

# **City of Manhattan Beach, California**



## **Comprehensive Annual Financial Report**

**Year Ended June 30, 2013**



CITY OF MANHATTAN BEACH, CALIFORNIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2013

---



Prepared by the Finance Department

Bruce Moe, Finance Director



**This Page Left Blank Intentionally**

CITY OF MANHATTAN BEACH  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

|  | <u>Page<br/>Number</u> |
|--|------------------------|
| <b>INTRODUCTORY SECTION</b>  |                        |
| Letter of Transmittal.....   | i                      |
| Directory of City Officials .....  | ix                     |
| Organization Chart.....  | x                      |
| Certificate of Achievement for Excellence in Financial Reporting.....  | xi                     |
| <b>FINANCIAL SECTION</b>   |                        |
| Independent Auditors' Report.....  | 1                      |
| Management's Discussion and Analysis .....   | 5                      |
| Government-Wide Financial Statements:  |                        |
| Statement of Net Position .....  | 21                     |
| Statement of Activities.....   | 22                     |
| Governmental Funds - Fund Financial Statements:  |                        |
| Balance Sheet.....   | 25                     |
| Reconciliation of the Balance Sheet of Governmental Funds<br>to the Statement of Net Position .....  | 26                     |
| Statement of Revenues, Expenditures and<br>Changes in Fund Balances.....   | 27                     |
| Reconciliation of the Statement of Revenues, Expenditures and<br>Changes in Fund Balances of Governmental Funds to the<br>Statement of Activities..... | 28                     |
| Budgetary Comparison Statements:   |                        |
| General Fund .....   | 29                     |
| Proprietary Funds Financial Statements:  |                        |
| Statement of Fund Net Position .....   | 30                     |
| Statement of Revenues, Expenses and Changes<br>in Fund Net Position.....   | 32                     |
| Statement of Cash Flows .....  | 34                     |
| Fiduciary Funds Financial Statements:  |                        |
| Statement of Fiduciary Net Position.....   | 36                     |
| Statement of Changes in Fiduciary Net Position .....   | 37                     |
| Notes to Financial Statements.....   | 39                     |

CITY OF MANHATTAN BEACH  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

|   | <u>Page<br/>Number</u> |
|---|------------------------|
| <b>SUPPLEMENTARY SCHEDULES</b>  |                        |
| Combining Balance Sheet - Nonmajor Governmental Funds .....   | 83                     |
| Combining Statement of Revenues, Expenditures and Changes<br>in Fund Balances - Nonmajor Governmental Funds ..... | 86                     |
| Budgetary Comparison Schedules - Special Revenue Funds:   |                        |
| Street Lighting and Landscape .....   | 89                     |
| Gas Tax.....  | 90                     |
| Asset Forfeiture .....  | 91                     |
| Public Safety Grants .....  | 92                     |
| Proposition A.....  | 93                     |
| Proposition C.....  | 94                     |
| AB 2766 .....   | 95                     |
| Measure R.....  | 96                     |
| Budgetary Comparison Schedules - Capital Projects Funds:  |                        |
| Capital Improvement.....  | 97                     |
| Underground Assessment District .....   | 98                     |
| Combining Statement of Fund Net Position - Nonmajor Enterprise Funds.....   | 99                     |
| Combining Statement of Revenues, Expenses and Changes in<br>Fund Net Position - Nonmajor Enterprise Funds.....    | 100                    |
| Combining Statement of Cash Flows - Nonmajor Enterprise Funds.....  | 101                    |
| Combining Statement of Fund Net Position - Internal Service Funds.....  | 104                    |
| Combining Statement of Revenues, Expenses and Changes in<br>Fund Net Position - Internal Service Funds.....       | 105                    |
| Combining Statement of Cash Flows - Internal Service Funds.....   | 106                    |
| Combining Balance Sheet - All Agency Funds .....  | 108                    |
| Statement of Changes in Position and Liabilities – All Agency Funds .....   | 109                    |

CITY OF MANHATTAN BEACH  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

|   | <u>Page<br/>Number</u> |
|---|------------------------|
| <b>STATISTICAL SECTION</b>  |                        |
| Financial Trends  |                        |
| Net Position by Component.....  | 114                    |
| Changes in Net Position.....  | 116                    |
| Program Revenues by Function/Program.....                                     | 121                    |
| Fund Balances, Governmental Funds.....  | 122                    |
| Revenue Capacity  |                        |
| Change in Fund Balances, Governmental Funds.....                              | 126                    |
| Taxes & Assessment Revenues by Source, Governmental Funds and Assessment..... | 129                    |
| Assessed Value and Estimated Actual Value of Taxable Property.....            | 130                    |
| Direct and Overlapping Debt Property Tax Rates.....                           | 133                    |
| Principal Property Tax Payers Based on Net Values.....                        | 134                    |
| Property Tax Levies and Collections.....                                      | 137                    |
| Taxable Sales by Category.....  | 138                    |
| Direct and Overlapping Sales Tax Rates.....                                   | 140                    |
| Principal Sales Tax Remitters.....  | 141                    |
| Debt Capacity   |                        |
| Ratios of Outstanding Debt by Type.....                                       | 144                    |
| Direct and Overlapping Governmental Activities Debt.....                      | 147                    |
| Legal Debt Margin Information.....  | 148                    |
| Pledged-Revenue Coverage.....   | 150                    |
| Demographic and Economic Information  |                        |
| Demographic and Economic Statistics.....                                      | 154                    |
| Principal Employers.....  | 155                    |
| Full-time Authorized City Employees By Function/Program.....                  | 157                    |
| Schedule of Insurance in Force.....   | 158                    |
| Operating Indicators by Function/Program.....                                 | 160                    |
| Capital Asset Statistics by Function/Program.....                             | 161                    |
| Demographic Statistical Data.....   | 162                    |
| <br>BOND DISCLOSURE SECTION.....  | <br>163                |



**This Page Left Blank Intentionally**





# Introduction





City Hall                      1400 Highland Avenue                      Manhattan Beach, CA 90266-4795  
Telephone (310) 802-5000                      FAX (310) 802-5001                      TDD (310) 546-3501

*January 31, 2014*

Honorable Mayor, Councilmembers and Citizens of Manhattan Beach  
Manhattan Beach City Hall  
Manhattan Beach, California 90266

We are pleased to present the Comprehensive Annual Financial Report of the City of Manhattan Beach for the Fiscal Year ended June 30, 2013. This report has been prepared in accordance with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB).

The City's financial policies require an external independent audit be performed annually, and that the auditor's opinions be included in the Comprehensive Annual Financial Report (CAFR). Further, it states that the results be reviewed with the Finance Subcommittee, and presented to the City Council no later than February 1<sup>st</sup> of the following year. The Finance Subcommittee met with the auditor and discussed the results in December 2013.

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All material, statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included.

City management is responsible for establishing and maintaining fiscal internal controls designed to safeguard the assets of the government from loss, theft or misuse, and to ensure that accounting data is accurately compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits likely to be derived, and the valuation of costs and benefits require estimates and judgments by management.

The City's financial statements have been audited by Lance, Soll & Lunghard, CPAs, an accounting firm selected by the City Council, based on a recommendation from the Finance Subcommittee. The

goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Manhattan Beach's financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with generally accepted accounting principles (GAAP).

The independent auditor's report is presented as the first component of the financial section of this report. Due to the amount of Federal grant funds the City received in FY 2012-2013, the City is required to conduct a "single audit."

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

## **Profile of the Government**

The City of Manhattan Beach is located in South Bay region of Los Angeles County. The current population<sup>1</sup> is 35,423. The City encompasses approximately four square miles.

Incorporated in 1912 under the general laws of the State of California, the city operates under the Council-Manager form of government. The City Council is comprised of five members elected at-large for overlapping four-year terms. Each member may serve as Mayor for a nine month period once during his or her four year term in office. The City Treasurer is also elected to a four year term, and serves as the chairperson for the Finance Subcommittee. City Councilmembers are limited to two consecutive terms.

The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and appointing the City Manager and City Attorney. The City Councilmembers also serve as the governing body of the Manhattan Beach Capital Improvements Corporation (please see Note 1 in the CAFR for more information).

In addition, the City Council appoints the members of the following advisory Boards and Commissions:

|                               |   |
|-------------------------------|---|
| Planning Commission           | Parking and Public Improvements Commission    |
| Parks & Recreation Commission | Board of Building Appeals                     |
| Library Commission            | Business Improvement District Advisory Boards |
| Cultural Arts Commission      |   |

---

<sup>1</sup> State of California Department of Finance, January 2013

The city is a full-service municipality, and provides a variety of services to the community, including:

|                                  |                                 |
|----------------------------------|---------------------------------|
| Police services                  | Fire and paramedic services     |
| Culture and recreation           | Building and safety             |
| Solid waste and recycling        | Water and waste water utilities |
| Storm water management           | Parking facilities              |
| Street and landscape maintenance | General government              |

### *Budget Process*

The City's budget process begins in January of each year. Line-item budget development is accomplished through the City's financial system, which allows each department to build its budget using computerized worksheets. The departments are responsible for developing the Materials & Supplies line items and part-time employees' salaries. The remaining Salary & Benefit information is calculated and entered by the Finance Department. All supplemental budget requests (new personnel, service or equipment) are subject to City Manager review and approval before becoming part of the operating budget. This process applies to all governmental and enterprise funds.

The Finance Director, in coordination with the applicable operating departments, provides the City Manager with proposed revenue projections. These revenue estimates are reviewed with the department budget requests to determine available funding levels for the fiscal year. The City Manager and Finance Director meet with the departments to review the operating and supplemental budget requests.

After final review and approval by the City Manager, the proposed budget document is presented to the City Council in May. At least three study sessions and a public hearing are held by the City Council. The budget is adopted by resolution prior to June 30.

During the fiscal year, the budget can be amended as necessary to meet the City's needs. The City Council has the legal authority to amend the budget at any time. Department Heads and their designated representatives may only authorize expenditures based on appropriations approved by City Council action, and only from accounts under their organizational responsibility. Actual expenditures may exceed budget appropriations by line-item. However, total expenditures within each fund may not exceed the total appropriation for that fund. The City Manager has the authority and discretion to approve interdepartmental appropriation transfers as long as they are within the same fund. Inter fund transfers require a budget amendment by the City Council.

## **Economic Condition**

### *Local Economy*

The South Bay region is home to a number of industries including aerospace, entertainment, leisure and tourism, and manufacturing. Economists report that the South Bay area has strong fundamentals including high levels of education, high incomes and competitive industries. Further, the area has fared better during the recent weak economic conditions than some other areas of the state. Case in point, the most recently available figures indicate that Manhattan Beach has a 3.6% unemployment rate, compared to Los Angeles county at 9.5% and the State of California at 8.7%.

### *Long Term Planning*

Each year during the budget process, the City develops a five year forecast of General Fund revenues and expenditures. During the most recent budget cycle (FY 2013-2014), the forecast concluded that, after accounting for annual transfers to the Capital Projects Fund in support of \$2 million of annual projects, unassigned General Fund balances will remain in a range from an estimated \$15.8 million at the end of FY 2013-2014 to \$14.2 million in FY 2017-2018. It is important to note that those estimates indicate the need to utilize unassigned fund balance (designated as an economic uncertainty reserve by City Council) to support the capital projects fund as well as on-going support of Storm Water operations and Street Lighting and Landscape fund deficits, which can only be corrected by a Proposition 218 vote. The City Council's Financial Policy to maintain a balance of 20% of General Fund expenditures will remain funded. The complete five year forecast can be found in the FY 2012-2013 budget document, available on line at [www.citymb.info](http://www.citymb.info). It will be updated for the FY 2014-2015 budget to reflect FY 12-13 results as presented in this audit report.

### *Financial Policies*

In 1997-1998, the City Council approved the City's first set of financial policies, designed to promote sound financial management and ensure that the City's fiscal integrity remains intact as staff and Councilmembers change. This CAFR reflects these financial guidelines. While governmental accounting standards do not classify reserves specifically, and list such designations as "unassigned" assets due to the spendable nature of the funds, please note that the City's unassigned assets do include those funds previously classified as designated for reserves in an effort to define fund balance as of the financial report date.

### *Major Initiatives*

***Library Improvements:*** During the year, the City continued with the County planning the construction of a new library in the location of the existing facility. It is anticipated that this project, estimated to cost \$22.75 million, will be fully funded by the County of Los Angeles with the surplus property tax currently paid by Manhattan Beach property owners to the County Library District. The project includes expanding the library from its current 12,500 square feet to approximately 22,000 square feet. Construction began in July 2013.

***Manhattan Village Mall Enhancement Project:*** The project, proposed by the property owner, includes improvements and an expansion to the shopping center. The approximately 44-acre site currently includes approximately 572,800 square feet of retail, restaurant and other uses. The proposed project would result in a net increase of approximately 123,700 square feet of restaurant and retail uses. Upon project completion, the shopping center would include a total of approximately 696,500 square feet. Approval of the project is pending before the City Council.

***Open Government:*** The City remains committed to open, transparent and inclusive government. This is achieved by strengthening effective communication with the public, maximizing informed engagement, and encouraging a sense of common purpose. To that end, enhancements include expanding broadcast capability of public meetings, new technology, including a refreshed website with increased opportunity for community input on issues, and streamlined City Council meetings ...

## Executive Financial Overview

This top level overview is presented as a supplement to the more detailed and comprehensive analysis presented in the MD&A. As such, it serves to highlight key financial performance indicators for our major funds. We encourage readers to review the MD&A for a further analysis of the City's financial condition.

