2924

(14) Joint Use Agreement

The City entered into a joint use agreement with the El Segundo Unified School District, which was amended August 20, 1991 which provided for the City's use of certain recreational facilities. The City paid \$400,000 for the use of the facilities for a ten-year period. An additional agreement was signed December 8, 1992, which supersedes the prior agreement. The new agreement provides for the use of additional locations for a period of 22 years starting from 1990. The City paid \$750,000 on December 8, 1992 and July 1, 1993, and paid \$500,000 for the succeeding four years each July 1. The last payment in the amount of \$250,000 was made in September 2007.

(15) Litigation

The City is defendant in several pending lawsuits of a nature common to many similar jurisdictions. City management estimates that the potential claims against the City, not covered by insurance resulting from such litigation, would not materially affect the basic financial statements of the City.

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(16) Restatement of Fund Balance/Net Assets

The City's beginning fund balances/net assets were restated at October 1, 2007 to correct the following errors:

	Governmental Funds		
	LAWA Special Revenue Fund	Capital Improvement Major Capital Projects Fund	Developer Fees Non-Major Special Revenue Fund
Fund balance (deficit) at beginning of year, as previously reported	\$(6,674,275)	3,334,633	2,368,124
Adjustment to correct recognition of earned intergovernmental revenue	6,674,275	-	-
Adjustment to correct prior year overstatement of revenues related to grant revenue accruals and loan proceeds	-	(4,218,923)	-
Adjustment to recognize developer fees collected in prior years in the proper fund	-	-	<u>1,500,000</u>
Fund balance (deficit) at beginning of year as restated	\$ -	(884,290)	<u>3,868,124</u>

CITY OF EL SEGUNDO

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(16) Restatement of Fund Balance/Net Assets (Continued)

	<u>Proprietary Fund</u> <u>Water Major</u> <u>Enterprise Fund</u>
Net assets at beginning of year, as previously reported	\$4,226,013
Adjustment to correct capital assets and accumulated depreciation for capitalizable purchases that were expensed in the prior year	<u>194,511</u>
Net assets at beginning of year, as restated	<u><u>\$4,420,524</u></u>

	<u>Government-Wide Financial Statements</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net assets at beginning of year, as previously reported	\$140,573,105	18,246,094	158,819,199
To recognized developer fees collected in prior years previously recorded in City's Agency Fund	1,500,000	-	1,500,000
Adjustment to correct capital assets and accumulated depreciation for capitalizable purchases that were expensed in prior years	-	194,511	194,511
Adjustment to correct outstanding principal balance on Facility Lease	1,980,038	-	1,980,038
Adjustment to correct prior year overstatement of revenues related to grant revenue accruals and loan proceeds	<u>2,455,352</u>	<u>-</u>	<u>2,455,352</u>
Net assets at beginning of year, as restated	<u><u>\$146,508,495</u></u>	<u><u>18,440,605</u></u>	<u><u>164,949,100</u></u>

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ADDITIONAL FINANCIAL INFORMATION

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CITY OF EL SEGUNDO
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2008

	<u>Special Revenue</u>			
	<u>State Gas Tax Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Asset Forfeiture Fund</u>	<u>Prop "A" Fund</u>
<u>Assets</u>				
Cash and investments	\$ 824,199	-	1,523,271	500,575
Receivables:				
Accounts	-	-	4,601	-
Notes and loans	-	93,607	-	-
Due from other governments	<u>22,106</u>	<u>117,854</u>	<u>-</u>	<u>23,604</u>
Total assets	<u>846,305</u>	<u>211,461</u>	<u>1,527,872</u>	<u>524,179</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	84,318	118,154	15,126	216
Accrued liabilities	6	94,185	11,557	5,353
Due to other funds	-	89,338	-	-
Retentions payable	9,149	12,401	-	-
Deferred revenues	-	113,563	538,000	-
Deposits payable	-	-	-	-
Total liabilities	<u>93,473</u>	<u>427,641</u>	<u>564,683</u>	<u>5,569</u>
Fund balances (deficit):				
Reserved for:				
Encumbrances	15,948	5,065	46,746	-
Notes and loans receivable	-	93,607	-	-
Unreserved:				
Designated for:				
Aquatics facility	-	-	-	-
Continuing appropriations	113,245	-	-	-
Undesignated	<u>623,639</u>	<u>(314,852)</u>	<u>916,443</u>	<u>518,610</u>
Total fund balances (deficit)	<u>752,832</u>	<u>(216,180)</u>	<u>963,189</u>	<u>518,610</u>
Total liabilities and and fund balances	<u>\$ 846,305</u>	<u>211,461</u>	<u>1,527,872</u>	<u>524,179</u>

Special Revenue

Prop "C" Fund	Traffic Safety Fund	Air Pollution Reduction Fund	Hyperion Mitigation Fund
485,134	270,514	78,910	351,523
-	-	-	24,134
-	-	-	-
19,576	15,693	-	-
<u>504,710</u>	<u>286,207</u>	<u>78,910</u>	<u>375,657</u>
32,266	-	23,986	360
6,010	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>38,276</u>	<u>-</u>	<u>23,986</u>	<u>360</u>
-	-	-	-
-	-	-	-
-	-	-	-
466,434	286,207	54,924	126,100
<u>466,434</u>	<u>286,207</u>	<u>54,924</u>	<u>249,197</u>
<u>466,434</u>	<u>286,207</u>	<u>54,924</u>	<u>375,297</u>
<u>504,710</u>	<u>286,207</u>	<u>78,910</u>	<u>375,657</u>

(Continued)

CITY OF EL SEGUNDO
Nonmajor Governmental Funds
Combining Balance Sheet
(Continued)

	Special Revenue			
	SB 821 Bikeway Fund	C.O.P.S. Fund	FEMA Fund	Project Deposits
<u>Assets</u>				
Cash and investments	\$ 21,252	186,548	-	599,313
Receivables:				
Accounts	-	-	-	-
Notes and loans	-	-	-	-
Due from other governments	-	-	74,829	-
	<u>21,252</u>	<u>186,548</u>	<u>74,829</u>	<u>599,313</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	-	18,761	-	-
Accrued liabilities	-	-	-	87,020
Due to other funds	-	-	18,390	-
Retentions payable	-	-	-	-
Deferred revenues	21,120	-	74,829	-
Deposits payable	-	-	-	-
	<u>21,120</u>	<u>18,761</u>	<u>93,219</u>	<u>87,020</u>
Fund balances (deficit):				
Reserved for:				
Encumbrances	-	7,316	-	-
Notes and loans receivable	-	-	-	-
Unreserved:				
Designated for:				
Aquatics facility	-	-	-	-
Continuing appropriations	132	-	-	-
Undesignated	-	160,471	(18,390)	512,293
	<u>132</u>	<u>167,787</u>	<u>(18,390)</u>	<u>512,293</u>
Total fund balances (deficit)	<u>132</u>	<u>167,787</u>	<u>(18,390)</u>	<u>512,293</u>
Total liabilities and and fund balances	<u>\$ 21,252</u>	<u>186,548</u>	<u>74,829</u>	<u>599,313</u>

<u>Special Revenue Funds</u>		<u>Capital Projects</u>	<u>Debt Service</u>	
<u>Developer Fees</u>	<u>Facilities Maintenance</u>	<u>Infrastructure Replacement Fund</u>	<u>Assessment District #73 Fund</u>	<u>Total</u>
4,387,497	111,464	-	65,477	9,405,677
1,125	-	-	-	29,860
-	-	-	-	93,607
-	-	-	-	273,662
<u>4,388,622</u>	<u>111,464</u>	<u>-</u>	<u>65,477</u>	<u>9,802,806</u>
9,677	10,912	-	-	313,776
-	-	-	-	204,131
-	-	-	-	107,728
-	-	-	-	21,550
-	-	-	-	747,512
<u>302,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>302,391</u>
<u>312,068</u>	<u>10,912</u>	<u>-</u>	<u>-</u>	<u>1,697,088</u>
7,494	-	-	-	82,569
-	-	-	-	93,607
1,500,000	-	-	-	1,500,000
56,075	-	-	-	295,552
<u>2,512,985</u>	<u>100,552</u>	<u>-</u>	<u>65,477</u>	<u>6,133,990</u>
<u>4,076,554</u>	<u>100,552</u>	<u>-</u>	<u>65,477</u>	<u>8,105,718</u>
<u>4,388,622</u>	<u>111,464</u>	<u>-</u>	<u>65,477</u>	<u>9,802,806</u>