### General Fund

The General Fund is the primary operating fund of the City of Manhattan Beach. In comparing year end 2013 to 2012, the total fund balance remained stable, decreased by \$271,833. General Fund revenues exceeded expenditures by \$2,769,401. Other Financing Sources (transfers-in, transfers-out and sale of capital assets) netted out to a negative \$3,041,234, largely due to the transfer of funds from the General Fund to the CIP Fund (\$3 million) to support future capital improvement projects. At the end of fiscal year 2013, the total General Fund balance equaled \$19.6 million, with an unassigned fund balance of \$18.0 million. Within the unassigned fund balance, City Council has established earmarks for financial policies and economic uncertainties of \$14.6 million, which is available for use at City Council's discretion.

General Fund transfers included:

- \$3,000,000 was transferred to the CIP Fund for general infrastructure improvements
- \$200,583 of excess reserves from the County Lot Fund was transferred to the General Fund in line with the contract with the County of Los Angeles
- \$241,817 was transferred to the Street Lighting Fund to relieve a deficit fund balance

The City's General Fund revenues showed improvement from the prior year, particularly in Property Tax, and Other Taxes (sales, transient occupancy, business license, etc.). This can be noted by the trends below:

### General Fund Revenues by Category - Fiscal Year 2013

| Revenue Category   | 2012 Actual         | 2013 Actual         | Increase/<br>(Decrease) | %           |
|--|---------------------|---------------------|-------------------------|-------------|
| Property Tax   | \$20,408,314        | \$21,626,173        | \$1,217,859             | 6.0%        |
| Other Taxes (Sales, Hotel, Business License, etc.)           | 16,665,542          | 18,037,100          | \$1,371,558             | 8.2%        |
| Licenses and Permits (Building, Construction, Film Permits)  | 1,414,596           | 1,499,285           | \$84,689                | 6.0%        |
| Fines (Parking Citations, Vehicle Code Fines)                | 2,689,591           | 2,466,837           | (\$222,754)             | (8.3%)      |
| Interest and Rents (including Ground Leases)                 | 2,541,577           | 2,538,827           | (\$2,750)               | (0.1%)      |
| Received From Other Agencies (Vehicle License Fees, Grants)  | 714,958             | 395,087             | (\$319,871)             | (44.7%)     |
| Service Charges (Plan Check Fees, P&R Class, Ambulance Fees) | 5,728,402           | 5,575,335           | (\$153,067)             | (2.7%)      |
| Interfund Charges (Admin Service Charge)                     | 3,276,516           | 2,913,324           | (\$363,192)             | (11.1%)     |
| Miscellaneous*   | 548,320             | 910,280             | \$361,960               | 66.0%       |
| <b>Total</b>   | <b>\$53,987,816</b> | <b>\$55,962,248</b> | <b>\$1,974,432</b>      | <b>3.7%</b> |

\*Includes proceeds from the sale of capital assets.

Sales tax was up \$599,058 (7%) from the prior year's actual receipts, and came in above budgetary estimates by 6%. Business License Tax exceeded budget by \$280,644 (10%) and the prior year by 4%. Interest earnings exceeded budget by 5% or \$28,873, while Plan Check fees exceeded budget by 5% (\$51,846) and the prior year by 9% due to increased activity levels, resulting in a year-over-year revenue increase of \$83,172. Building Permits were down slightly by 1% from budgetary estimates, and up 7% from the prior year to \$872,218. Real Estate Transfer Tax revenue of \$587,399 exceeded prior year by 13% and budget by 12% due to increased real estate market activity. On an overall basis, total General Fund revenues (including sale of property) totaled \$56.0 million, up \$2.0 million or 4% ahead of last year and exceeded budget estimates by \$2.7 million or 5%.

## **Other Funds**

### ***Capital Improvement Fund***

The Capital Improvement Projects Fund (CIP) is designed to manage general governmental infrastructure and facilities capital projects. In FY 2013, the CIP Fund had total revenues of \$2.4 million, and expenditures of \$2.7 million. At June 30, 2013, the total balance in the CIP Fund was \$8.6 million. Of this balance, \$8.1 million is committed for planned infrastructure projects. \$514,252 is non-spendable due to a long term advance to the Parking Fund of \$469,200 and \$45,052 for the City's Underground Assessment District Loan Program. Committed funds for defined major capital projects at year end include:

- \$2.2 million for Downtown Streetscape projects
- \$1.9 million for the Strand stairs project
- \$1.3 million for Safe Routes to School Grant programs
- \$736,667 for Marine Avenue Park synthetic field
- \$101,745 for the City Yard fuel island cover
- \$100,000 for Facilities assessment
- \$100,000 for Parks Master Plan
- \$100,000 for Non-motorized crosswalks and bike lanes

### ***Enterprise, Internal Service, and Special Revenue Funds***

This group includes the City's enterprises such as Water, Waste Water, Storm Water and Refuse funds; internal service funds such as fleet, insurance, building maintenance and information systems; and Special Revenue funds including Gas Tax, Proposition A & C, Grants, Measure R, Asset Forfeiture, etc. Among this group, several funds deserve attention.

The Water Fund continues to build the resources for planned capital improvements needed to sustain the utility's operation and infrastructure. Net income from operations totaled \$6,170,578, an improvement from the prior year which had net operating income of \$4,119,271. Revenue from sales increased by 19.5%, while operating expenses (labor, materials, services, etc.) rose by 4.5%. During FY 2010, the City Council approved increased water and waste water rates to support system infrastructure needs as well as to bolster the fiscal integrity of those funds. The new rate structure became effective in January 2010 and provides for annual increases each January through 2014. The most recent increase in water rates, which became effective half way through fiscal year, contributed to the results which will be used to fund planned capital improvements to the utility's infrastructure, estimated at \$27.4 million over the next five years.



The Waste Water fund net operating income for FY 2012-2013 was \$1,436,254 versus \$1,416,545 in FY 2011-2012 – a net increase of \$19,709, or 1.4%. Revenue from sales increased \$320,746 (10.4%) while operating expenses increased \$300,695 (18%). This improvement is primarily due to new waste water rates implemented along with the water rates in January 2013. Similar to the water utility, the new rates are being utilized to fund needed capital improvements to the waste water system.

Refuse Fund net income from operations totaled \$256,880 in FY 2012-2013, an increase of \$84,016 from the prior year. Operating expenses decreased by \$23,065 (.6%) while operating revenues rose by \$62,451 (1.4%). The implementation of a new refuse hauling contract in late fiscal year 2011 along with a new rate structure contributed to the results.

The Street Lighting Fund continues to run deficits each year. For FY 2012-2013, expenditures exceeded revenues by \$241,817. Because there is no fund balance to draw upon, the General Fund contributed the entire amount needed for continued operations. These contributions will be necessary until a Proposition 218 assessment vote is successful in raising the assessment rates and revenues.

The Stormwater Fund operating loss in FY 2012-2013 totaled \$57,093, an increase of \$340,761 from the FY 2011-2012 net loss of \$397,854. A grant for \$500,000 was received in FY 2012-2013 for the Greenbelt Flow Diversion project. Without the grant, the fund would have sustained a net loss of \$54,915. The combination of fixed assessments and rising costs currently requires a General Fund subsidy of administrative overhead, and ultimately will require cash subsidies. Additionally, capital improvements due to legislative mandates will also result in increased costs. A Proposition 218 assessment vote will be necessary to properly fund operations going forward.

### ***Trust and Agency Funds***

In several cases, the City acts as a custodian of funds held for the benefit of others which mostly relates to the administration of employee pension and 401(a) deferred compensation plans. All such plan funding requirements have been maintained. City Plans include the supplemental retirement and single highest year programs - dormant plans which were previously offered by the City. It is significant to note that this financial report does not include the value of trust holdings in the employees' 457 deferred compensation plan at June 30, 2013, thus recognizing enacted legislation establishing the City as a plan trustee and protecting these employee-owned assets from external creditors.

The trust and agency fund group also includes debt service funds held in trust on behalf of the undergrounding assessment districts. This fund accounts for assessment collections and the related debt service payments. The cash held as of June 30, 2013, will be used to pay bondholders in FY 2012-2013.

### ***Bond Refunding***

Several outstanding bond issues were refunded or defeased during the fiscal year. This action will result in substantial savings over the next 20 years. Please refer to the Footnotes, Management Discussion & Analysis and Continuing Disclosure sections for further elaboration.

## CURRENT TRENDS AND EVENTS

While there are lingering effects of the last economic recession, the local economy continues to improve. In prior fiscal year (2010-2011), the City's biggest General Fund revenue source, property tax, declined from prior year receipts by 1.1%, primarily due to a decline in secured property tax collections. However, with real estate sales continuing to improve, and historically low interest rates spurring buyers, FY 2011-2012 property tax revenues grew 3.1%. This trend is expected to continue in FY 2012-2013.

Retail sales activity is improving as well, and with it, sales tax revenues, which were up from the prior year. Transient Occupancy Tax revenues declined this past year due to planned renovations at two local hotels. However, the combination of those hotels returning to full operation, and the general improvement in the economy, tourism and travel, improvement is expected in this revenue. Building related fees such as building permits and plan check fees, which gained in FY 2011-2012, are expected to continue to increase as well.

As a service organization, labor accounts for majority of costs - approximately 70% in the General Fund. The previous long term labor agreements with the three existing bargaining units (Police, Fire and Miscellaneous), which expired in 2011, were extended to December 2012. On-going labor negotiations are expected to result in three year labor agreements with the bargaining units, effective in early 2013. Negotiations with a newly-formed collective bargaining unit representing Police Management (Captains and Lieutenants) will commence in early 2013 as well.

During the recent economic downturn, the City controlled and reduced expenditures through belt tightening and elimination of vacant positions. With the economy improving, several positions were reinstated in the FY 2012-2013 budget, including two police officers, jail staff and an Associate Planner in the building department. A new Police lieutenant position was also added.

While the past few years have been challenging, Manhattan Beach has weathered the storm and remains in sound financial condition. Established reserves remain funded, and the City continues to operate efficiently and effectively, all while continuing to provide outstanding services for the community.

## OTHER INFORMATION

**Acknowledgments:** This report was made possible through the efforts and teamwork of the highly dedicated Finance staff. Special thanks to Henry Mitzner, Jeanne O'Brien, Eden Serina, Eugene Wee and Julie Chan. Appreciation is also expressed to the City Council and City Treasurer for their interest and support, which made this presentation possible, and to the City's auditing firm of Lance, Soll & Lunghard, LLP for their professional and diligence in preparing this year end financial report.

  
\_\_\_\_\_  
John Jalili, Interim City Manager

  
\_\_\_\_\_  
Bruce Moe, Finance Director

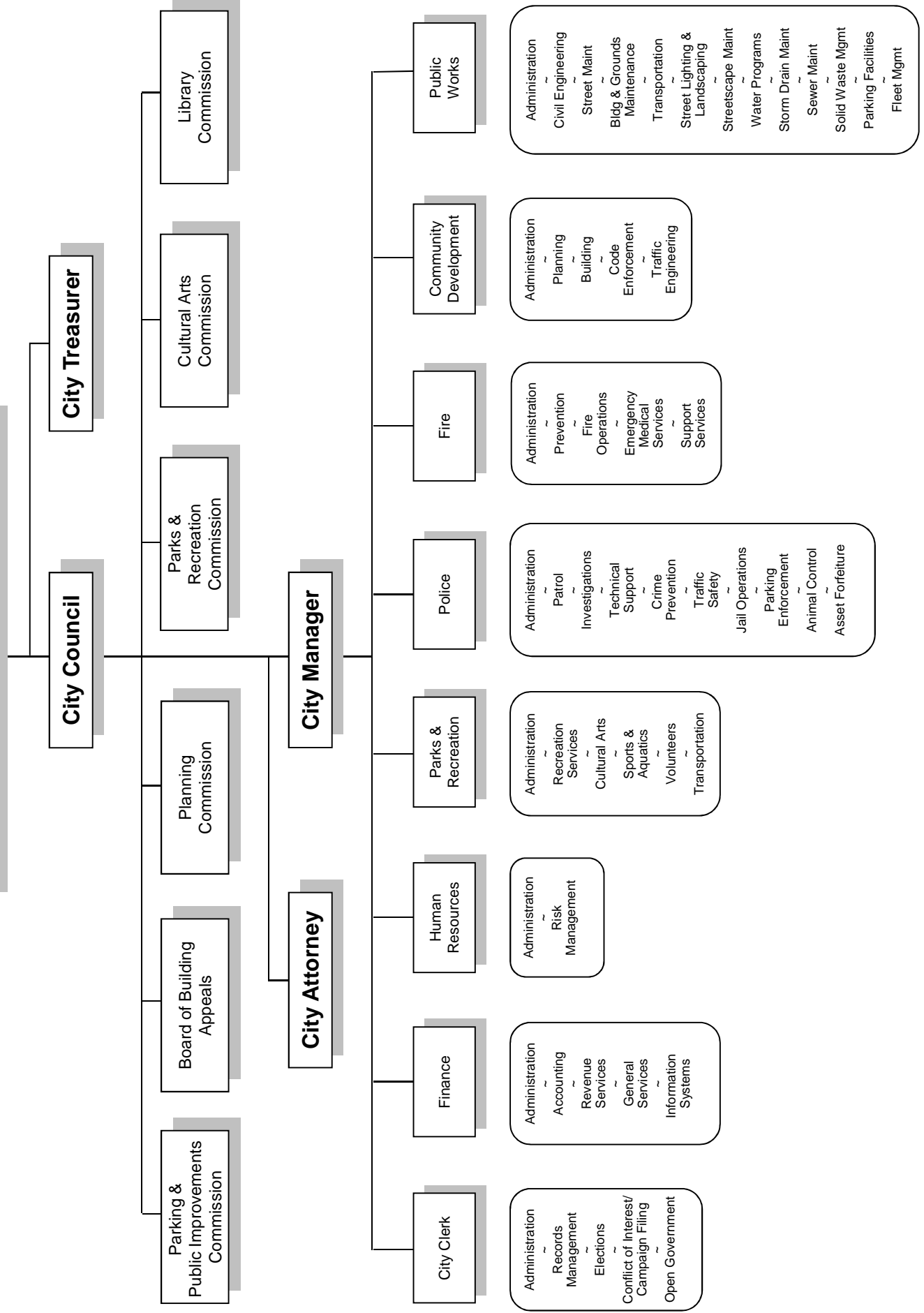
## ELECTED OFFICIALS & EXECUTIVE STAFF

| ELECTED OFFICIALS          |  | TERM ENDS                              |
|----------------------------|--|--|
| <i>Mayor</i>               | David J. Lesser                              | March 2015                             |
| <i>Mayor Pro-Tem</i>       | Amy Howorth                                  | March 2015                             |
| <i>City Councilmembers</i> | Wayne Powell<br>Mark Burton<br>Tony D'Errico | March 2017<br>March 2017<br>March 2017 |
| <i>City Treasurer</i>      | Tim Lilligren                                | March 2017                             |

## EXECUTIVE STAFF

|   |                    |
|---|--------------------|
| <i>City Manager</i>                       | David N. Carmany   |
| <i>City Clerk</i>                         | Liza Tamura        |
| <i>City Attorney</i>                      | Quinn M. Barrow    |
| <i>Director of Finance</i>                | Bruce Moe          |
| <i>Director of Human Resources</i>        | Cathy Hanson       |
| <i>Director of Parks &amp; Recreation</i> | Mark Leyman        |
| <i>Chief of Police</i>                    | Eve R. Irvine      |
| <i>Fire Chief</i>                         | Robert Espinosa    |
| <i>Director of Community Development</i>  | Richard Thompson   |
| <i>Interim Director of Public Works</i>   | Vince Mastrosimone |

# CITIZENS OF MANHATTAN BEACH





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Manhattan Beach  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO



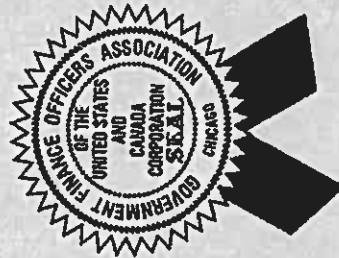
The Government Finance Officers Association  
of the United States and Canada

presents this

# AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

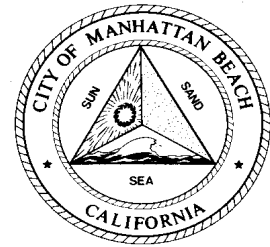
**Finance Department**  
City of Manhattan Beach, California



*The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.*

Executive Director

Date August 29, 2013



# **Financial Section**





## INDEPENDENT AUDITORS' REPORT

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

### **Report on Financial Statements**

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 City of Manhattan Beach, California, (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manhattan Beach, California, as of June 30, 2013, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2013 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Lance, Solt & Loughard, LLP*

Brea, California  
January 27, 2014



## CITY OF MANHATTAN BEACH

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Manhattan Beach, we offer our readers of these financial statements this narrative overview and analysis of the financial activities of the City of Manhattan Beach for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i to viii of this report.

#### FINANCIAL HIGHLIGHTS

##### *Government Wide Financial Basis*

- As of June 30, 2013, the City's total net position citywide (including all governmental and business type activities) totaled \$196,362,490. This is an increase from the prior fiscal year of \$14,187,838, or 7.8%.
  - Governmental net position for the fiscal year increased \$5,980,393 or 4.5%.
  - Business type activity net position increased by \$8,207,445 (17.1%).
- Unrestricted net position, which may be used to meet the government's on-going obligations within certain parameters and requirements, totaled \$52,812,472. This is an increase of \$5,646,145 (12.0%) from FY 2011-2012 levels. Net income from utilities (water, wastewater and refuse) as well as revenues exceeding expenditures in the General fund contributed to this increase.
- Citywide capital assets (land, work in progress, depreciable) net of depreciation increased by \$6,221,598. Governmental net capital assets increased by \$1,826,279; capital additions of \$5,558,928 were offset by accumulated depreciation plus net loss on disposal of \$3,732,649. Business type net capital assets increased by \$4,395,319; additions were \$5,386,423 and accumulated depreciation was \$991,104. Please refer to Note 5 of the financials.
- The City's bond debt decreased by \$5,475,000 during FY 2012-2013. This decrease is attributable to the defeasance water/wastewater, parking and police/fire certificates of participation and the scheduled principal pay down of issued bonds by both governmental activities (\$3,640,000) and business type activities (\$1,835,000). Capital lease obligations increased from \$0 in fiscal 2012 to \$903,841 in fiscal 2013 due to the purchase of a fire truck and sewer truck. Please refer to Note 6.
- Long-term liability and workers compensation insurance claim reserves decreased by \$788,465. Settlement of liability claims resulted in a reserve decrease of \$1,217,295, offset by an increase in workers compensation reserves of \$428,830.

##### *Fund Financial Basis – Governmental Funds*

- As of June 30, 2013, the General Fund balance was \$19,588,760. Fund revenues exceeded expenditures by \$2,769,401.
- Total Governmental Fund revenue totaled \$61,583,445, an increase of \$2,147,862 (3.6%) from the prior year. An improving economic climate contributed to higher tax revenue.
- Governmental Fund expenditures totaled \$59,490,350, up \$1,980,803 (3.4%) from FY 2011-2012. This rise was driven by increased operational expenditures in General and Special Revenue Funds and redemption (\$1,445,000) of South Bay Regional Public Communications Authority bonds.

- General Fund transfers-out totaled \$3,241,817. This included transfers to the Capital Improvement Project (CIP) Fund of \$3 million and the Street Lighting Fund of \$241,817. General Fund transfers-in equaled \$200,583 from the County Parking Fund.

## USING THIS ANNUAL REPORT

### Overview of the Financial Statements

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

### Reporting on the City as a Whole

**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.

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

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

The government wide statement of activities has two components:

#### *Governmental Activities*

This is a consolidation of all governmental funds and includes the General Fund, Capital Projects Funds, Special Revenue Funds and Internal Service Funds. These funds are supported by taxes, intergovernmental revenues, grants, and charges for services. Expenses include materials and labor, depreciation, and amortization of prepaid pension obligations. Governmental fund expenditures for payment of principal on long term debt and capital assets are excluded. All intra-governmental charges and expenses and transfers within governmental funds are eliminated.

All internal service fund expenses and depreciation on capital assets are fully allocated to each functional program. Expenses are classified among the following programs: general government, public safety, culture and recreation, and public works. Program activities that produce revenues or receive grant support are applied against program expenses to yield the net expenses. Revenues that cannot be attributed to a specific program, such as taxes and interest (e.g. General Revenues), are shown separately. The total of General Revenues, less net program expenses, generates the change in net position. Total net position of governmental activities differs from fund balances of governmental funds by long-term assets (capital and prepaid pension), long-term liabilities and the total of internal service fund net position.

### *Business Type Activities*

This includes all enterprise funds (Water, Waste Water, Storm Water, Refuse and Parking Funds). These activities have been traditionally presented as enterprise funds and tie directly to the *Statement of Revenues, Expenses, and Change in Net position – Proprietary Funds*, as shown in the Funds section of this report.

The government-wide financial statements can be found on pages 21 to 23 of this report.

## **Reporting on the City’s Most Significant Funds**

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

**Governmental funds:** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spend-able resources, as well as on balances of spend-able resources available at the end of the fiscal year. In effect, the budgetary government fund statements are working capital flow of funds statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Following the governmental funds *Balance Sheet*, and *Statement of Revenues, Expenditures and Changes in Fund Balances*, there are respective reconciliations of the fund balance to *Statement of Net position*, and *Net Change in Fund Balances* – total governmental funds to change in net position of governmental activities. As discussed above, the reconciliations include treatment of capital expenditures, depreciation, changes in capital assets, long-term debt, prepaid pension costs, full accrual versus modified accrual and change in net position of internal service funds.

The City of Manhattan Beach maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund and the Capital Projects fund, both of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these *non-major* governmental funds is provided in the form of *combining statements* elsewhere in the fund financial statements section of this report.

The City of Manhattan Beach adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison statement has been provided for each governmental fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 25 to 29 of this report.

**Proprietary funds:** Proprietary funds account for goods and services provided to customers and for cost recovery via service charges. There are two types of proprietary funds: enterprise funds which provide services to outside users (residents and businesses of Manhattan Beach), and internal service funds, which provide services to City departments. The City uses internal service funds to account for its fleet of vehicles, computer systems, shared building and maintenance costs, and City-wide insurance costs. Because these services predominantly benefit the governmental function, they have been included within governmental activities in the government-wide financial statements and related intra-governmental charges and transfers have been eliminated accordingly, except for charges and transfers to the enterprise funds, which are quasi-internal transactions.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. All four internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements. Four of the City's seven enterprise funds are considered major funds and presented as such in the fund financial statements. The three non-major funds, Storm Water, County and State pier and parking lots, are presented individually in the combining statements.

The combining statements referred to earlier in connection with non-major governmental funds, proprietary and internal service funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 81 to 109 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 39 to 79 of this report.

### **The City as Trustee**

**Other information:** In addition to the basic financial statements and accompanying notes, this report also presents the City's progress in funding its obligation to provide pension benefits to its employees and the budget-to-actual financial comparisons for the General Fund. The City has elected to present this information within the basic financial statement and financial statement sections of the report. Note 9 provides detailed analysis of City retirement plans.

All of the City's fiduciary activities are reporting distinctly in a separate Statement of Fiduciary Assets and Liabilities. These figures are not combined with other financial statements because the City cannot use these assets to finance present or future operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

As noted earlier, net position (assets plus deferred outflows minus deferred inflows and liabilities) may serve over time as a useful indicator of a government's financial position. In the case of the City of Manhattan Beach, net position totaled \$196,362,490 at June 30, 2013.

By far, the largest portion of the City's net position (68%) reflects its net investment in capital assets (e.g., land, infrastructure, buildings and equipment) net of related debt and reflects the extent to which the City uses its internally generated funds to support capital infrastructure. The City uses these capital assets in the provision of services to citizens.



**City of Manhattan Beach Net Position**

|  | Governmental Activities |                      | Business Type Activities |                     | Total                |                      |
|--|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
|  | 2013                    | 2012                 | 2013                     | 2012                | 2013                 | 2012                 |
| Current Assets                                 | \$56,480,103            | \$53,966,277         | \$24,678,591             | \$20,582,766        | \$81,158,694         | \$74,549,043         |
| Total Capital Assets Net of Depreciation       | 117,471,890             | 115,645,611          | 47,054,148               | 42,658,829          | 164,526,038          | 158,304,440          |
| Other Non-Current Assets                       | 4,801,033               | 6,686,935            | 389,946                  | 1,923,535           | 5,190,979            | 8,610,470            |
| <b>Total Assets</b>                            | <b>\$178,753,026</b>    | <b>\$176,298,823</b> | <b>\$72,122,685</b>      | <b>\$65,165,130</b> | <b>\$250,875,711</b> | <b>\$241,463,953</b> |
| <b>Deferred Outflow of Resources</b>           | <b>\$595,473</b>        | <b>-</b>             | <b>-</b>                 | <b>-</b>            | <b>\$595,473</b>     | <b>-</b>             |
| Current Liabilities                            | \$14,866,917            | \$15,216,304         | \$3,276,251              | \$3,245,447         | \$18,143,168         | \$18,461,751         |
| Non-Current Liabilities                        | 24,296,617              | 26,877,947           | 12,668,909               | 13,949,603          | 36,965,526           | 40,827,550           |
| <b>Total Liabilities</b>                       | <b>\$39,163,534</b>     | <b>\$42,094,251</b>  | <b>\$15,945,160</b>      | <b>\$17,195,050</b> | <b>\$55,108,694</b>  | <b>\$59,289,301</b>  |
| Invested in Capital Assets Net of Related Debt | \$98,930,447            | \$93,795,301         | \$33,902,701             | \$28,293,829        | \$132,833,148        | \$122,089,130        |
| Restricted                                     | 10,196,356              | 11,185,142           | 520,514                  | 1,734,053           | 10,716,870           | 12,919,195           |
| Unrestricted                                   | 31,058,162              | 29,224,129           | 21,754,310               | 17,942,198          | 52,812,472           | 47,166,327           |
| <b>Total Net Assets</b>                        | <b>\$140,184,965</b>    | <b>\$134,204,572</b> | <b>\$56,177,525</b>      | <b>\$47,970,080</b> | <b>\$196,362,490</b> | <b>\$182,174,652</b> |

For comparison purposes to the prior year, note the Governmental Activities restatement of net position in FY 2011-12 to reflect a change in the accounting treatment of previously pre-funded pension liabilities.

Net position of the City's *Governmental* activities amounted to \$140.2 million, an increase from the prior year of \$5,980,393. Of the \$140.2 million, \$98.9 million is net investment in capital assets such as land, buildings, machinery, infrastructure, equipment and other improvements; \$10.2 million is restricted for debt service or for Special Revenue Fund resources that are subject to external restrictions on use. The balance of unrestricted net position (\$31.1 million) is available to the City. A subset of this amount equal to \$25.1 million is reflected by the total of General Fund unassigned balance and the Capital Improvement Fund committed balance. A significant portion of this remaining balance is subject to internal policy reserves regarding working capital.

Net position of the City's *Business-type* activities totaled \$56.2 million. This represents an increase from FY 2011-2012 of \$8.2 million. \$33.9 million is net investment in capital assets (land, buildings, machinery, equipment, etc.), while \$520,514 is reserved for business improvement district use. \$21.8 million represents available working capital.