CITY OF EL SEGUNDO
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended September 30, 2008

	Special Revenue			
	State Gas Tax Fund	Community Development Block Grant Fund	Asset Forfeiture Fund	Prop "A" Fund
Revenues:				
Intergovernmental	\$ 667,684	161,507	-	271,718
Use of money and property	11,261	-	45,113	20,341
Fines and forfeitures	-	-	720,141	-
Miscellaneous	-	-	254,381	-
Total Revenues	678,945	161,507	1,019,635	292,059
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	665,246	-
Public works	-	-	-	-
Community and cultural	-	113,099	-	304,835
Capital outlay	96,577	124,014	1,793	-
Total expenditures	96,577	237,113	667,039	304,835
Excess (deficiency) of revenues over (under) expenditures	582,368	(75,606)	352,596	(12,776)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(140,000)	(37,957)	-	-
Total other financing sources (uses)	(140,000)	(37,957)	-	-
Net change in fund balances	442,368	(113,563)	352,596	(12,776)
Fund balances (deficit), beginning of year, as restated	310,464	(102,617)	610,593	531,386
Fund balances (deficit), end of year	\$ 752,832	(216,180)	963,189	518,610

Special Revenue

<u>Prop "C" Fund</u>	<u>Traffic Safety Fund</u>	<u>Air Pollution Reduction Fund</u>	<u>Hyperion Mitigation Fund</u>
224,263	-	20,395	24,000
18,097	9,027	3,659	-
-	177,336	-	-
-	-	-	-
<u>242,360</u>	<u>186,363</u>	<u>24,054</u>	<u>24,000</u>
-	-	-	-
-	-	-	-
-	-	-	8,624
213,465	-	53,528	-
-	-	-	-
<u>213,465</u>	<u>-</u>	<u>53,528</u>	<u>8,624</u>
<u>28,895</u>	<u>186,363</u>	<u>(29,474)</u>	<u>15,376</u>
-	-	-	-
-	(154,500)	-	-
-	(154,500)	-	-
28,895	31,863	(29,474)	15,376
<u>437,539</u>	<u>254,344</u>	<u>84,398</u>	<u>359,921</u>
<u>466,434</u>	<u>286,207</u>	<u>54,924</u>	<u>375,297</u>

(Continued)

CITY OF EL SEGUNDO
Nonmajor Governmental Funds

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

	Special Revenue			
	SB 821 Bikeway Fund	C.O.P.S. Fund	FEMA Fund	Project Deposits
Revenues:				
Intergovernmental	\$ -	100,000	-	10,894
Use of money and property	-	14,829	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
	-	-	-	-
Total Revenues	-	114,829	-	10,894
Expenditures:				
Current:				
General government	-	-	2,700	1,204
Public safety	-	-	-	3,220
Public works	-	-	-	-
Community and cultural	-	-	-	18,814
Capital outlay	-	280,857	-	-
	-	280,857	-	-
Total expenditures	-	280,857	2,700	23,238
Excess (deficiency) of revenues over (under) expenditures:	-	(166,028)	(2,700)	(12,344)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	(166,028)	(2,700)	(12,344)
Fund balances (deficit), beginning of year, as restated	132	333,815	(15,690)	524,637
Fund balances (deficit), end of year	\$ 132	167,787	(18,390)	512,293

Special Revenue		Capital Projects	Debt Service	
Developer Fees	Facilities Maintenance	Infrastructure Replacement Fund	Assessment District #73 Fund	Total
87,054	-	-	-	1,567,515
-	-	-	-	122,327
165,128	-	-	-	1,062,605
-	-	-	-	254,381
<u>252,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,006,828</u>
-	113,508	-	-	117,412
-	-	-	-	668,466
27,711	-	-	-	36,335
-	-	-	-	703,741
-	-	-	-	503,241
<u>27,711</u>	<u>113,508</u>	<u>-</u>	<u>-</u>	<u>2,029,195</u>
<u>224,471</u>	<u>(113,508)</u>	<u>-</u>	<u>-</u>	<u>977,633</u>
-	75,000	-	-	75,000
(16,041)	-	(4,141,995)	-	(4,490,493)
<u>(16,041)</u>	<u>75,000</u>	<u>(4,141,995)</u>	<u>-</u>	<u>(4,415,493)</u>
208,430	(38,508)	(4,141,995)	-	(3,437,860)
<u>3,868,124</u>	<u>139,060</u>	<u>4,141,995</u>	<u>65,477</u>	<u>11,543,578</u>
<u>4,076,554</u>	<u>100,552</u>	<u>-</u>	<u>65,477</u>	<u>8,105,718</u>

CITY OF EL SEGUNDO
Non-Major Special Revenue Fund

State Gas Tax Fund

Budgetary Comparison Schedule

Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Budgetary fund balance, October 1	\$ 310,464	310,464	310,464	-
Resources (inflows):				
Intergovernmental	320,000	320,000	667,684	347,684
Use of money and property	<u>5,000</u>	<u>5,000</u>	<u>11,261</u>	<u>6,261</u>
Amounts available for appropriation	<u>635,464</u>	<u>635,464</u>	<u>989,409</u>	<u>353,945</u>
Charges to appropriation (outflows):				
Capital outlay	60,000	220,300	96,577	123,723
Transfers out	<u>140,000</u>	<u>140,000</u>	<u>140,000</u>	<u>-</u>
Total charges to appropriations	<u>200,000</u>	<u>360,300</u>	<u>236,577</u>	<u>123,723</u>
Budgetary fund balance, September 30	<u>\$ 435,464</u>	<u>275,164</u>	<u>752,832</u>	<u>477,668</u>

CITY OF EL SEGUNDO
Non-Major Special Revenue Fund

Community Development Block Grant Fund

Budgetary Comparison Schedule

Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
Budgetary fund balance (deficit), October 1	\$ (102,617)	(102,617)	(102,617)	-
Resources (inflows):				
Intergovernmental	99,000	99,000	161,507	62,507
Transfer in	<u>49,250</u>	<u>49,250</u>	<u>-</u>	<u>(49,250)</u>
Amounts available for appropriation	<u>45,633</u>	<u>45,633</u>	<u>58,890</u>	<u>13,257</u>
Charges to appropriation (outflows):				
Community and cultural	32,500	119,750	113,099	6,651
Capital outlay	116,250	115,850	124,014	(8,164)
Transfers out	<u>-</u>	<u>-</u>	<u>37,957</u>	<u>(37,957)</u>
Total charges to appropriations	<u>148,750</u>	<u>235,600</u>	<u>275,070</u>	<u>(39,470)</u>
Budgetary fund balance (deficit), September 30	<u>\$ (103,117)</u>	<u>(189,967)</u>	<u>(216,180)</u>	<u>(26,213)</u>

CITY OF EL SEGUNDO
Non-Major Special Revenue Fund

Asset Forfeiture Fund

Budgetary Comparison Schedule

Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Budgetary fund balance, October 1	\$ 610,593	610,593	610,593	-
Resources (inflows):				
Use of money and property	29,800	29,800	45,113	15,313
Fines and forfeitures	242,600	242,600	720,141	477,541
Miscellaneous	-	-	254,381	254,381
	882,993	882,993	1,630,228	747,235
Amounts available for appropriation				
Charges to appropriation (outflows):				
Public safety	833,450	861,945	665,246	196,699
Capital outlay	-	-	1,793	(1,793)
	833,450	861,945	667,039	194,906
Total charges to appropriations	833,450	861,945	667,039	194,906
Budgetary fund balance, September 30	\$ 49,543	21,048	963,189	942,141

CITY OF EL SEGUNDO
Non-Major Special Revenue Fund

Prop "A" Fund

Budgetary Comparison Schedule

Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Budgetary fund balance, October 1	\$ 531,386	531,386	531,386	-
Resources (inflows):				
Intergovernmental	264,900	264,900	271,718	6,818
Use of money and property	<u>10,000</u>	<u>10,000</u>	<u>20,341</u>	<u>10,341</u>
Amounts available for appropriation	<u>806,286</u>	<u>806,286</u>	<u>823,445</u>	<u>17,159</u>
Charges to appropriation (outflows):				
Community and cultural	<u>316,300</u>	<u>271,250</u>	<u>304,835</u>	<u>(33,585)</u>
Total charges to appropriations	<u>316,300</u>	<u>271,250</u>	<u>304,835</u>	<u>(33,585)</u>
Budgetary fund balance (deficit), September 30	<u>\$ 489,986</u>	<u>535,036</u>	<u>518,610</u>	<u>(16,426)</u>

CITY OF EL SEGUNDO
Non-Major Special Revenue Fund

Prop "C" Fund

Budgetary Comparison Schedule

Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Budgetary fund balance, October 1	\$ 437,539	437,539	437,539	-
Resources (inflows):				
Intergovernmental	219,000	219,000	224,263	5,263
Use of money and property	15,000	15,000	18,097	3,097
Amounts available for appropriation	671,539	671,539	679,899	8,360
Charges to appropriation (outflows):				
Community and cultural	261,300	249,300	213,465	35,835
Capital outlay	-	100,000	-	100,000
Total charges to appropriations	261,300	349,300	213,465	135,835
Budgetary fund balance, September 30	\$ 410,239	322,239	466,434	144,195

CITY OF EL SEGUNDO
Non-Major Special Revenue Fund

Traffic Safety Fund

Budgetary Comparison Schedule

Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Budgetary fund balance, October 1	\$ 254,344	254,344	254,344	-
Resources (inflows):				
Use of money and property	-	-	9,027	9,027
Fines and forfeitures	<u>148,500</u>	<u>148,500</u>	<u>177,336</u>	<u>28,836</u>
Amounts available for appropriation	<u>402,844</u>	<u>402,844</u>	<u>440,707</u>	<u>37,863</u>
Charges to appropriation (outflows):				
Transfers out	<u>148,500</u>	<u>154,500</u>	<u>154,500</u>	<u>-</u>
Total charges to appropriations	<u>148,500</u>	<u>154,500</u>	<u>154,500</u>	<u>-</u>
Budgetary fund balance, September 30	<u>\$ 254,344</u>	<u>248,344</u>	<u>286,207</u>	<u>37,863</u>

CITY OF EL SEGUNDO
Non-Major Special Revenue Fund

Air Pollution Reduction Fund

Budgetary Comparison Schedule

Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Budgetary fund balance, October 1	\$ 84,398	84,398	84,398	-
Resources (inflows):				
Intergovernmental	19,000	19,000	20,395	1,395
Use of money and property	<u>2,000</u>	<u>2,000</u>	<u>3,659</u>	<u>1,659</u>
Amounts available for appropriation	<u>105,398</u>	<u>105,398</u>	<u>108,452</u>	<u>3,054</u>
Charges to appropriation (outflows):				
Community and cultural	<u>26,600</u>	<u>26,600</u>	<u>53,528</u>	<u>(26,928)</u>
Total charges to appropriations	<u>26,600</u>	<u>26,600</u>	<u>53,528</u>	<u>(26,928)</u>
Budgetary fund balance (deficit) , September 30	<u>\$ 78,798</u>	<u>78,798</u>	<u>54,924</u>	<u>(23,874)</u>

CITY OF EL SEGUNDO
Non-Major Special Revenue Fund

Hyperion Mitigation Fund

Budgetary Comparison Schedule

Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, October 1	\$ 359,921	359,921	359,921	-
Resources (inflows):				
Intergovernmental	24,000	24,000	24,000	-
Amounts available for appropriation	383,921	383,921	383,921	-
Charges to appropriation (outflows):				
Public works	67,300	135,563	8,624	126,939
Total charges to appropriations	67,300	135,563	8,624	126,939
Budgetary fund balance, September 30	\$ 316,621	248,358	375,297	126,939

CITY OF EL SEGUNDO
Non-Major Special Revenue Fund

SB 821 Bikeway Fund

Budgetary Comparison Schedule

Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Budgetary fund balance, October 1	\$ 132	132	132	-
Resources (inflows):				
Intergovernmental	9,750	9,750	-	(9,750)
Amounts available for appropriation	9,882	9,882	132	(9,750)
Charges to appropriation (outflows):				
Public works	16,000	16,000	-	16,000
Total charges to appropriations	16,000	16,000	-	16,000
Budgetary fund balance (deficit), September 30	\$ (6,118)	(6,118)	132	6,250

CITY OF EL SEGUNDO
Non-Major Special Revenue Fund

C.O.P.S. Fund

Budgetary Comparison Schedule

Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Budgetary fund balance, October 1	\$ 333,815	333,815	333,815	-
Resources (inflows):				
Intergovernmental	100,000	100,000	100,000	-
Use of money and property	<u>15,000</u>	<u>15,000</u>	<u>14,829</u>	<u>(171)</u>
Amounts available for appropriation	<u>448,815</u>	<u>448,815</u>	<u>448,644</u>	<u>(171)</u>
Charges to appropriation (outflows):				
Capital outlay	<u>100,000</u>	<u>143,158</u>	<u>280,857</u>	<u>(137,699)</u>
Total charges to appropriations	<u>100,000</u>	<u>143,158</u>	<u>280,857</u>	<u>(137,699)</u>
Budgetary fund balance (deficit), September 30	<u>\$ 348,815</u>	<u>305,657</u>	<u>167,787</u>	<u>(137,870)</u>

CITY OF EL SEGUNDO
Non-Major Special Revenue Fund

FEMA Fund

Budgetary Comparison Schedule

Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Budgetary fund balance (deficit), October 1	\$ (15,690)	(15,690)	(15,690)	-
Resources (inflows):				
Miscellaneous	<u> -</u>	<u> 73,050</u>	<u> -</u>	<u> (73,050)</u>
Amounts available for appropriation	<u> (15,690)</u>	<u> 57,360</u>	<u> (15,690)</u>	<u> (73,050)</u>
Charges to appropriation (outflows):				
General government	<u> -</u>	<u> 78,050</u>	<u> 2,700</u>	<u> 75,350</u>
Total charges to appropriations	<u> -</u>	<u> 78,050</u>	<u> 2,700</u>	<u> 75,350</u>
Budgetary fund balance (deficit), September 30	<u>\$ (15,690)</u>	<u> (20,690)</u>	<u> (18,390)</u>	<u> 2,300</u>

CITY OF EL SEGUNDO
Non-Major Special Revenue Fund

Project Deposits Fund

Budgetary Comparison Schedule

Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance, October 1	\$ 524,637	524,637	524,637	-
Resources (inflows):				
Intergovernmental	<u>-</u>	<u>13,900</u>	<u>10,894</u>	<u>(3,006)</u>
Amounts available for appropriation	<u>524,637</u>	<u>538,537</u>	<u>535,531</u>	<u>(3,006)</u>
Charges to appropriation (outflows):				
General government	-	-	1,204	(1,204)
Public safety	-	-	3,220	(3,220)
Community and cultural	<u>-</u>	<u>19,900</u>	<u>18,814</u>	<u>1,086</u>
Total charges to appropriations	<u>-</u>	<u>19,900</u>	<u>23,238</u>	<u>(3,338)</u>
Budgetary fund balance (deficit), September 30	<u>\$ 524,637</u>	<u>518,637</u>	<u>512,293</u>	<u>(6,344)</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

Developer Fees Fund

Budgetary Comparison Schedule

Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, October 1, as restated	\$ 2,368,124	2,368,124	3,868,124	1,500,000
Resources (inflows):				
Intergovernmental	108,000	108,000	87,054	(20,946)
Fines and forfeitures	<u>2,594,000</u>	<u>2,594,000</u>	<u>165,128</u>	<u>(2,428,872)</u>
Amounts available for appropriation	<u>5,070,124</u>	<u>5,070,124</u>	<u>4,120,306</u>	<u>(949,818)</u>
Charges to appropriation (outflows):				
Public works	1,127,750	83,788	27,711	56,077
Transfers out	<u>872,250</u>	<u>-</u>	<u>16,041</u>	<u>(16,041)</u>
Total charges to appropriations	<u>2,000,000</u>	<u>83,788</u>	<u>43,752</u>	<u>40,036</u>
Budgetary fund balance (deficit), September 30	<u>\$ 3,070,124</u>	<u>4,986,336</u>	<u>4,076,554</u>	<u>(909,782)</u>