The City's total change in net position amounts to an increase of \$14,187,838. This change is primarily due to utility (water, wastewater and refuse services) net income as well as revenues exceeding expenditures in the General Fund. The following is the condensed Statement of Activities and Change in Net Position for the fiscal years ending June 30, 2013 and June 30, 2012:

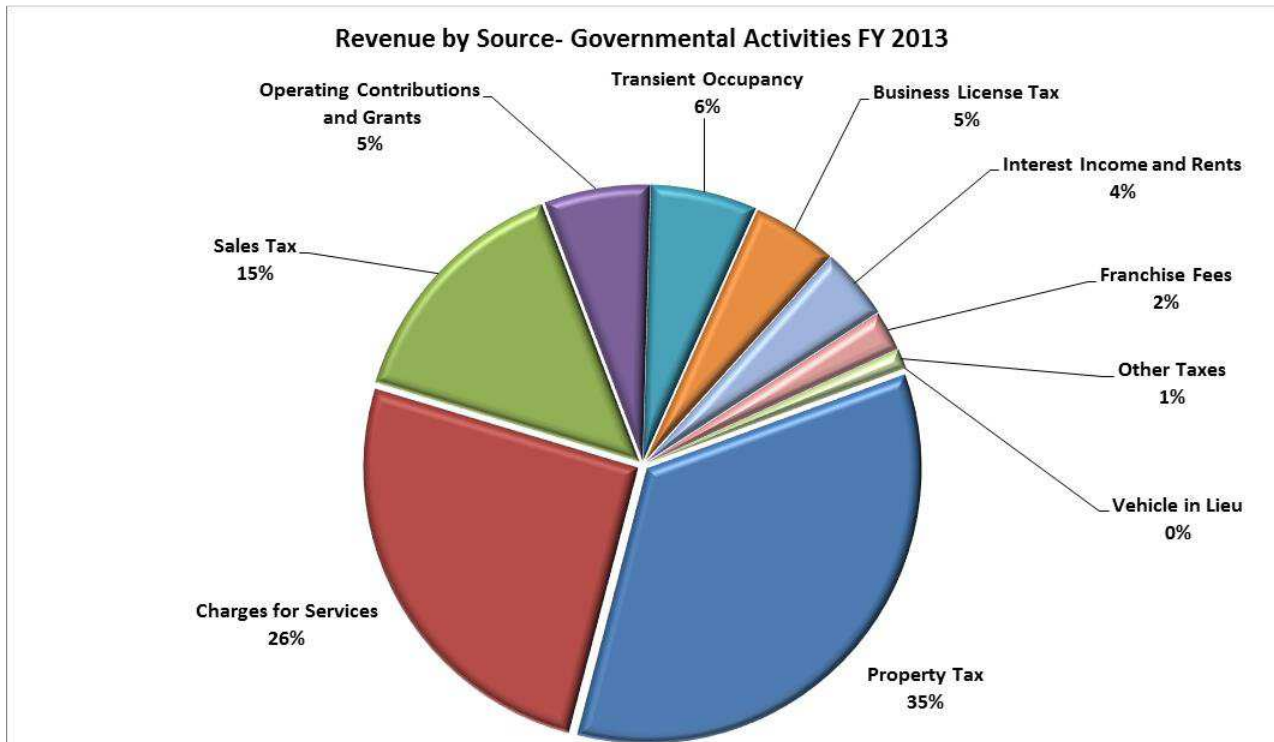
**City of Manhattan Beach Changes in Net position**

|  | Governmental Activities |                      | Business Type Activities |                     | Total                |                      |
|--|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
|  | 2013                    | 2012                 | 2013                     | 2012                | 2013                 | 2012                 |
| Program Revenues:                          |                         |                      |                          |                     |                      |                      |
| Charges for Services                       | \$15,970,540            | \$15,946,883         | \$26,600,680             | \$23,779,406        | \$42,571,220         | \$39,726,289         |
| Operating Contributions and Grants         | 1,847,316               | 1,183,103            | 69,937                   | 33,209              | 1,917,253            | 1,216,312            |
| Capital Contributions and Grants           | 2,032,724               | 2,554,310            | 500,000                  | -                   | 2,532,724            | 2,554,310            |
| General Revenues:                          |                         |                      |                          |                     |                      |                      |
| Property Taxes                             | 21,626,173              | 20,408,314           | -                        | -                   | 21,626,173           | 20,408,314           |
| Other Taxes                                | 18,319,187              | 17,055,448           | -                        | -                   | 18,319,187           | 17,055,448           |
| Motor Vehicle in Lieu                      | 18,887                  | 95,915               | -                        | -                   | 18,887               | 95,915               |
| Interest and Rents                         | 2,633,125               | 2,690,982            | 56,266                   | 144,701             | 2,689,391            | 2,835,683            |
| Gain on Sale of Capital Assets             | -                       | -                    | 19,521                   | -                   | 19,521               | -                    |
| <b>Total Revenues</b>                      | <b>\$62,447,952</b>     | <b>\$59,934,955</b>  | <b>\$27,246,404</b>      | <b>\$23,957,316</b> | <b>\$89,694,356</b>  | <b>\$83,892,271</b>  |
| Expenses:                                  |                         |                      |                          |                     |                      |                      |
| General Government                         | \$8,659,381             | \$9,489,937          | -                        | -                   | \$8,659,381          | \$9,489,937          |
| Public Safety                              | 33,374,733              | 32,190,597           | -                        | -                   | 33,374,733           | 32,190,597           |
| Public Works                               | 8,044,071               | 8,369,506            | -                        | -                   | 8,044,071            | 8,369,506            |
| Culture & Recreation                       | 5,798,599               | 5,761,135            | -                        | -                   | 5,798,599            | 5,761,135            |
| Interest on Long-Term Debt                 | 791,358                 | 820,494              | -                        | -                   | 791,358              | 820,494              |
| Water, Waste, Storm                        | -                       | -                    | 11,285,510               | 11,016,162          | 11,285,510           | 11,016,162           |
| Refuse                                     | -                       | -                    | 4,167,310                | 4,205,443           | 4,167,310            | 4,205,443            |
| Parking                                    | -                       | -                    | 3,385,556                | 2,888,269           | 3,385,556            | 2,888,269            |
| <b>Total Expenses</b>                      | <b>\$56,668,142</b>     | <b>\$56,631,669</b>  | <b>\$18,838,376</b>      | <b>\$18,109,874</b> | <b>\$75,506,518</b>  | <b>\$74,741,543</b>  |
| Revenues Over Expenses                     | 5,779,810               | 3,303,286            | 8,408,028                | 5,847,442           | 14,187,838           | 9,150,728            |
| Transfers In (Out)                         | 200,583                 | 99,884               | (200,583)                | (99,884)            | -                    | -                    |
| <b>Increase (Decrease) in Net Position</b> | <b>\$5,980,393</b>      | <b>\$3,403,170</b>   | <b>\$8,207,445</b>       | <b>\$5,747,558</b>  | <b>\$14,187,838</b>  | <b>\$9,150,728</b>   |
| <b>Net Position - Beginning</b>            | <b>\$134,204,572</b>    | <b>\$134,788,251</b> | <b>\$47,970,080</b>      | <b>\$42,222,522</b> | <b>\$182,174,652</b> | <b>\$177,010,773</b> |
| Restatement of Net Position                | -                       | (\$3,986,849)        | -                        | -                   | -                    | (3,986,849)          |
| <b>Net Position - June 30 (Year End)</b>   | <b>\$140,184,965</b>    | <b>\$134,204,572</b> | <b>\$56,177,525</b>      | <b>\$47,970,080</b> | <b>\$196,362,490</b> | <b>\$182,174,652</b> |

## Changes in Net position - Governmental Activities

The City's governmental activities in FY 2012-2013 increased net position by \$5,980,393 (4.5%) from FY 2011-2012.

Total governmental activities revenue of \$62,447,952 is broken out as follows:



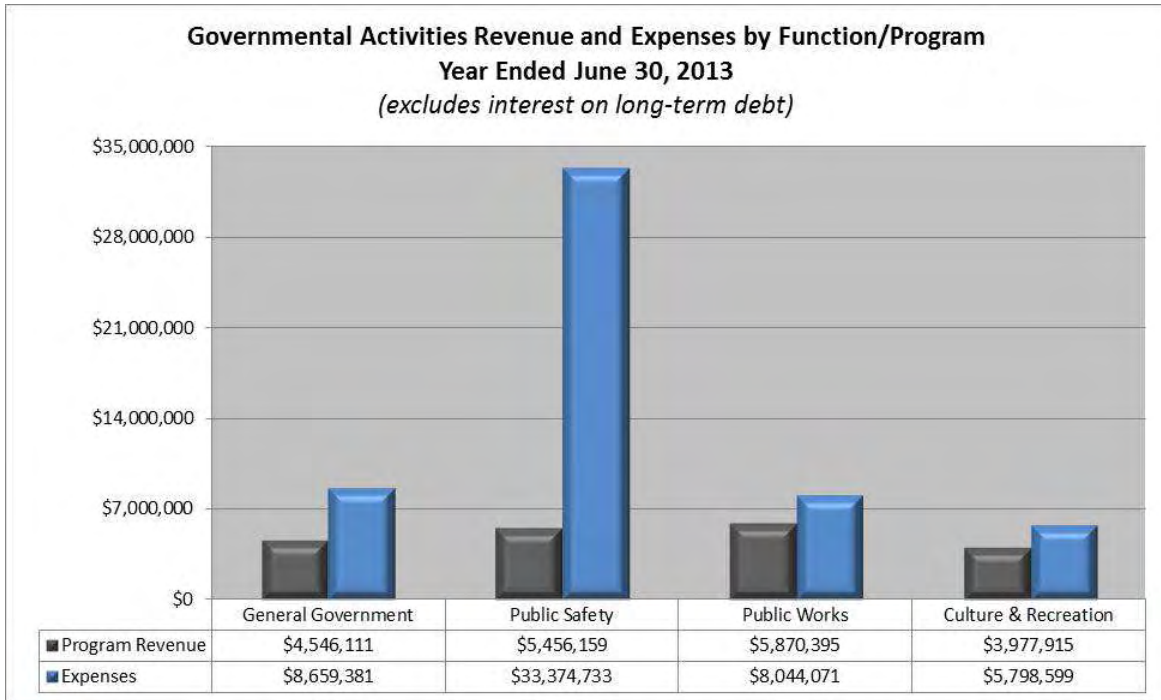
Functional expenses (excluding interest on debt) for the years ending June 30, 2013 and 2012 were as follows:

|                        | Total Cost of Services |                     | Net Cost of Services  |                       |
|------------------------|------------------------|---------------------|-----------------------|-----------------------|
|                        | 2013                   | 2012                | 2013                  | 2012                  |
| General Government     | 8,659,381              | 9,489,937           | (4,113,270)           | (5,252,583)           |
| Public Safety          | 33,374,733             | 32,190,597          | (27,918,574)          | (26,884,488)          |
| Public Works           | 8,044,071              | 8,369,506           | (2,173,676)           | (1,647,322)           |
| Culture and Recreation | 5,798,599              | 5,761,135           | (1,820,684)           | (2,342,486)           |
| <b>Total</b>           | <b>\$55,876,784</b>    | <b>\$55,811,175</b> | <b>(\$36,026,204)</b> | <b>(\$36,126,879)</b> |

*Excludes interest on long-term debt.*

The total cost of services increased from the prior year by \$65,609 (0.1%), while the net cost of services decreased by \$100,675 (0.3%) from the prior year. Total cost of services for Public Safety increased by \$1,184,136, Culture and Recreation increased \$37,464. General Government decreased by \$830,556 while Public Works decreased by \$325,435.

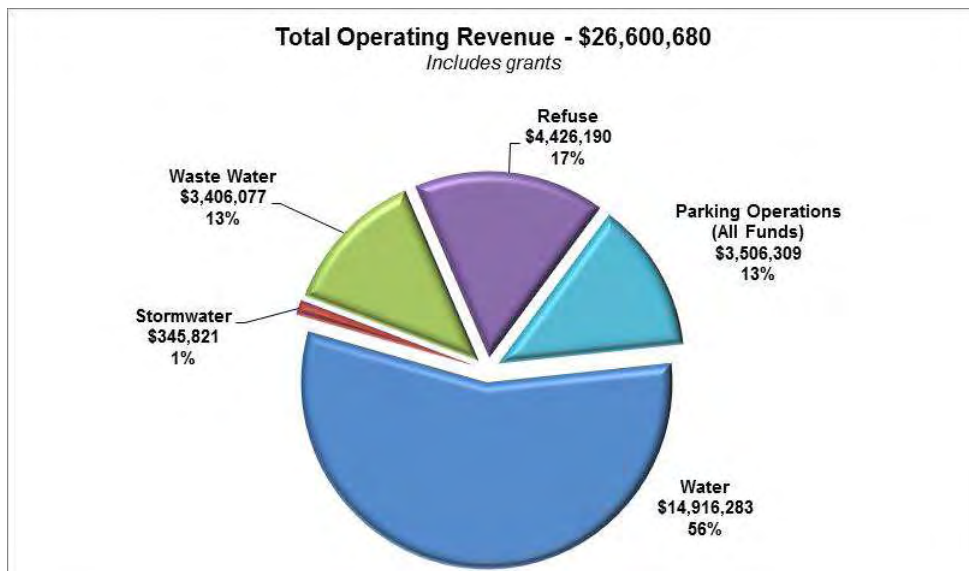
The following chart illustrates governmental revenues and expenses by function for the year ended June 30, 2013.