CITY OF EL SEGUNDO
 Non-Major Special Revenue Fund

Facilities Maintenance Fund

Budgetary Comparison Schedule

Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance, October 1	\$ 139,060	139,060	139,060	-
Resources (inflows):				
Transfers In	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Amounts available for appropriation	<u>214,060</u>	<u>214,060</u>	<u>214,060</u>	<u>-</u>
Charges to appropriation (outflows):				
General government	<u>75,000</u>	<u>115,000</u>	<u>113,508</u>	<u>1,492</u>
Total charges to appropriations	<u>75,000</u>	<u>115,000</u>	<u>113,508</u>	<u>1,492</u>
Budgetary fund balance, September 30	<u>\$ 139,060</u>	<u>99,060</u>	<u>100,552</u>	<u>1,492</u>

CITY OF EL SEGUNDO
Major Capital Projects Fund

Capital Improvement Fund

Budgetary Comparison Schedule

Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Budgetary fund balance (deficit), October 1, as restated	\$ (884,290)	(884,290)	(884,290)	-
Resources (inflows):				
Intergovernmental	-	-	4,942,441	4,942,441
Transfers in	<u>750,000</u>	<u>750,000</u>	<u>4,891,994</u>	<u>4,141,994</u>
Amounts available for appropriation	<u>(134,290)</u>	<u>(134,290)</u>	<u>8,950,145</u>	<u>9,084,435</u>
Charges to appropriation (outflows):				
Capital outlay	<u>750,000</u>	<u>15,894,142</u>	<u>5,184,981</u>	<u>10,709,161</u>
Total charges to appropriations	<u>750,000</u>	<u>15,894,142</u>	<u>5,184,981</u>	<u>10,709,161</u>
Budgetary fund balance (deficit), September 30	<u>\$ (884,290)</u>	<u>(16,028,432)</u>	<u>3,765,164</u>	<u>19,793,596</u>

CITY OF EL SEGUNDO
Non-Major Capital Projects Fund
Infrastructure Replacement Fund
Budgetary Comparison Schedule
Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Budgetary fund balance, October 1	\$ 4,141,995	4,141,995	4,141,995	-
Resources (inflows):				
Miscellaneous	<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts available for appropriation	<u>5,341,995</u>	<u>4,141,995</u>	<u>4,141,995</u>	<u>-</u>
Charges to appropriation (outflows):				
Transfers out	<u>5,017,100</u>	<u>-</u>	<u>4,141,995</u>	<u>(4,141,995)</u>
Total charges to appropriations	<u>5,017,100</u>	<u>-</u>	<u>4,141,995</u>	<u>(4,141,995)</u>
Budgetary fund balance (deficit), September 30	<u>\$ 324,895</u>	<u>4,141,995</u>	<u>-</u>	<u>(4,141,995)</u>

CITY OF EL SEGUNDO

Internal Service Funds

Combining Statement of Net Assets

September 30, 2008

	<u>Equipment Replacement Fund</u>	<u>Liability Insurance Fund</u>	<u>Workers' Compensation Fund</u>	<u>Total</u>
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 9,660,427	2,921,140	7,449,186	20,030,753
Receivables:				
Accounts	-	1,310	-	1,310
Prepays	-	290,528	274,724	565,252
Total current assets	<u>9,660,427</u>	<u>3,212,978</u>	<u>7,723,910</u>	<u>20,597,315</u>
Noncurrent assets:				
Capital assets, net	<u>2,697,263</u>	<u>-</u>	<u>-</u>	<u>2,697,263</u>
Total assets	<u>12,357,690</u>	<u>3,212,978</u>	<u>7,723,910</u>	<u>23,294,578</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	112,353	26,652	7,923	146,928
Accrued liabilities	-	15,378	10,170	25,548
Claims and judgments	-	478,789	872,388	1,351,177
Total current liabilities	<u>112,353</u>	<u>520,819</u>	<u>890,481</u>	<u>1,523,653</u>
Noncurrent liabilities:				
Claims and judgments, net of current	<u>-</u>	<u>925,117</u>	<u>4,004,552</u>	<u>4,929,669</u>
Total liabilities	<u>112,353</u>	<u>1,445,936</u>	<u>4,895,033</u>	<u>6,453,322</u>
<u>Net assets</u>				
Net assets:				
Invested in capital assets	2,697,263	-	-	2,697,263
Unrestricted	<u>9,548,074</u>	<u>1,767,042</u>	<u>2,828,877</u>	<u>14,143,993</u>
Total net assets	<u>\$ 12,245,337</u>	<u>1,767,042</u>	<u>2,828,877</u>	<u>16,841,256</u>

CITY OF EL SEGUNDO

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Year Ended September 30, 2008

	<u>Equipment Replacement Fund</u>	<u>Liability Insurance Fund</u>	<u>Workers' Compensation Fund</u>	<u>Total</u>
Operating revenues:				
Interdepartmental charges	\$ 1,879,250	881,300	1,775,651	4,536,201
Miscellaneous	<u>26,908</u>	<u>26,802</u>	<u>22,535</u>	<u>76,245</u>
Total operating revenues	<u>1,906,158</u>	<u>908,102</u>	<u>1,798,186</u>	<u>4,612,446</u>
Operating expenses:				
Personnel services	-	86,776	68,222	154,998
Materials and supplies	135,281	-	7,304	142,585
Insurance and claims	-	1,287,656	1,357,023	2,644,679
Depreciation	<u>478,221</u>	<u>-</u>	<u>-</u>	<u>478,221</u>
Total operating expenses	<u>613,502</u>	<u>1,374,432</u>	<u>1,432,549</u>	<u>3,420,483</u>
Income (loss) before transfers	1,292,656	(466,330)	365,637	1,191,963
Transfers:				
Transfers in	<u>-</u>	<u>255,000</u>	<u>-</u>	<u>255,000</u>
Change in net assets	1,292,656	(211,330)	365,637	1,446,963
Net assets at beginning of year	<u>10,952,681</u>	<u>1,978,372</u>	<u>2,463,240</u>	<u>15,394,293</u>
Net assets at end of year	<u>\$ 12,245,337</u>	<u>1,767,042</u>	<u>2,828,877</u>	<u>16,841,256</u>

CITY OF EL SEGUNDO

Internal Service Funds

Combining Statement of Cash Flows

Year Ended September 30, 2008

	Equipment Replacement Fund	Liability Insurance Fund	Workers' Compensation Fund	Total
Cash flows from operating activities:				
Cash received from user departments	\$ 1,923,072	906,792	1,798,186	4,628,050
Cash payments to suppliers for goods and services	(191,269)	(620,182)	(1,180,656)	(1,992,107)
Cash payments to employees for services	<u>-</u>	<u>(86,303)</u>	<u>(65,032)</u>	<u>(151,335)</u>
Net cash provided by operating activities	<u>1,731,803</u>	<u>200,307</u>	<u>552,498</u>	<u>2,484,608</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	<u>-</u>	<u>255,000</u>	<u>-</u>	<u>255,000</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>255,000</u>	<u>-</u>	<u>255,000</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	<u>(958,643)</u>	<u>-</u>	<u>-</u>	<u>(958,643)</u>
Net cash used for capital and related financing activities	<u>(958,643)</u>	<u>-</u>	<u>-</u>	<u>(958,643)</u>
Net increase in cash and cash equivalents	773,160	455,307	552,498	1,780,965
Cash and cash equivalents at beginning of year	<u>8,887,267</u>	<u>2,465,833</u>	<u>6,896,688</u>	<u>18,249,788</u>
Cash and cash equivalents at end of year	<u>\$ 9,660,427</u>	<u>2,921,140</u>	<u>7,449,186</u>	<u>20,030,753</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 1,292,656	(466,330)	365,637	1,191,963
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	478,221	-	-	478,221
(Increase) decrease in accounts receivable	16,914	(1,310)	-	15,604
(Increase) decrease in prepaids	-	69,050	24	69,074
Increase (decrease) in accounts payable	(55,988)	15,304	4,490	(36,194)
Increase (decrease) in accrued liabilities	-	3,050	4,407	7,457
Increase (decrease) in claims and judgments payable	<u>-</u>	<u>580,543</u>	<u>177,940</u>	<u>758,483</u>
Net cash provided by (used for) operating activities	<u>\$ 1,731,803</u>	<u>200,307</u>	<u>552,498</u>	<u>2,484,608</u>

Noncash capital, financing, investing activities

There were no noncash capital, financing, or investing activities during the fiscal year ended September 30, 2008.

CITY OF EL SEGUNDO
Agency Funds

Statement of Changes in Assets and Liabilities

Year Ended September 30, 2008

	Balance at October 1, 2007, as restated (1)	Additions	Deductions	Balance at September 30, 2008
<u>Assets</u>				
Cash and investments	\$ 915,021	1,529,893	1,517,646	927,268
Receivables:				
Accounts	834	136,393	834	136,393
 Total assets	 \$ 915,855	 1,666,286	 1,518,480	 1,063,661
 <u>Liabilities</u>				
Accounts payable	27,075	476,372	430,385	73,062
Deposits	888,780	1,763,926	1,662,107	990,599
 Total liabilities	 \$ 915,855	 2,240,298	 2,092,492	 1,063,661

(1) - Beginning balances were restated to record deposits received from developers in the proper fund. See note 16 in the notes to basic financial statements for additional information.

STATISTICAL SECTION

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**CITY OF EL SEGUNDO
Statistical Section**

This part of the City's comprehensive annual 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 City's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	103
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	108
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	113
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	120
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	122

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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CITY OF EL SEGUNDO
Net Assets by Component
Last Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities:						
Invested in capital assets, net of related debt	\$ 73,829,021	81,460,251	58,084,103	84,750,880	93,050,671	96,945,461
Restricted	13,488,010	36,481,636	41,045,537	32,400,183	21,459,215	23,533,242
Unrestricted	<u>44,192,532</u>	<u>18,029,423</u>	<u>22,981,699</u>	<u>19,832,838</u>	<u>26,063,219</u>	<u>33,203,368</u>
Total governmental activities net assets	\$ 131,509,563	135,971,310	122,111,339	136,983,901	140,573,105	153,682,071
Business-type activities:						
Invested in capital assets, net of related debt	\$ 10,401,352	15,733,435	24,388,819	23,563,042	22,805,716	22,762,428
Restricted	525,841	-	-	-	-	-
Unrestricted	<u>3,565,395</u>	<u>(3,039,962)</u>	<u>(2,484,895)</u>	<u>(4,953,090)</u>	<u>(4,559,622)</u>	<u>(3,537,615)</u>
Total business-type activities net assets	\$ 14,492,588	12,693,473	21,903,924	18,609,952	18,246,094	19,224,813
Primary government:						
Invested in capital assets, net of related debt	\$ 84,230,373	97,193,686	82,472,922	108,313,922	115,856,387	119,707,889
Restricted	14,013,851	36,481,636	41,045,537	32,400,183	21,459,215	23,533,242
Unrestricted	<u>47,757,927</u>	<u>14,989,461</u>	<u>20,496,804</u>	<u>14,879,748</u>	<u>21,503,597</u>	<u>29,665,753</u>
Total primary government net assets	\$ 146,002,151	148,664,783	144,015,263	155,593,853	158,819,199	172,906,884

The City of El Segundo implemented GASB 34 for the fiscal year ended September 30, 2003. Information prior to the implementation of GASB 34 is not available.

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CITY OF EL SEGUNDO

Changes in Net Assets

Last Six Fiscal Years

(accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses:						
Governmental activities:						
General government	\$ 10,113,045	9,685,338	9,690,050	9,349,510	10,321,092	10,718,938
Public safety	21,763,101	23,758,618	25,460,305	27,989,969	29,703,159	33,790,991
Public works	7,953,077	5,819,248	7,000,050	6,705,868	7,904,340	8,206,589
Community development	7,782,242	6,340,051	7,949,491	10,622,993	19,171,016	18,969,354
Interest on long-term debt	25,594	141,320	286,221	121,171	262,544	412,436
Total governmental activities expenses	<u>47,637,059</u>	<u>45,744,575</u>	<u>50,386,117</u>	<u>54,789,511</u>	<u>67,362,151</u>	<u>72,098,308</u>
Business-type activities:						
Water	11,477,843	11,960,841	12,247,632	12,349,552	12,876,676	13,988,801
Wastewater	-	-	2,689,389	2,355,974	2,593,615	2,203,536
Golf Course	2,885,798	3,045,502	2,341,556	2,562,604	2,303,340	2,750,411
Total business-type activities expenses	<u>14,363,641</u>	<u>15,006,343</u>	<u>17,278,577</u>	<u>17,268,130</u>	<u>17,773,631</u>	<u>18,942,748</u>
Total primary government expenses	<u>62,000,700</u>	<u>60,750,918</u>	<u>67,664,694</u>	<u>72,057,641</u>	<u>85,135,782</u>	<u>91,041,056</u>
Program revenues:						
Governmental activities:						
Charges for services:						
General government	138,541	107,728	118,559	100,489	113,309	806,733
Public safety	803,718	1,067,501	1,497,751	1,585,443	1,564,512	1,514,759
Public works	1,112,665	1,077,681	965	1,135	792	10,486
Community development	3,349,937	3,740,093	3,433,535	3,960,577	4,960,291	5,160,611
Operating grants and contributions	672,342	927,742	990,739	1,190,565	1,583,770	4,984,065
Capital grants and contributions	2,547,410	1,834,825	3,042,974	17,360,670	10,875,311	20,921,140
Total governmental activities program revenues	<u>8,624,613</u>	<u>8,755,570</u>	<u>9,084,523</u>	<u>24,198,879</u>	<u>19,097,985</u>	<u>33,397,794</u>
Business-type activities:						
Charges for services:						
Water	10,771,568	11,428,190	12,702,398	11,613,793	12,873,323	14,394,964
Wastewater	-	-	1,290,934	1,654,179	2,244,229	3,091,178
Golf Course	2,554,859	2,280,809	1,859,474	1,930,790	2,267,616	2,141,499
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-
Total business-type activities program revenues	<u>13,326,427</u>	<u>13,708,999</u>	<u>15,852,806</u>	<u>15,198,762</u>	<u>17,385,168</u>	<u>19,627,641</u>
Total primary government program revenues	<u>21,951,040</u>	<u>22,464,569</u>	<u>24,937,329</u>	<u>39,397,641</u>	<u>36,483,153</u>	<u>53,025,435</u>
Net revenues (expenses):						
Governmental activities	(39,012,446)	(36,989,005)	(41,301,594)	(30,590,632)	(48,264,166)	(38,700,514)
Business-type activities	<u>(1,037,214)</u>	<u>(1,297,344)</u>	<u>(1,425,771)</u>	<u>(2,069,368)</u>	<u>(388,463)</u>	<u>684,893</u>
Total net revenues (expenses)	<u>(40,049,660)</u>	<u>(38,286,349)</u>	<u>(42,727,365)</u>	<u>(32,660,000)</u>	<u>(48,652,629)</u>	<u>(38,015,621)</u>

The City of El Segundo implemented GASB 34 for the fiscal year ended September 30, 2003. Information prior to the implementation of GASB 34 is not available.

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General revenues and other changes in net assets:						
Governmental activities:						
Taxes:						
Property taxes	5,493,722	5,502,298	4,791,454	5,760,520	7,017,784	7,282,401
Sales tax	6,484,731	8,138,282	11,922,937	10,426,570	12,154,510	12,770,990
Transient occupancy taxes	2,866,811	3,357,942	3,849,783	4,238,880	4,809,341	4,842,887
Other taxes	21,191,395	20,651,769	19,424,606	21,418,400	23,373,778	21,355,842
Motor vehicle in lieu, unrestricted	826,644	769,009	1,367,575	120,171	93,768	70,886
Investment income	2,081,562	1,060,204	844,238	2,354,908	3,420,487	(1,825,582)
Other general revenues		-		-	7,050	1,376,666
Transfers	(316,000)	(316,000)	(10,587,730)	795,000	-	-
Total governmental activities	<u>38,628,865</u>	<u>39,163,504</u>	<u>31,612,863</u>	<u>45,114,449</u>	<u>50,876,718</u>	<u>45,874,090</u>
Business-type activities:						
Investment income	2,060	(15,956)	37,573	(3,563)	4,595	10,256
Other	7,728	51,410	10,919	18,463	20,010	89,059
Transfers	316,000	316,000	10,587,730	(795,000)	-	-
Total business-type activities	<u>325,788</u>	<u>351,454</u>	<u>10,636,222</u>	<u>(780,100)</u>	<u>24,605</u>	<u>99,315</u>
Total primary government	<u>38,954,653</u>	<u>39,514,958</u>	<u>42,249,085</u>	<u>44,334,349</u>	<u>50,901,323</u>	<u>45,973,405</u>
Changes in net assets:						
Governmental activities	(383,581)	2,174,499	(9,688,731)	14,523,817	2,612,552	7,173,576
Business-type activities	(711,426)	(945,890)	9,210,451	(2,849,468)	(363,858)	784,208
Total primary government	<u>\$ (1,095,007)</u>	<u>1,228,609</u>	<u>(478,280)</u>	<u>11,674,349</u>	<u>2,248,694</u>	<u>7,957,784</u>

The City of El Segundo implemented GASB 34 for the fiscal year ended September 30, 2003. Information prior to the implementation of GASB 34 is not available.