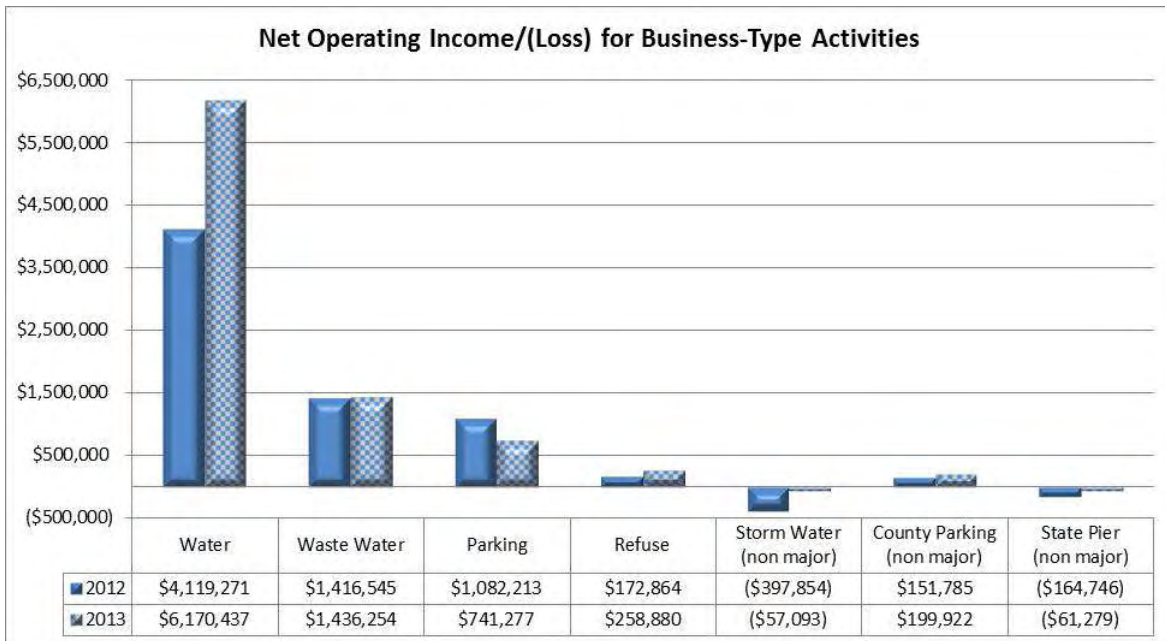
**Change in Net Position - Business Type Activities**

In fiscal year 2012-2013, total revenues for the City’s business type activities amounted to \$27,246,404. Program revenues totaled \$27,170,617, while general revenues totaled \$75,787. Expenses totaled \$18,838,376 of which operating expenses equaled \$17,912,282, and non-operating expenses (primarily debt interest expense and costs associated with bond refunding activities) totaled \$926,094. Total income from operations was \$8,688,398, while net income before transfers was \$8,408,028. After net transfers-out totaling \$200,583, net position increased by \$ 8,207,445.

**Operating Revenues by Source - Business Type Activities FY 2013**



Operating Income varied across the business-type activities in FY 2013. A year-over-year comparison is presented below. Further analysis of the major funds is discussed later in this report.



## FUND FINANCIAL STATEMENTS

### Governmental Funds

As of the end of the 2013 fiscal year, the City's governmental funds ending fund balances totaled \$37.9 million, an increase of \$2.5 million (6.9%) in comparison with the prior year.

Approximately \$18.0 million (47%) of the Governmental Funds total constitutes unassigned fund balance. The remainder of the fund balance (\$19.9 million) is non-spendable, restricted or committed to indicate that it is not available for new spending because it has already been committed for on-going capital projects, advanced to other funds, for legally restricted use, or for legally-required debt service reserves.

Notwithstanding Governmental Accounting Standards Board (GASB) pronouncements, the City Council has established earmarks within the unassigned category for working capital and budgetary capital planning initiatives. Of the \$18.0 million unassigned governmental fund balance noted above, \$14.6 million has been designated by City Council policy.

### General Fund

The General Fund is the chief operating fund of the City of Manhattan Beach. At the end of the 2012-2013 fiscal year, unassigned fund balance of the General Fund was \$18.0 million, while total fund balance was \$19.6 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 2.7 months of total General Fund expenditures, while total fund balance represents 3.0 months of General Fund expenditures.

During the year, General Fund revenues exceeded expenditures by \$2,769,401.

Net transfer activity in this fund totaled negative \$3,041,234 and included the following transfers:

- \$3,000,000 was transferred to the CIP Fund for general infrastructure improvements
- \$241,817 was transferred to the Street Lighting Fund to relieve a deficit fund balance
- \$200,583 of excess reserves from the County Lot Fund was transferred to the General Fund in line with the contract with the County of Los Angeles

Please see Note 4 for more information.

### **Capital Improvement Fund**

The Capital Improvement Fund serves to plan and manage the construction and maintenance of non-enterprise projects which are funded through dedicated revenue sources as well as General Fund surpluses which may arise from year to year. The City adopts a five-year capital project plan in which City Council priorities are planned. The Capital Improvement Fund is one of the major funds covered in that City-wide plan.

At the end of fiscal year 2013, total fund balance of the Capital Improvement Fund was \$8,645,220. Of the total fund balance, \$514,252 includes non-spendable funds in the form of advances to other funds and loans to outside parties for the City's Underground Loan Program, and \$8,122,690 committed to capital projects (please see Note 7 to these financial statements).

A partial list of identified long-term project commitments at year-end include:

- \$2,240,000 for Downtown Streetscape improvements
- \$1,864,818 for the Strand Stairs project
- \$1,196,941 for Safe Routes to School program grants
- \$736,667 for Marine Avenue Park Synthetic Grass Field

During Fiscal Year 2012-2013, the Capital Improvement Project Fund balance increased by \$2,780,213 (47.4%) due to a General Fund transfer of \$3 million.

Revenues to the Capital Improvement Fund totaled \$2,358,010. Certain dedicated revenues described below amounted to \$1,374,023 in FY 2012-2013. These revenues are earmarked for funding general government capital improvement projects in the effort to maintain and enhance City infrastructure. A breakdown of these follows:

**Hotel Tax:** 15% of the Transient Occupancy Tax has been dedicated to funding CIP's. This has resulted in the generation of \$568,424 in revenue for the year. This is \$96,913 (20.6%) above prior year levels. The increase was due to improved travel and tourism as well as completion of a remodeling project at the Marriott which has boosted revenues from the prior years.

**Parking Meter Rates:** A twenty-five cent per hour increment of on-street parking meter rates, dedicated to capital improvements, generated revenue of \$683,571 this fiscal year. This was down \$6,806 or 1.0% from the prior year levels.

**Parking Citation Rates:** Four dollars of most parking citations is dedicated to the CIP fund. For FY 2012-2013, revenue of \$122,028 was realized; an increase of \$6,060 (5.2%) from the prior year.

This fund realized \$983,987 in permits, interest, franchise and other revenue, which included a private party contribution of \$845,000 for the construction of a new synthetic athletic field.

Capital Improvement Fund expenditures equaled \$2,737,019 which included:

- \$1,656,376 for debt service
- \$494,518 to renovate City facilities
- \$381,409 to install a synthetic turf field at Marine Avenue Park
- \$132,274 for fencing at Marine Avenue and Sand Dune parts

During FY 2012-2013, the City refunded outstanding certificates of participation (COPs) for the Police/Fire facility. The transaction involved advance refunding of existing COPs by issuing new COPs, the proceeds of which were deposited with a trustee until the call date of January 2014 of the original COPs. This transaction (described in Note 6) resulted in Other Financing Sources of \$11.0 million and Other Financing Uses of \$10.9 million.

#### Other Governmental Funds

Other non-major governmental funds include all Special Revenue funds used exclusively to account for intergovernmental and assessment proceeds, which are restricted in use by law. This group of funds includes the Street Lighting Fund, Gas Tax Fund, Federal and State Grants Fund, Propositions A and C Funds, Measure R Fund, Asset Forfeiture Fund, Police Safety Grant Fund, the Air Quality Management Fund and Underground Assessment Fund. The majority of the dollars which flow through these funds are used for the maintenance of streets, parks, local transportation programs and the purchase of safety and fuel efficient equipment.

The Street Lighting Fund continues to run deficits each year. For FY 2012-2013, expenditures exceeded revenues by \$241,817. Because there is no fund balance to draw upon, the General Fund contributed \$241,817 to make up for the deficit in the Street Lighting Fund. These contributions will be necessary until a Proposition 218 assessment vote is successful in raising the assessment rates and revenues.

#### Proprietary Funds

The City's proprietary funds consist of enterprise funds and internal service funds. The enterprise funds include Water, Wastewater, Refuse and Parking Funds (major funds), as well as Storm Water, and both the County and State Pier & Parking Lot Funds (which are considered non-major). Internal service funds include Insurance Reserve, Information Systems, Fleet Management and Building Maintenance and Operations.

#### *Enterprise Funds*

At year-end, total net position of all enterprise funds amounted to \$56,177,525. \$21.8 million of the total is unrestricted. The remaining balance is net investment in capital assets (\$33.9 million) and restricted for business improvement district funds (\$0.5 million).

Overall, enterprise funds combined net income was \$8,408,028 before transfers. Net position increased for all enterprise funds by \$8,207,445. This includes an operating transfer-out of \$200,583 from the County Parking Lots enterprise fund to the General Fund.

Several enterprise funds are worth noting this year:

- The Water Fund continues to build the resources for planned capital improvements needed to sustain the utility's operation and infrastructure. Net income from operations totaled \$6,170,437, an improvement from the prior year which had net operating income of \$4,119,271. Revenue from sales increased by 19.4%, while operating expenses (labor, materials, services, etc.) rose

by 4.5%. During FY 2010, the City Council approved increased water and waste water rates to support system infrastructure needs as well as to bolster the fiscal integrity of those funds. The new rate structure became effective in January 2010 and provides for annual increases each January through 2014. The most recent increase in water rates, which became effective half way through fiscal year, contributed to the results which will be used to fund planned capital improvements to the utility's infrastructure, estimated at \$33.1 million over the next five years.

- The Waste Water fund net operating income for FY 2012-2013 was \$1,436,254 versus \$1,416,545 in FY 2011-2012 – a net increase of \$19,709, or 1.4%. Revenue from sales increased \$322,746 (10.5%) while operating expenses increased \$300,695 (18.0%). This improvement is primarily due to new waste water rates implemented along with the water rates in January 2013. Similar to the water utility, the new rates are being utilized to fund needed capital improvements to the waste water system.
- Refuse Fund net income from operations totaled \$258,880 in FY 2012-2013, an increase of \$86,016 from the prior year. Operating expenses decreased by \$23,565 (0.6%) while operating revenues rose by \$62,451 (1.4%). The implementation of a new refuse hauling contract in late fiscal year 2011 along with a new rate structure contributed to the results. In FY 2013-2014, the City voluntarily commenced issuing refunds for a limited amount of past street sweeping charges collected on the utility bill. Those refunds will affect FY 2013-2014 fund balance.
- The Stormwater Fund net operating (loss) in FY 2012-2013 totaled \$57,093, an improvement from the FY 2011-2012 net loss of \$397,854. The fund received a grant for \$500,000 in FY 2012-2013 for a capital project low flow infiltration below the City's greenbelt parkland. Without the grant, the fund would have sustained a negative change in net position of \$54,915. The combination of fixed assessments and rising costs currently requires a General Fund subsidy of administrative overhead, and ultimately will require cash subsidies. Additionally, capital improvements due to legislative mandates will also result in increased costs. A Proposition 218 assessment vote will be necessary to properly fund operations going forward.

### *Internal Service Funds*

Unrestricted net position of the internal service funds at the end of the year amounted to \$4.2 million with net position total of \$7.7 million. Total net position increased by \$1,091,712 (16.6%).

Net position in the Insurance Fund increased by 28.6% or \$219,147 to \$986,580. FY 2012-2013 workers compensation and liability claims expense totaled \$3.77 million, compared to \$4.96 million in FY 2011-2012, \$3.59 million in FY 2010-11, \$1.69 million in FY 2009-10, \$2.98 million in FY 2008-09, and \$3.5 million in FY 2007-08. The unpredictable nature of workers compensation and liability causes these fluctuations in claims expense from year to year. The City continually looks for ways to proactively manage risk and reduce these costs.

Net position in the Fleet Fund increased by \$975,101 to \$6.2 million, reflecting departmental charge-outs (revenues to the fund) for vehicles in advance of purchase. Capital purchases totaled \$2.8 million in FY 2012-2013 versus \$339,152 in FY 2011-2012, as the City continued to catch-up on overdue vehicle purchases suspended during difficult economic conditions in previous years.

## **General Fund Budgetary Highlights**

### *Estimated Revenues*

Total revenues totaled \$56,162,831 and outperformed the final budget by \$2,783,402. Tax revenues exceeded budget by \$2,769,205. Charges for Services underperformed budget by \$80,829, while Licenses and Permits came in \$6,425 over budget. Miscellaneous revenue came in \$608,140 ahead of budget primarily due to greater than anticipated reimbursements from the Insurance Fund for workers



compensation salary continuation (the Insurance Fund reimburses the General Fund for salaries paid to qualified injured workers while disabled). Fines and Forfeitures underperformed the final budget by \$473,663 mainly due to parking citation revenue.

### *Appropriations*

The final amended budget reflects a net increase of \$1,845,156 over the adopted appropriations.

Significant budget adjustments included:

- \$1,339,533 to pay off the South Bay Regional Public Communications Authority debt
- \$229,234 for open purchase orders from the prior year
- \$170,452 in Homeland Security Grants (Police and Fire)

### **Capital Asset and Debt Administration**

**Capital Assets:** Government wide, the City's investment in capital assets (net of accumulated depreciation) as of June 30, 2013 is \$164,526,038. This is an increase from the prior year of \$6,221,598 or 3.9%. This investment in capital assets includes land, buildings, park improvements, roadways, sewer, storm drains, vehicles, computer equipment, furniture and other equipment.