CITY OF EL SEGUNDO

Fund Balances of Governmental Funds

Last Six Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General fund:						
Reserved	\$ 1,163,296	770,099	1,260,821	1,617,474	1,328,063	971,743
Unreserved	<u>13,308,747</u>	<u>13,332,311</u>	<u>13,816,591</u>	<u>14,115,350</u>	<u>14,403,394</u>	<u>14,004,971</u>
Total general fund	<u>\$ 14,472,043</u>	<u>14,102,410</u>	<u>15,077,412</u>	<u>15,732,824</u>	<u>15,731,457</u>	<u>14,976,714</u>
All other governmental funds:						
Reserved	\$ 3,401,554	1,072,016	5,435,114	11,987,345	4,918,779	13,268,029
Unreserved, reported in:						
Special revenue funds	7,617,014	9,079,014	10,661,502	11,504,787	5,843,345	10,154,118
Debt Service funds	268,335	265,440	65,477	65,477	65,477	65,477
Capital projects funds	<u>22,663,628</u>	<u>21,413,985</u>	<u>24,907,496</u>	<u>13,530,903</u>	<u>6,947,892</u>	<u>(4,682,793)</u>
Total all other governmental funds	<u>\$ 33,950,531</u>	<u>31,830,455</u>	<u>41,069,589</u>	<u>37,088,512</u>	<u>17,775,493</u>	<u>18,804,831</u>

The data for the City of El Segundo prior to 2003 is not available.

CITY OF EL SEGUNDO

Changes in Fund Balances of Governmental Funds

Last Six Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Revenues:						
Taxes	\$ 26,126,162	26,571,626	28,805,047	32,534,393	33,575,184	36,590,651
Licenses and permits	9,256,486	10,418,044	9,847,389	9,338,841	11,095,397	11,062,494
Fines and forfeitures	549,463	592,131	1,010,589	958,562	1,028,757	1,531,739
Investment income	2,081,562	1,188,838	983,916	2,524,061	3,535,569	(1,616,003)
Intergovernmental	3,251,001	3,587,335	5,529,413	16,859,158	10,749,574	18,520,903
Charges for services	3,870,155	4,275,963	2,666,584	3,610,900	4,261,714	4,600,659
Other	1,413,650	1,617,107	1,712,930	3,177,497	3,566,400	2,199,327
Total revenues	46,548,479	48,251,044	50,555,868	69,003,412	67,812,595	72,889,770
Expenditures						
Current:						
General government	10,272,750	9,554,261	8,985,058	8,497,006	10,442,261	10,781,830
Public safety	22,067,275	23,405,792	24,472,917	28,310,843	30,734,673	34,589,623
Public works	5,242,177	6,032,417	4,214,748	4,415,311	5,540,010	5,935,480
Community development	7,664,513	6,332,688	7,763,562	10,550,000	19,180,981	18,528,447
Capital	8,509,127	11,107,790	3,954,447	20,956,917	18,842,262	5,788,135
Debt service:						
Principal retirement	85,000	1,205,096	209,632	21,009	248,144	256,199
Interest and fiscal charges	26,125	143,023	186,568	172,991	287,000	435,813
Total expenditures	53,866,967	57,781,067	49,786,932	72,924,077	85,275,331	76,315,527
Excess (deficiency) of revenues over (under) expenditures	(7,318,488)	(9,530,023)	768,936	(3,920,665)	(17,462,736)	(3,425,757)
Other financing sources (uses):						
Transfers in	8,857,093	7,658,550	12,448,434	19,877,540	18,284,204	12,605,726
Transfers out	(9,173,093)	(7,749,550)	(13,003,234)	(19,282,540)	(20,135,854)	(12,860,726)
Capital Leases	-	3,688,222	-	-	-	-
Long-term Debt Issued	-	-	10,000,000	-	-	-
Total other financing sources (uses)	(316,000)	3,597,222	9,445,200	595,000	(1,851,650)	(255,000)
Net change in fund balances	\$ (7,634,488)	(5,932,801)	10,214,136	(3,325,665)	(19,314,386)	(3,680,757)
Debt service as a percentage of noncapital expenditures	0.24%	2.89%	0.86%	0.37%	0.81%	0.98%

The data for the City of El Segundo prior to 2003 is not available.

CITY OF EL SEGUNDO
Top Sales Tax Producers
September 30, 2008

<u>Business Name</u>	<u>Business Category</u>
Accuvant	Office Supplies/Furniture
Aerospace Corp	Business Services
Air Liquide America	Drugs/Chemicals
Best Buy	Electronics/Appliance Stores
Boeing Satellite Systems	Transportation -Non-Auto
Chevron	Service Stations
Chicks Sporting Goods	Sporting Goods/Bike Stores
Computer Sciences	Business Services
Direct TV	Public Utilities
Direct TV Operations	Public Utilities
El Segundo Chevron	Service Stations
En Pointe Technologies Sales	Office Supplies/Furniture
Flemings Steakhouse	Restaurants Liquor
IBM US	Office Supplies/Furniture
Interior Office Solutions	Office Supplies/Furniture
Learned Lumber Supply	Lumber/Building Materials
Mobil	Service Stations
Network Appliance	Office Equipment
Northrop Grumman	Trailers/Auto Parts
Pacific Fuel Trading	Petroleum Prod/Equipment
Patterson Dental Supply	Health/Medical
Ralphs	Grocery Stores Liquor
Raytheon Company	Transportation-Non-Auto
Salt Creek Grille	Restaurants Liquor
Whole Foods Market	Grocery Stores Beer/Wine

Note: Percent of Fiscal Year Total Paid by Top 25 accounts - 66.35%

*Firms Listed Alphabetically. (Period July 2007 - June 2008)

Source: HdL Coren & Cone; Hinderliter, de Llamas & Associates, State Board of Equalization

CITY OF EL SEGUNDO
Principal Property Tax Payers
Current Year and Five Years Ago

Taxpayer	2008			2003		
	Assessed Value	Rank	Percent of Total City Assessed Value	Assessed Value	Rank	Percent of Total City Assessed Value
Chevron USA Inc	\$ 2,157,336,685	1	24.11%	1,900,755,392	1	24.27%
Raytheon Company	634,446,981	2	7.09%	669,403,426	2	8.55%
Boeing Satellite Systems Inc.	369,803,713	3	4.13%	-	-	0.00%
Aerospace Corporation	228,324,760	4	2.55%	113,665,708	8	1.45%
Northrup Corporation	216,376,800	5	2.42%	200,668,448	5	2.56%
Pacific Corporate Towers LLC	154,846,563	6	1.73%	143,263,995	6	1.83%
Continental Grand II Limited Partnership	144,494,000	7	1.61%	-	-	0.00%
NK LCP Property LLC	108,210,000	8	1.21%	-	-	0.00%
Pes Partners LLC	104,922,980	9	1.17%	-	-	0.00%
Kilroy Realty Finance Partnership	102,114,618	10	1.14%	117,302,194	7	1.50%
Hughes Space & Communciations Co.	-	-	-	461,257,484	3	5.89%
DirectTV Operations Inc.	-	-	-	232,747,132	4	2.97%
Mattel Inc	-	-	-	99,080,165	9	1.26%
Infonet Services Corporation	-	-	-	97,383,217	10	1.24%
	<u>\$ 4,220,877,100</u>		<u>47.17%</u>	<u>4,035,527,161</u>		<u>51.52%</u>

The data for the City of El Segundo prior to 2003 is not available.