#### **City of Manhattan Beach Capital Assets** (Net of depreciation)

|                                 | Governmental Activities |                      | Business-Type Activities |                     | Total                |                      |
|---------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
|                                 | 2013                    | 2012                 | 2013                     | 2012                | 2013                 | 2012                 |
| Land                            | \$34,072,066            | \$34,072,066         | \$1,757,434              | \$1,757,434         | \$35,829,500         | \$35,829,500         |
| Buildings                       | 35,602,493              | 36,471,519           | 15,638,089               | 15,613,175          | 51,240,582           | 52,084,694           |
| Machinery & Equipment           | 1,183,125               | 1,289,830            | 489,922                  | 541,902             | 1,673,047            | 1,831,732            |
| Vehicles                        | 4,342,773               | 2,059,164            | -                        | -                   | 4,342,773            | 2,059,164            |
| Infrastructure                  | 37,780,741              | 34,420,515           | 22,358,052               | 23,028,930          | 60,138,793           | 57,449,445           |
| Invested in Joint Venture (RCC) | 1,838,931               | 1,943,302            | -                        | -                   | 1,838,931            | 1,943,302            |
| Work in Progress                | 2,651,761               | 5,389,215            | 6,810,651                | 1,717,388           | 9,462,412            | 7,106,603            |
| <b>Total</b>                    | <b>\$117,471,890</b>    | <b>\$115,645,611</b> | <b>\$47,054,148</b>      | <b>\$42,658,829</b> | <b>\$164,526,038</b> | <b>\$158,304,440</b> |

### *Governmental*

During Fiscal Year 2012-2013, governmental capital expenditures included:

- \$1,080,643 for the renovation and improvement of City facilities
- \$684,713 for curb and gutter replacement projects
- \$365,277 for the street slurry seal program
- \$397,819 for the Sepulveda bridge project

### *Business Type*

During the fiscal year, Business Type capitalized expenditures totaled \$5,386,423. Major items were: \$3,202,185 in water system improvements; \$1,313,894 in wastewater improvements; \$660,134 in Storm Water system projects; and \$210,210 in new parking meter technology. These increases were offset by depreciation of \$991,104, resulting in a net increase in assets of \$4,395,319.

Please refer to footnote 5 for additional information on the City's capital assets.

**Long-Term Liabilities:** Total long-term liabilities citywide (excluding unamortized bond premiums) equal \$44,698,411, a decrease of \$5,167,186 from fiscal 2011-2012. Governmental liabilities decreased by \$3,335,695 (9.4%) while business type liabilities decreased by \$1,831,491 (12.7%). The following table is a condensation of footnote 6.

**City of Manhattan Beach Outstanding Liabilities**

|  | Governmental Activities |                     | Business-Type Activities |                     | Total               |                     |
|--|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
|  | 2013                    | 2012                | 2013                     | 2012                | 2013                | 2012                |
| Marine Avenue COPs                                 | \$7,235,000             | \$7,480,000         | -                        | -                   | \$7,235,000         | \$7,480,000         |
| Capital Equipment Lease                            | 903,841                 | -                   | -                        | -                   | 903,841             | -                   |
| Police & Fire Facility COPs                        | -                       | 11,450,000          | -                        | -                   | -                   | 11,450,000          |
| Police & Fire Facility Refunding COPs              | 10,510,000              | -                   | -                        | -                   | 10,510,000          | -                   |
| Accrued Employee Leave & Benefits                  | 2,675,484               | 2,486,555           | 63,256                   | \$59,747            | 2,738,740           | 2,546,302           |
| Supplemental Leave                                 | 4,607                   | 4,607               | -                        | -                   | 4,607               | 4,607               |
| Water and Wastewater COPs                          | -                       | -                   | -                        | 3,240,000           | -                   | 3,240,000           |
| Water and Wastewater Refunding COPs                | -                       | -                   | 2,680,000                | -                   | 2,680,000           | -                   |
| Metlox Parking COPs                                | -                       | -                   | -                        | 11,125,000          | -                   | 11,125,000          |
| Metlox Parking Refunding COPs                      | -                       | -                   | 9,850,000                | -                   | 9,850,000           | -                   |
| Pension Obligation Bonds                           | 1,860,000               | -                   | -                        | -                   | 1,860,000           | -                   |
| So Bay Communications (RCC)                        | -                       | 1,445,000           | -                        | -                   | -                   | 1,445,000           |
| Insurance Claim Reserves                           | 8,916,223               | 9,704,688           | -                        | -                   | 8,916,223           | 9,704,688           |
| <b>Total Long Term Liabilities</b>                 | <b>\$32,105,155</b>     | <b>\$32,570,850</b> | <b>\$12,593,256</b>      | <b>\$14,424,747</b> | <b>\$44,698,411</b> | <b>\$46,995,597</b> |
| Current portion of Long Term (due within one year) | 8,296,203               | 8,695,673           | 545,794                  | 475,144             | 8,841,997           | 9,170,817           |
| <b>Long Term Liabilities - Non Current</b>         | <b>\$23,808,952</b>     | <b>\$23,875,177</b> | <b>\$12,047,462</b>      | <b>\$13,949,603</b> | <b>\$35,856,414</b> | <b>\$37,824,780</b> |

*Governmental*

Principal obligations for existing long-term bonded debt were reduced in accordance with existing debt service schedules as well as by the defeasance of bonds issued for the construction of the Police/Fire facility, and for the South Bay Regional Public Communications Authority. The total decrease in debt was \$3,640,000.

*Business Type*

Business type principal obligations for existing long-term bonded debt were reduced in accordance with existing debt service schedules as well as by the defeasance of bonds issued for the construction of the Metlox, and Water and Wastewater system improvements. The total decrease in debt was \$1,835,000.

For the details regarding components of long term liabilities refer to Note 6.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3.75% of its total assessed valuation. The current debt limitation for the City of Manhattan Beach (fiscal year 2012-2013) is \$476,749,866.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City Council adopted the FY 2013-14 General Fund operating budget in June 2013. The original budget estimates General Fund revenues at \$57,528,730 and expenditures of \$58,938,080, resulting in a use of fund balance of \$1,409,350. The imbalance is due to the planned use of accumulated funds (\$1,409,350) to support a recently adopted technology plan.

The City's major General Fund revenue sources continue to improve after the lasting effects of the recession. Property tax, the single biggest General Fund revenue source, which dramatically slowed with the housing market, is expected to increase in FY 2013-2014 by 2-3% over FY 2012-2013 actual receipts. Sales tax is also projected to increase 2% from FY 2012-2013 as the economy and retail sales environment continue to recover. Building-related activity is expected to generate additional building permit and plan check revenues.

As a service organization, labor accounts for most of our costs - approximately 65% in the General Fund. New labor agreements with three bargaining units (Police Officers, Fire and Miscellaneous) were approved in FY 2012-2013. A new Police Management unit was formed in FY 2012-2013, with a new labor agreement in place in FY 2013-2014. Each agreement provides predictability in labor costs through December 2015.

The City continues its focus on capital improvements. \$99.07 million (including carryover projects) is planned over the next five years for utility, street and facility projects. \$48.9 million of that amount is for water, wastewater, and stormwater projects. An additional \$36.5 million has been budgeted for street and roadway needs, and \$13.7 for general facilities (including parking facilities). These projects will ensure continued functionality of vital systems, traffic flow and community facilities.

### **Requests for Information**

This financial report is designed to provide a general overview of the financial position of the City of Manhattan Beach for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 1400 Highland Avenue, Manhattan Beach, CA 90266.



**This Page Left Blank Intentionally**



# **Government-Wide Financial Statements**



CITY OF MANHATTAN BEACH

STATEMENT OF NET POSITION  
JUNE 30, 2013

|   | Primary Government    |                      |                       |
|---|-----------------------|----------------------|-----------------------|
|   | Governmental          | Business-Type        | Total                 |
|   | Activities            | Activities           |                       |
| <b>Assets:</b>                                      |                       |                      |                       |
| Cash and investments                                | \$ 50,777,211         | \$ 23,361,063        | \$ 74,138,274         |
| Receivables:  |                       |                      |                       |
| Accounts  | 1,037,098             | 1,574,832            | 2,611,930             |
| Taxes   | 3,059,783             | -                    | 3,059,783             |
| Accrued interest                                    | 221,918               | -                    | 221,918               |
| Internal balances                                   | 469,200               | (469,200)            | -                     |
| Prepaid costs                                       | 33,489                | -                    | 33,489                |
| Due from other governments                          | 771,521               | -                    | 771,521               |
| Inventories   | 109,883               | 211,896              | 321,779               |
| <b>Total Current Assets</b>                         | <b>56,480,103</b>     | <b>24,678,591</b>    | <b>81,158,694</b>     |
| Restricted assets:                                  |                       |                      |                       |
| Cash with fiscal agent                              | 1,706,922             | 220,956              | 1,927,878             |
| Notes and loans receivable                          | 477,052               | -                    | 477,052               |
| Prepaid other post-employment benefits              | 2,617,059             | 168,990              | 2,786,049             |
| Capital assets not being depreciated                | 36,723,827            | 8,568,085            | 45,291,912            |
| Capital assets, net of depreciation                 | 80,748,063            | 38,486,063           | 119,234,126           |
| <b>Total Noncurrent Assets</b>                      | <b>122,272,923</b>    | <b>47,444,094</b>    | <b>169,717,017</b>    |
| <b>Total Assets</b>                                 | <b>178,753,026</b>    | <b>72,122,685</b>    | <b>250,875,711</b>    |
| <b>Deferred Outflow of Resources:</b>               |                       |                      |                       |
| Deferred charges on refunding                       | 595,473               | -                    | 595,473               |
| <b>Total Deferred Outflow of Resources</b>          | <b>595,473</b>        | <b>-</b>             | <b>595,473</b>        |
| <b>Liabilities:</b>                                 |                       |                      |                       |
| Accounts payable                                    | 2,952,069             | 2,337,256            | 5,289,325             |
| Accrued liabilities                                 | 1,865,951             | 65,795               | 1,931,746             |
| Accrued Interest                                    | 177,326               | 220,956              | 398,282               |
| Unearned revenues                                   | 730,138               | -                    | 730,138               |
| Deposits payable                                    | 845,230               | 106,450              | 951,680               |
| Long-term liabilities due within one year:          |                       |                      |                       |
| Leases payable                                      | 184,499               | -                    | 184,499               |
| Bonds payable                                       | 1,830,000             | 530,000              | 2,360,000             |
| Accrued workers comp/liability claims and judgments | 5,727,204             | -                    | 5,727,204             |
| Accrued employee benefits                           | 554,500               | 15,794               | 570,294               |
| <b>Total Current Liabilities</b>                    | <b>14,866,917</b>     | <b>3,276,251</b>     | <b>18,143,168</b>     |
| Noncurrent liabilities:                             |                       |                      |                       |
| Long term liabilities due in more than one year     |                       |                      |                       |
| Leases payable                                      | 719,342               | -                    | 719,342               |
| Bonds payable                                       | 18,262,665            | 12,621,447           | 30,884,112            |
| Accrued workers comp/liability claims and judgments | 3,189,019             | -                    | 3,189,019             |
| Accrued employee benefits                           | 2,125,591             | 47,462               | 2,173,053             |
| <b>Total Non Current Liabilities</b>                | <b>24,296,617</b>     | <b>12,668,909</b>    | <b>36,965,526</b>     |
| <b>Total Liabilities</b>                            | <b>39,163,534</b>     | <b>15,945,160</b>    | <b>55,108,694</b>     |
| <b>Net Position:</b>                                |                       |                      |                       |
| Net investment in capital assets                    | 98,930,447            | 33,902,701           | 132,833,148           |
| Restricted for:                                     |                       |                      |                       |
| Public safety                                       | 1,073,788             | -                    | 1,073,788             |
| Parks and recreation                                | 179,663               | -                    | 179,663               |
| Public works  | 7,812,471             | -                    | 7,812,471             |
| Debt service  | 1,130,434             | -                    | 1,130,434             |
| Business improvement districts                      | -                     | 520,514              | 520,514               |
| Unrestricted  | 31,058,162            | 21,754,310           | 52,812,472            |
| <b>Total Net Position</b>                           | <b>\$ 140,184,965</b> | <b>\$ 56,177,525</b> | <b>\$ 196,362,490</b> |

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

| Functions/Programs                   | Expenses             | Program Revenues     |                                    |                                  |
|--------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
|                                      |                      | Charges for Services | Operating Contributions and Grants | Capital Contributions and Grants |
| <b>Primary Government</b>            |                      |                      |                                    |                                  |
| Governmental Activities:             |                      |                      |                                    |                                  |
| General government                   | \$ 8,659,381         | \$ 4,535,499         | \$ 10,612                          | \$ -                             |
| Public safety                        | 33,374,733           | 5,172,443            | 283,716                            | -                                |
| Culture and recreation               | 5,798,599            | 2,470,359            | 1,507,556                          | -                                |
| Public works                         | 8,044,071            | 3,792,239            | 45,432                             | 2,032,724                        |
| Interest on long-term debt           | 791,358              | -                    | -                                  | -                                |
| <b>Total Governmental Activities</b> | <b>56,668,142</b>    | <b>15,970,540</b>    | <b>1,847,316</b>                   | <b>2,032,724</b>                 |
| Business-Type Activities:            |                      |                      |                                    |                                  |
| Water                                | 8,857,744            | 14,916,283           | -                                  | -                                |
| Stormwater                           | 402,914              | 345,821              | -                                  | 500,000                          |
| Wastewater                           | 2,024,852            | 3,406,077            | -                                  | -                                |
| Refuse                               | 4,167,310            | 4,426,190            | 11,647                             | -                                |
| Parking                              | 2,323,238            | 2,305,348            | 58,290                             | -                                |
| County parking lot                   | 471,954              | 671,876              | -                                  | -                                |
| State pier and parking lot           | 590,364              | 529,085              | -                                  | -                                |
| <b>Total Business type Activity</b>  | <b>18,838,376</b>    | <b>26,600,680</b>    | <b>69,937</b>                      | <b>500,000</b>                   |
| <b>Total Primary Government</b>      | <b>\$ 75,506,518</b> | <b>\$ 42,571,220</b> | <b>\$ 1,917,253</b>                | <b>\$ 2,532,724</b>              |

**General Revenues:**

Taxes:

- Property taxes, levied for general purposes
- Transient occupancy taxes
- Sales taxes
- Franchise taxes
- Business licenses taxes
- Other taxes

Intergovernmental, unrestricted:

- Motor vehicle in lieu
- Homeowner property tax
- Investment earnings and rent
- Gain on sale of capital assets

**Transfers**

**Total General Revenues & Transfers**

Change in net position

Net Position at Beginning of Year

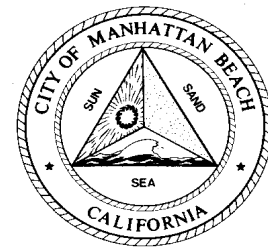
**Net Position at End of Year**



| Net (Expenses) Revenues and Changes in<br>Net Position |                             |                       |
|--|-----------------------------|-----------------------|
| Primary Government                                     |                             |                       |
| Governmental<br>Activities                             | Business-Type<br>Activities | Total                 |
| \$ (4,113,270)   | \$ -                        | \$ (4,113,270)        |
| (27,918,574)   | -                           | (27,918,574)          |
| (1,820,684)  | -                           | (1,820,684)           |
| (2,173,676)  | -                           | (2,173,676)           |
| (791,358)  | -                           | (791,358)             |
| <b>(36,817,562)</b>                                    | <b>-</b>                    | <b>(36,817,562)</b>   |
| -  | 6,058,539                   | 6,058,539             |
| -  | 442,907                     | 442,907               |
| -  | 1,381,225                   | 1,381,225             |
| -  | 270,527                     | 270,527               |
| -  | 40,400                      | 40,400                |
| -  | 199,922                     | 199,922               |
| -  | (61,279)                    | (61,279)              |
| <b>-</b>   | <b>8,332,241</b>            | <b>8,332,241</b>      |
| <b>(36,817,562)</b>                                    | <b>8,332,241</b>            | <b>(28,485,321)</b>   |
| 21,626,173   | -                           | 21,626,173            |
| 3,881,174  | -                           | 3,881,174             |
| 9,103,160  | -                           | 9,103,160             |
| 1,471,197  | -                           | 1,471,197             |
| 3,124,644  | -                           | 3,124,644             |
| 587,399  | -                           | 587,399               |
| 18,887   | -                           | 18,887                |
| 151,613  | -                           | 151,613               |
| 2,633,125  | 56,266                      | 2,689,391             |
| -  | 19,521                      | 19,521                |
| 200,583  | (200,583)                   | -                     |
| <b>42,797,955</b>                                      | <b>(124,796)</b>            | <b>42,673,159</b>     |
| 5,980,393  | 8,207,445                   | 14,187,838            |
| 134,204,572  | 47,970,080                  | 182,174,652           |
| <b>\$ 140,184,965</b>                                  | <b>\$ 56,177,525</b>        | <b>\$ 196,362,490</b> |



**This Page Left Blank Intentionally**



# **Fund Financial Statements**



CITY OF MANHATTAN BEACH

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

|  | General              | Capital Projects<br>Funds<br>Capital<br>Improvement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|---|--------------------------------|--------------------------------|
| <b>Assets:</b>   |                      |   |                                |                                |
| Pooled cash and investments  | \$ 19,491,970        | \$ 8,501,698  | \$ 9,404,557                   | \$ 37,398,225                  |
| Receivables:   |                      |   |                                |                                |
| Accounts   | 915,965              | -   | 111,134                        | 1,027,099                      |
| Taxes  | 3,005,196            | 54,587  | -                              | 3,059,783                      |
| Notes and loans  | 432,000              | 45,052  | -                              | 477,052                        |
| Accrued interest   | 221,918              | -   | -                              | 221,918                        |
| Prepaid costs  | 42,514               | -   | -                              | 42,514                         |
| Due from other funds   | 22,488               | -   | -                              | 22,488                         |
| Due from other governments   | 247,328              | 99,809  | 414,384                        | 761,521                        |
| Advances to other funds  | -                    | 469,200   | -                              | 469,200                        |
| Restricted assets:   |                      |   |                                |                                |
| Cash and investments with fiscal agents                                      | 1,177,037            | 139,000   | 390,885                        | 1,706,922                      |
| <b>Total Assets</b>  | <b>\$ 25,556,416</b> | <b>\$ 9,309,346</b>                                 | <b>\$ 10,320,960</b>           | <b>\$ 45,186,722</b>           |
| <b>Liabilities, Deferred Inflows of Resources<br/>and Fund Balances:</b>     |                      |   |                                |                                |
| <b>Liabilities:</b>  |                      |   |                                |                                |
| Accounts payable   | \$ 1,562,741         | \$ 433,595  | \$ 530,139                     | \$ 2,526,475                   |
| Accrued liabilities  | 1,813,951            | -   | -                              | 1,813,951                      |
| Unearned revenues  | 730,138              | -   | -                              | 730,138                        |
| Deposits payable   | 843,489              | -   | 1,741                          | 845,230                        |
| Due to other funds   | -                    | -   | 22,488                         | 22,488                         |
| Interest payable   | 46,603               | 130,723   | -                              | 177,326                        |
| <b>Total Liabilities</b>   | <b>4,996,922</b>     | <b>564,318</b>                                      | <b>554,368</b>                 | <b>6,115,608</b>               |
| <b>Deferred Inflow of Resources:</b>   |                      |   |                                |                                |
| Unavailable revenues   | 970,734              | 99,808  | 136,566                        | 1,207,108                      |
| <b>Total Deferred Inflow of Resources</b>                                    | <b>970,734</b>       | <b>99,808</b>                                       | <b>136,566</b>                 | <b>1,207,108</b>               |
| <b>Fund Balances:</b>  |                      |   |                                |                                |
| <b>Nonspendable:</b>   |                      |   |                                |                                |
| Prepaid costs  | 42,514               | -   | -                              | 42,514                         |
| Notes and loans  | 432,000              | 45,052  | -                              | 477,052                        |
| Advanced to other funds  | -                    | 469,200   | -                              | 469,200                        |
| <b>Restricted for:</b>   |                      |   |                                |                                |
| Public safety  | -                    | -   | 1,073,789                      | 1,073,789                      |
| Culture and recreation   | -                    | -   | 179,663                        | 179,663                        |
| Public works   | -                    | -   | 4,826,828                      | 4,826,828                      |
| Capital projects   | -                    | -   | 3,572,234                      | 3,572,234                      |
| Debt service   | 1,130,434            | 8,278   | -                              | 1,138,712                      |
| <b>Committed to:</b>   |                      |   |                                |                                |
| Capital projects   | -                    | 8,122,690   | -                              | 8,122,690                      |
| <b>Unassigned</b>  | <b>17,983,812</b>    | <b>-</b>  | <b>(22,488)</b>                | <b>17,961,324</b>              |
| <b>Total Fund Balances</b>   | <b>19,588,760</b>    | <b>8,645,220</b>                                    | <b>9,630,026</b>               | <b>37,864,006</b>              |
| <b>Total Liabilities, Deferred Inflow<br/>of Resources and Fund Balances</b> | <b>\$ 25,556,416</b> | <b>\$ 9,309,346</b>                                 | <b>\$ 10,320,960</b>           | <b>\$ 45,186,722</b>           |

**CITY OF MANHATTAN BEACH**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

---

|   |                  |                                     |
|---|------------------|-------------------------------------|
| Fund balances of governmental funds   |                  | \$ 37,864,006                       |
| Amounts reported for governmental activities in the statement of net position are different because:  |                  |                                     |
| Capital assets used in governmental activities are not current financial resources. Therefore, they are not reported in governmental funds.   |                  | 113,129,117                         |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.   |                  |                                     |
| COPS payable  | \$ (17,745,000)  |                                     |
| Pension obligation bonds payable  | (1,860,000)      |                                     |
| Supplemental leave allowance  | (4,607)          |                                     |
| Compensated absences  | (2,675,484)      |                                     |
| Unamortized bonds premium   | <u>(487,666)</u> | (22,772,757)                        |
| Revenues reported as unavailable revenue in the governmental funds and recognized in the Statement of Activities.   |                  | 1,207,108                           |
| For bond refundings, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred charges on refunding in the statement of net position.  |                  | 595,473                             |
| Governmental funds report all other post-retirement benefit obligation as expenditure, however, in the statement of net position, excess contributions over the annual required contribution (ARC) are reported prepaid other post-employment benefit obligation.       |                  | 2,507,022                           |
| 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 position. |                  | <u>7,654,996</u>                    |
| <b>Net position of governmental activities</b>  |                  | <b><u><u>\$ 140,184,965</u></u></b> |

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

|  | General              | Capital Project<br>Funds<br>Capital<br>Improvement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|--|--------------------------------|--------------------------------|
| <b>Revenues:</b>   |                      |  |                                |                                |
| Taxes and assessments  | \$ 39,663,273        | \$ 668,425   | \$ 1,941,968                   | \$ 42,273,666                  |
| Licenses and permits   | 1,499,285            | 14,536   | -                              | 1,513,821                      |
| Intergovernmental  | 395,087              | -  | 1,204,734                      | 1,599,821                      |
| Charges for services   | 8,488,659            | 683,571  | 30,206                         | 9,202,436                      |
| Use of money and property                                    | 2,538,827            | 24,450   | 69,847                         | 2,633,124                      |
| Fines and forfeitures  | 2,466,837            | 122,028  | -                              | 2,588,865                      |
| Miscellaneous Revenues                                       | 910,280              | 845,000  | 16,432                         | 1,771,712                      |
| <b>Total Revenues</b>  | <b>55,962,248</b>    | <b>2,358,010</b>                                   | <b>3,263,187</b>               | <b>61,583,445</b>              |
| <b>Expenditures:</b>   |                      |  |                                |                                |
| Current:   |                      |  |                                |                                |
| General Government   | 9,101,953            | -  | -                              | 9,101,953                      |
| Public Safety  | 30,223,354           | -  | 247,213                        | 30,470,567                     |
| Culture and recreation                                       | 4,790,731            | 38,199   | 851,071                        | 5,680,001                      |
| Public works   | 5,936,723            | -  | 1,218,569                      | 7,155,292                      |
| Capital outlay   | 198,952              | 1,042,444  | 1,243,631                      | 2,485,027                      |
| Debt service:  |                      |  |                                |                                |
| Principal retirement   | 2,700,000            | 285,000  | -                              | 2,985,000                      |
| Interest and administrative fees                             | 241,134              | 399,279  | -                              | 640,413                        |
| Cost of issuance   | -                    | 150,944  | -                              | 150,944                        |
| Payment to refunded bond escrow agent                        | -                    | 821,153  | -                              | 821,153                        |
| <b>Total Expenditures</b>                                    | <b>53,192,847</b>    | <b>2,737,019</b>                                   | <b>3,560,484</b>               | <b>59,490,350</b>              |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 2,769,401            | (379,009)  | (297,297)                      | 2,093,095                      |
| <b>Other Financing Sources (Uses):</b>                       |                      |  |                                |                                |
| Transfers in   | 200,583              | 3,000,000  | 569,986                        | 3,770,569                      |
| Transfers out  | (3,241,817)          | -  | (328,169)                      | (3,569,986)                    |
| Refunding bond issued  | -                    | 10,510,000   | -                              | 10,510,000                     |
| Bond Premium   | -                    | 500,846  | -                              | 500,846                        |
| Payment to bond escrow agent                                 | -                    | (10,851,624)                                       | -                              | (10,851,624)                   |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>(3,041,234)</b>   | <b>3,159,222</b>                                   | <b>241,817</b>                 | <b>359,805</b>                 |
| Net Change in Fund Balance                                   | (271,833)            | 2,780,213  | (55,480)                       | 2,452,900                      |
| Fund Balances, Beginning of Year                             | 19,860,593           | 5,865,007  | 9,685,506                      | 35,411,106                     |
| <b>Fund Balances, End of Year</b>                            | <b>\$ 19,588,760</b> | <b>\$ 8,645,220</b>                                | <b>\$ 9,630,026</b>            | <b>\$ 37,864,006</b>           |

CITY OF MANHATTAN BEACH

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2013**

Net change in fund balances - total governmental funds \$ 2,452,900

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 or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

|                                    |              |           |
|------------------------------------|--------------|-----------|
| Cost of assets capitalized         | \$ 2,485,027 |           |
| Depreciation expense               | (2,941,972)  |           |
| Loss on disposal of capital assets | <u>(385)</u> | (457,330) |

The issuance of long-term debt (e.g. bonds, leases) provides current resources to governmental funds, while the repayment of long-term debt principal consumes the current financial resources of governmental funds. Issuance of bond principal is another financing source and repayment is an expenditures in the governmental funds, but issuance increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.