Source: County Assessor's Office and HdL Coren & Cone.

CITY OF EL SEGUNDO

Assessed Value and Estimated Actual Value of Taxable Property¹

(in thousands of dollars)

Year Ended June 30	City			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions ¹		
1999	4,420,029	912,275	-	5,332,304	1.0000%
2000	4,880,451	922,228	-	5,802,679	1.0000%
2001	5,423,715	1,139,883	-	6,563,598	1.0000%
2002	5,828,209	1,590,069	-	7,418,278	1.0000%
2003	6,269,706	1,563,458	-	7,833,164	1.0000%
2004	6,309,413	1,499,983	-	7,809,396	1.0000%
2005	6,589,892	1,264,390	-	7,854,282	1.0000%
2006	6,938,417	1,118,644	-	8,057,062	1.0000%
2007	7,158,440	1,144,458	-	8,302,898	1.0000%
2008	7,762,424	1,185,813	-	8,948,237	1.0000%

¹ Beginning with the fiscal year ended June 30, 1999, exemptions are netted directly against the individual property categories.

NOTE:

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

Source: Los Angeles County Assessor's Office

CITY OF EL SEGUNDO
Direct and Overlapping Property Tax Rates
(Rate per \$100 of taxable value)
Last Ten Fiscal Years

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
City Direct Rates:										
General	<u>1.00000</u>									
Total City Direct Rate	<u>1.00000</u>									
Overlapping Rates:										
Metropolitan Water District	0.00890	0.00890	0.00880	0.00670	0.00670	0.00610	0.00520	0.00470	0.00450	0.00450
County Flood Control	0.00190	0.00170	0.00150	0.00088	0.00088	0.00046	0.00005	0.00052	0.00000	0.00000
El Segundo Unified School District	0.11170	0.11170	0.11170	0.11170	0.11170	0.11170	0.11170	0.11170	0.11170	0.11170
City of El Segundo	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Los Angeles County	<u>0.00140</u>	<u>0.00140</u>	<u>0.00130</u>	<u>0.00100</u>	<u>0.00100</u>	<u>0.00990</u>	<u>0.00080</u>	<u>0.00066</u>	<u>0.00000</u>	<u>0.00000</u>
Total Direct Rate	<u>1.12390</u>	<u>1.12370</u>	<u>1.12330</u>	<u>1.12028</u>	<u>1.12028</u>	<u>1.12816</u>	<u>1.11774</u>	<u>1.11758</u>	<u>1.11620</u>	<u>1.11620</u>

NOTE:

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

Source: Los Angeles County Assessor's Office

CITY OF EL SEGUNDO
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
1999	3,487,622	3,358,889	98.81%	159,144	3,518,033	100.16%
2000	3,783,213	3,639,292	95.20%	158,377	3,797,669	96.40%
2001	4,253,295	4,104,402	96.50%	150,710	4,255,112	100.04%
2002	4,901,911	4,740,383	96.70%	163,821	4,904,204	100.05%
2003	5,220,431	5,054,008	96.81%	323,706	5,377,714	103.01%
2004	5,165,796	5,027,386	97.32%	322,132	5,349,518	98.65%
2005	5,106,741	4,959,460	98.95%	249,711	5,209,171	100.91%
2006	5,277,126	5,067,060	96.02%	223,082	5,290,141	100.25%
2007	5,298,287	5,085,531	95.98%	226,435	5,311,967	100.26%
2008	5,768,451	5,474,568	94.91%	98,459	5,573,026	96.61%

Source: Los Angeles County Auditor Controller's Office

CITY OF EL SEGUNDO

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years
(In Thousands, except Per Capita)

Fiscal Year Ended ¹ September 30	Outstanding General Bonded Debt				Percent of Assessed Value ²	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Total		
1999*	560	450	-	1,010	0.019%	33.6
2000	500	340	-	840	0.014%	29.6
2001	435	-	-	435	0.007%	27.1
2002	365	-	-	365	0.005%	22.8
2003 ³	280	-	-	280	0.004%	16.8
2004	190	-	-	190	0.002%	11.3
2005	-	-	-	-	0.000%	-
2006	-	-	-	-	0.000%	-
2007	-	-	-	-	0.000%	-
2008	-	-	-	-	0.000%	-

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

* Fiscal Year 1999 is a 15 month reporting period ending on September 30.

¹ Fiscal Years 2000 - current are 12 month reporting periods ending on September 30.

² Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

³ 2003 Population has been revised to agree to State Department of Finance. This has affected Ratio of Debt Per Capita Ratio.

CITY OF EL SEGUNDO
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended ¹ September 30	Governmental Activities				Total Governmental Activities
	General Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Leases/ Loans	
1999*	560,000	449,869	-	-	1,009,869
2000	500,000	340,000	-	-	840,000
2001	435,000	-	-	-	435,000
2002	365,000	-	-	-	365,000
2003	280,000	-	-	13,467,000	13,747,000
2004	190,000	-	-	2,573,126	2,763,126
2005	-	-	-	12,553,494	12,553,494
2006	-	-	-	12,532,485	12,532,485
2007	-	-	-	12,284,341	12,284,341
2008	-	-	-	12,028,142	12,028,142

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

* Fiscal Year 1999 is a 15 month reporting period ending on September 30.

¹ Fiscal Years 2000 - current are 12 month reporting periods ending on September 30.

² Office of Economic Development (data shown is for Los Angeles County)

CITY OF EL SEGUNDO

Ratios of Outstanding Debt by Type (Continued)

Last Ten Fiscal Years

Fiscal Year Ended ¹ September 30	Business-type Activities			Total Primary Government	Percentage of Personal Income ²	Debt Per Capita ²
	Leases/ Loans	Certificates of Participation	Total Business-type Activities			
1999*	-	4,430,000	4,430,000	5,439,869	2.06%	194
2000	-	4,200,000	4,200,000	5,040,000	1.81%	172
2001	-	3,960,000	3,960,000	4,395,000	1.49%	144
2002	-	3,705,000	3,705,000	4,070,000	1.35%	132
2003	-	3,435,000	3,435,000	17,182,000	5.5%	545
2004	3,186,522	-	3,186,522	5,949,648	1.8%	180
2005	2,938,400	-	2,938,400	15,491,894	4.5%	442
2006	2,550,605	-	2,550,605	15,083,090	4.1%	404
2007	2,139,360	-	2,139,360	14,423,701	N/A	N/A
2008	1,703,214	-	1,703,214	26,015,697	N/A	N/A

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

* Fiscal Year 1999 is a 15 month reporting period ending on September 30.

¹ Fiscal Years 2000 - current are 12 month reporting periods ending on September 30.

² Office of Economic Development (data shown is for Los Angeles County)

CITY OF EL SEGUNDO
Direct and Overlapping Debt
September 30, 2008

2007-08 City Assessed Valuation:

		<u>\$8,948,236,979</u>	
	Percentage Applicable ¹	Total Debt 9/30/08	Estimated Share of Direct and Overlapping Debt
OVERLAPPING DEBT:			
Los Angeles County Flood Control District	0.916%	99,210,000	908,764
Metropolitan Water District	0.507%	327,215,000	1,658,980
El Camino Community College District	12.765%	180,501,174	23,040,975
El Segundo Unified School District	100.000%	43,443,476	43,443,476
Centinela Valley Union High School District	35.628%	52,250,000	18,615,630
Wiseburn School District	76.107%	70,162,180	53,398,330
L.A. County Regional Park and Open Space A.D.	1.018%	269,995,000	2,748,549
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		<u>1,042,776,830</u>	<u>143,814,704</u>
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
Los Angeles County General Fund Obligations	1.018%	983,325,645	10,010,255
Los Angeles County Pension Obligations	1.018%	352,255,398	3,585,960
Los Angeles County Superintendent of Schools COP'S	1.018%	15,904,264	161,905
El Segundo Unified School District COP'S	100.000%	0	0
L.A. County Sanitation District No. 5 Authority	4.704%	62,386,329	2,934,653
L.A. County Sanitation District South Bay Cities Authority	0.212%	10,629,338	22,534
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		<u>\$1,424,500,974</u>	<u>\$16,715,308</u>
TOTAL COMBINED DEBT		<u><u>\$2,467,277,804</u></u>	<u><u>\$160,530,011</u></u>

¹ For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property 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.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: California Municipal Statistics, Inc.

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CITY OF EL SEGUNDO

Legal Debt Margin Information

Last Ten Fiscal Years

	Fiscal Year				Fiscal Year
	1998-99	1999-00	2000-01	2001-02	2002-03
Assessed valuation	\$ 5,332,304,051	\$ 5,802,678,509	\$ 6,563,597,538	\$ 7,418,277,834	\$ 7,833,163,604
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Assessed valuation	1,333,076,013	1,450,669,627	1,640,899,385	1,854,569,459	1,958,290,901
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	199,961,402	217,600,444	246,134,908	278,185,419	293,743,635
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-
Legal debt margin	<u>\$ 199,961,402</u>	<u>\$ 217,600,444</u>	<u>\$ 246,134,908</u>	<u>\$ 278,185,419</u>	<u>\$ 293,743,635</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). Although the statutory debt limit has not been amended by the State since this change, the percentages presented in the above computations have been proportionately modified to 3.75% (25% of 15%) for the purpose of this calculation in order to be consistent with the computational effect of the debt limit at the time of the state's establishment of the limit.

Source: California Municipal Statistics, Inc.
Los Angeles County Tax Assessor's Office

CITY OF EL SEGUNDO

Legal Debt Margin Information

Last Ten Fiscal Years

Fiscal Year				
2003-04	2004-05	2005-06	2006-07	2007-08
\$ 7,809,395,740	\$ 7,854,282,360	\$ 8,057,061,507	\$ 8,302,898,491	\$ 8,948,236,979
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
1,952,348,935	1,963,570,590	2,014,265,377	2,075,724,623	2,237,059,245
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
292,852,340	294,535,589	302,139,807	311,358,693	335,558,887
-	-	-	-	-
<u>\$ 292,852,340</u>	<u>\$ 294,535,589</u>	<u>\$ 302,139,807</u>	<u>\$ 311,358,693</u>	<u>\$ 335,558,887</u>
0.0%	0.0%	0.0%	0.0%	0.0%

CITY OF EL SEGUNDO
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)	Statewide Per Capita Personal Income (4)
1999	16,662	263,987	27,973	5.9%	29,828
2000	16,864	279,050	29,232	5.3%	32,462
2001	16,364	294,508	30,510	6.0%	32,883
2002	16,500	301,003	30,856	6.6%	32,826
2003 ¹	16,697	309,827	31,512	7.1%	33,554
2004	16,861	326,402	33,034	6.4%	35,440
2005	17,024	346,423	35,022	4.8%	37,462
2006	16,965	369,174	37,362	4.7%	39,626
2007	17,076	N/A	N/A	5.2%	41,571
2008	17,002	N/A	N/A	8.3%	N/A

Note: The information provided for personal income and per capita personal income is for the county of Los Angeles. Information for the City of El Segundo was not available.

- Sources:
- (1) State Department of Finance
 - (2) Bureau of Economic Analysis & California Department of Finance (data shown is for Los Angeles County)
 - (3) State of California Employment Development Department (data shown is for Los Angeles County adjusted seasonally for September)
 - (4) Bureau of Economic Analysis & California Department of Finance (data shown is for State of California)

* This information has not been calculated yet, so it will not be available at this time.

¹ 2003 Population has been revised to agree to State Department of Finance. This has affected Ratio of Debt Per Capita Ratio.

CITY OF EL SEGUNDO

Principal Employers

Last Three Fiscal Years

Employer	2008			2007			2006		
	Number of Employees	Percent of Total Employment ¹	Rank	Number of Employees	Percent of Total Employment ¹	Rank	Number of Employees	Percent of Total Employment ¹	Rank
Raytheon Company	7,591	0.00%	1	7,773	0.00%	1	8,594	0.00%	1
Boeing Satellite Systems Inc.	5,853	0.00%	2	6,158	0.00%	2	5,960	0.00%	2
Northrop Grumman Corporation	5,446	0.00%	3	5,213	0.00%	3	5,555	0.00%	3
Aerospace Corporation	3,048	0.00%	4	2,963	0.00%	4	2,847	0.00%	4
Mattel, Inc.	1,771	0.00%	5	1,810	0.00%	5	1,737	0.00%	5
DirecTV Operations Inc.	1,448	0.00%	6	1,346	0.00%	6	1,268	0.00%	6
Chevron Products Company/USA Inc.	1,186	0.00%	7	1,076	0.00%	7	1,062	0.00%	7
Accenture	684	0.00%	8	761	0.00%	8	753	0.00%	8
International Rectifier Corporation	530	0.00%	9	634	0.00%	9	708	0.00%	10
Xerox Corporation	543	0.00%	10	602	0.00%	10	718	0.00%	9
Time Warner Cable	433	0.00%	11	359	0.00%	15	N/A	0.00%	-
Infonet Services Corporation	402	0.00%	12	452	0.00%	11	526	0.00%	11
Carsdirect.com	397	0.00%	13	397	0.00%	14	N/A	0.00%	-
IBM	386	0.00%	14	470	0.00%	12	N/A	0.00%	-
Computer Sciences Corporation	354	0.00%	15	422	0.00%	13	490	0.00%	12

¹ Total Employment within city limits is not available for 2006 and 2007 to calculate percentage.

Source: City of El Segundo Business Services Division
 The data for the City of El Segundo prior to 2006 is not available.

CITY OF EL SEGUNDO

Full-time and Part-time City Employees By Function

Last Six Fiscal Years

Function	Full-time and Part-time Employees as of September 30					
	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General Government	58	54	55	52	54	65
Public Safety	153	148	148	147	180	181
Public Works	34	32	32	33	19	22
Community & Cultural	148	138	138	140	100	105
Water	12	10	11	11	9	10
Sewer	6	6	6	6	6	6
Total	<u>411</u>	<u>388</u>	<u>390</u>	<u>389</u>	<u>368</u>	<u>389</u>

Source: City of El Segundo Payroll Division

CITY OF CITY OF EL SEGUNDO
Operating Indicators by Function
Last Six Fiscal Years

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Police:						
Arrests	924	958	1,266	1,139	1,048	1,171
Parking citations issued	7,508	10,727	11,664	12,066	12,505	11,859
Fire:						
Number of emergency calls	2,535	2,366	2,426	2,410	2,434	2,505
Inspections	N/A	N/A	N/A	N/A	N/A	N/A
Public Works:						
Street resurfacing (miles)	N/A	N/A	N/A	N/A	0.50	0.60
Reconstruction (miles)	N/A	N/A	N/A	N/A	0.82	-
New Street (miles)	N/A	N/A	N/A	N/A	0.80	0.25
Electronic Recycling (pounds)	N/A	N/A	N/A	N/A	N/A	11,658
Paper Shred Recycling (pounds)	N/A	N/A	N/A	N/A	N/A	1,140
Lamp Recycling (pounds)	N/A	N/A	N/A	N/A	N/A	224
Parks and recreation:						
Number of recreation classes	N/A	N/A	N/A	N/A	933	1,065
Number of facility rentals	N/A	N/A	N/A	N/A	124	120
Shuttles transported (riders)	N/A	N/A	N/A	N/A	N/A	14,400
Dial-A-Ride residents	N/A	N/A	N/A	N/A	N/A	19,920
Homebound Meals	N/A	N/A	N/A	N/A	N/A	8,457
Finance:						
Business Licenses processed:	5,560	5,775	5,915	6,011	6,748	6,739

The data for the City of El Segundo prior to 2003 is not available.

Source: City of El Segundo

CITY OF EL SEGUNDO

**Capital Asset Statistics
by Function**

Last Six Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Police:						
Stations	1	1	1	1	1	1
Fire:						
Fire stations	2	2	2	2	2	2
Public works:						
Streets (miles)	53.1	53.1	54.8	54.9	54.9	55.1
Streetlights	1,700	1,700	1,700	1,700	1,700	1,718
Traffic signals	51	51	54	54	54	55
Parks and recreation:						
Parks	20	22	22	22	22	22
Recreation Facilities	11	12	12	12	13	13
Number of Acres	84.5	84.8	84.8	84.8	91.2	91.2

The data for the City of El Segundo prior to 2003 is not available.

Source: City of El Segundo

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