Repayment of bond principal:

|                               |           |  |
|-------------------------------|-----------|--|
| Certificates of participation | 530,000   |  |
| Pension obligation bonds      | 1,010,000 |  |
| Revenue bonds                 | 1,445,000 |  |

Bond issued:

|                                      |              |  |
|--------------------------------------|--------------|--|
| Police Fire Facility bonds refunding | (10,510,000) |  |
| Bond premium                         | (500,846)    |  |

Deceased bonds:

|   |                |           |
|---|----------------|-----------|
| Police Fire Facility bonds deceased                                 | 11,165,000     |           |
| Amortization of bond premium - Police Fire Facility bonds refunding | 13,181         |           |
| Amortization of bond discount - Pension obligation bonds            | (18,445)       |           |
| Amortization of deferred charges on refunding                       | <u>488,230</u> | 3,622,120 |

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. (188,930)

Certain revenues are reported as unavailable revenue in the governmental funds and recognized in the Statement of Activities. (13,131)

Governmental funds report all Other Post-Retirement Benefit Obligation as expenditure, however, in the statement of net position, excess contributions over the annual required contribution (ARC) are reported a prepaid other post-employment benefit obligation and amortized. (526,948)

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities. 1,091,712

**Change in net position of governmental activities \$ 5,980,393**



CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON STATEMENT  
GENERAL FUND  
YEAR ENDED JUNE 30, 2013**

|  | Budget Amounts       |                      | Actual<br>Amounts    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|----------------------|----------------------|----------------------|---|
|  | Original             | Final                |                      |   |
| Budgetary Fund Balance, July 1             | \$ 19,860,593        | \$ 19,860,593        | \$ 19,860,593        | \$ -  |
| <b>Resources (Inflows):</b>                |                      |                      |                      |   |
| Taxes and assessments                      | 36,894,068           | 36,894,068           | 39,663,273           | 2,769,205   |
| Licenses and permits                       | 1,492,860            | 1,492,860            | 1,499,285            | 6,425   |
| Intergovernmental                          | 211,000              | 398,138              | 395,087              | (3,051)   |
| Charges for services                       | 8,549,488            | 8,569,488            | 8,488,659            | (80,829)  |
| Use of money and property                  | 2,708,362            | 2,708,362            | 2,538,827            | (169,535)   |
| Fines and forfeitures                      | 2,940,500            | 2,940,500            | 2,466,837            | (473,663)   |
| Miscellaneous                              | 302,140              | 302,140              | 910,280              | 608,140   |
| Transfers in                               | 73,373               | 73,373               | 200,583              | 127,210   |
| Proceeds from sale of capital asset        | 500                  | 500                  | -                    | (500)   |
| <b>Amounts Available for Appropriation</b> | <b>73,032,884</b>    | <b>73,240,022</b>    | <b>76,023,424</b>    | <b>2,783,402</b>  |
| <b>Charges to Appropriation (Outflow):</b> |                      |                      |                      |   |
| General government                         | 9,493,684            | 9,618,972            | 9,101,953            | 517,019   |
| Public safety                              | 30,471,345           | 30,680,179           | 30,223,354           | 456,825   |
| Culture and recreation                     | 5,398,572            | 5,416,124            | 4,790,731            | 625,393   |
| Public works                               | 5,804,831            | 5,911,545            | 5,936,723            | (25,178)  |
| Capital outlay                             | -                    | -                    | 198,952              | (198,952)   |
| Debt service:                              |                      |                      |                      |   |
| Principal retirement                       | 1,304,998            | 2,699,998            | 2,700,000            | (2)   |
| Interest and fiscal charges                | 520,827              | 512,595              | 241,134              | 271,461   |
| Transfers out                              | 3,195,555            | 3,195,555            | 3,241,817            | (46,262)  |
| <b>Total Charges to Appropriation</b>      | <b>56,189,812</b>    | <b>58,034,968</b>    | <b>56,434,664</b>    | <b>1,600,304</b>  |
| <b>Budgetary Fund Balance, June 30</b>     | <b>\$ 16,843,072</b> | <b>\$ 15,205,054</b> | <b>\$ 19,588,760</b> | <b>\$ 4,383,706</b>                                     |

CITY OF MANHATTAN BEACH

STATEMENT OF FUND NET POSITION  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2013

|  | <u>Business-Type Activities - Enterprise Funds</u> |                      |                     |                      |
|--|--|----------------------|---------------------|----------------------|
|  | <u>Water</u>                                       | <u>Wastewater</u>    | <u>Refuse</u>       | <u>Parking</u>       |
| <b>Assets:</b>                                   |  |                      |                     |                      |
| Current:   |  |                      |                     |                      |
| Cash and investments                             | \$ 12,646,524                                      | \$ 3,237,550         | \$ 1,082,743        | \$ 2,771,244         |
| Receivables:                                     |  |                      |                     |                      |
| Accounts   | 948,684  | 249,716              | 310,701             | 4,603                |
| Prepaid costs                                    | -  | -                    | -                   | -                    |
| Inventories                                      | 211,896  | -                    | -                   | -                    |
| <b>Total Current Assets</b>                      | <b>13,807,104</b>                                  | <b>3,487,266</b>     | <b>1,393,444</b>    | <b>2,775,847</b>     |
| Noncurrent:                                      |  |                      |                     |                      |
| Prepaid other post-employment benefits           | 108,074  | 25,544               | 11,791              | 9,432                |
| Restricted:                                      |  |                      |                     |                      |
| Cash with fiscal agent                           | 31,217   | 15,358               | -                   | 174,381              |
| Capital assets - net of accumulated depreciation | 18,593,188   | 6,874,808            | -                   | 17,569,828           |
| <b>Total Noncurrent Assets</b>                   | <b>18,732,479</b>                                  | <b>6,915,710</b>     | <b>11,791</b>       | <b>17,753,641</b>    |
| <b>Total Assets</b>                              | <b>\$ 32,539,583</b>                               | <b>\$ 10,402,976</b> | <b>\$ 1,405,235</b> | <b>\$ 20,529,488</b> |
| <b>Liabilities and Net Position:</b>             |  |                      |                     |                      |
| <b>Liabilities:</b>                              |  |                      |                     |                      |
| Current:   |  |                      |                     |                      |
| Accounts payable                                 | \$ 1,298,633                                       | \$ 313,611           | \$ 335,050          | \$ 85,890            |
| Accrued interest                                 | 31,217   | 15,358               | -                   | 174,381              |
| Deposits payable                                 | 2,435  | -                    | -                   | 104,015              |
| Workers' compensation claim                      | -  | -                    | -                   | -                    |
| Accrued compensated absences                     | 15,794   | -                    | -                   | -                    |
| Accrued claims and judgments                     | -  | -                    | -                   | -                    |
| Bonds payable                                    | 107,240  | 52,760               | -                   | 370,000              |
| Lease payable                                    | -  | -                    | -                   | -                    |
| <b>Total Current Liabilities</b>                 | <b>1,455,319</b>                                   | <b>381,729</b>       | <b>335,050</b>      | <b>734,286</b>       |
| Noncurrent:                                      |  |                      |                     |                      |
| Advances due to other funds                      | -  | -                    | -                   | 469,200              |
| Workers' compensation claims                     | -  | -                    | -                   | -                    |
| Accrued compensated absences                     | 47,462   | -                    | -                   | -                    |
| Accrued claims and judgments                     | -  | -                    | -                   | -                    |
| Bonds payable                                    | 1,810,139  | 890,556              | -                   | 9,920,752            |
| Lease payable                                    | -  | -                    | -                   | -                    |
| <b>Total Noncurrent Liabilities</b>              | <b>1,857,601</b>                                   | <b>890,556</b>       | <b>-</b>            | <b>10,389,952</b>    |
| <b>Total Liabilities</b>                         | <b>3,312,920</b>                                   | <b>1,272,285</b>     | <b>335,050</b>      | <b>11,124,238</b>    |
| <b>Net Position:</b>                             |  |                      |                     |                      |
| Net investment in capital assets                 | 16,675,809   | 5,931,492            | -                   | 7,279,076            |
| Restricted for business improvement district     | -  | -                    | -                   | 520,514              |
| Unrestricted                                     | 12,550,854   | 3,199,199            | 1,070,185           | 1,605,660            |
| <b>Total Net Position</b>                        | <b>29,226,663</b>                                  | <b>9,130,691</b>     | <b>1,070,185</b>    | <b>9,405,250</b>     |
| <b>Total Liabilities and Net Position</b>        | <b>\$ 32,539,583</b>                               | <b>\$ 10,402,976</b> | <b>\$ 1,405,235</b> | <b>\$ 20,529,488</b> |

CITY OF MANHATTAN BEACH

STATEMENT OF FUND NET POSITION  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2013

|  | Business-Type Activities -<br>Enterprise Funds |                      | Governmental<br>Activities -<br>Internal<br>Service Funds |
|--|--|----------------------|---|
|  | Other<br>Enterprise<br>Funds                   | Totals               |   |
| <b>Assets:</b>                                   |  |                      |   |
| Current:   |  |                      |   |
| Cash and investments                             | \$ 3,623,002                                   | \$ 23,361,063        | \$ 13,378,987   |
| Receivables:                                     |  |                      |   |
| Accounts   | 61,128   | 1,574,832            | 10,000  |
| Prepaid cost                                     | -  | -                    | 975   |
| Inventories                                      | -  | 211,896              | 109,883   |
| <b>Total Current Assets</b>                      | <b>3,684,130</b>                               | <b>25,147,791</b>    | <b>13,499,845</b>   |
| Noncurrent:                                      |  |                      |   |
| Prepaid other post-employment benefits           | 14,149   | 168,990              | 110,037   |
| Restricted:                                      |  |                      |   |
| Cash with fiscal agent                           | -  | 220,956              | -   |
| Capital assets - net of accumulated depreciation | 4,016,324                                      | 47,054,148           | 4,342,773   |
| <b>Total Noncurrent Assets</b>                   | <b>4,030,473</b>                               | <b>47,444,094</b>    | <b>4,452,810</b>  |
| <b>Total Assets</b>                              | <b>\$ 7,714,603</b>                            | <b>\$ 72,591,885</b> | <b>\$ 17,952,655</b>                                      |
| <b>Liabilities and Net Position:</b>             |  |                      |   |
| <b>Liabilities:</b>                              |  |                      |   |
| Current:   |  |                      |   |
| Accounts payable                                 | \$ 369,867                                     | \$ 2,403,051         | \$ 477,595  |
| Accrued interest                                 | -  | 220,956              | -   |
| Deposits payable                                 | -  | 106,450              | -   |
| Workers' compensation claim                      | -  | -                    | 4,995,269   |
| Accrued compensated absences                     | -  | 15,794               | -   |
| Accrued claims and judgments                     | -  | -                    | 731,935   |
| Bonds payable                                    | -  | 530,000              | -   |
| Lease payable                                    | -  | -                    | 184,499   |
| <b>Total Current Liabilities</b>                 | <b>369,867</b>                                 | <b>3,276,251</b>     | <b>6,389,298</b>  |
| Noncurrent:                                      |  |                      |   |
| Advances from other funds                        | -  | 469,200              | -   |
| Workers' compensation claims                     | -  | -                    | 2,792,830   |
| Accrued compensated absences                     | -  | 47,462               | -   |
| Accrued claims and judgments                     | -  | -                    | 396,189   |
| Bonds payable                                    | -  | 12,621,447           | -   |
| Lease payable                                    | -  | -                    | 719,342   |
| <b>Total Noncurrent Liabilities</b>              | <b>-</b>                                       | <b>13,138,109</b>    | <b>3,908,361</b>  |
| <b>Total Liabilities</b>                         | <b>369,867</b>                                 | <b>16,414,360</b>    | <b>10,297,659</b>   |
| <b>Net Position:</b>                             |  |                      |   |
| Net investment in capital assets                 | 4,016,324                                      | 33,902,701           | 3,438,932   |
| Restricted for business improvement district     | -  | 520,514              | -   |
| Unrestricted                                     | 3,328,412                                      | 21,754,310           | 4,216,064   |
| <b>Total Net Position</b>                        | <b>7,344,736</b>                               | <b>56,177,525</b>    | <b>7,654,996</b>  |
| <b>Total Liabilities and Net Position</b>        | <b>\$ 7,714,603</b>                            | <b>\$ 72,591,885</b> | <b>\$ 17,952,655</b>                                      |

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

|  | <b>Business-Type Activities - Enterprise Funds</b> |                     |                     |                     |
|--|--|---------------------|---------------------|---------------------|
|  | <b>Water</b>                                       | <b>Wastewater</b>   | <b>Refuse</b>       | <b>Parking</b>      |
| <b>Operating Revenues:</b>                     |  |                     |                     |                     |
| Sales and service charges                      | \$ 14,913,986                                      | \$ 3,392,659        | \$ 4,426,190        | \$ 2,284,092        |
| Miscellaneous                                  | 2,297  | 13,418              | -                   | 21,256              |
| <b>Total Operating Revenues</b>                | <b>14,916,283</b>                                  | <b>3,406,077</b>    | <b>4,426,190</b>    | <b>2,305,348</b>    |
| <b>Operating Expenses:</b>                     |  |                     |                     |                     |
| Salaries                                       | 731,478  | 221,127             | 61,092              | 52,999              |
| Employee benefits                              | 303,816  | 78,509              | 31,194              | 23,748              |
| Contract and professional services             | 4,412,466  | 122,501             | 3,663,172           | 413,907             |
| Materials and services                         | 1,107,891  | 524,166             | 49,104              | 404,125             |
| Utilities                                      | 364,339  | 26,239              | 371                 | 95,008              |
| Administrative service charges                 | 1,387,129  | 825,770             | 362,377             | 337,008             |
| Leases and rents                               | -  | -                   | -                   | -                   |
| Claims expense                                 | -  | -                   | -                   | -                   |
| Depreciation expense                           | 438,727  | 171,511             | -                   | 237,276             |
| <b>Total Operating Expenses</b>                | <b>8,745,846</b>                                   | <b>1,969,823</b>    | <b>4,167,310</b>    | <b>1,564,071</b>    |
| Operating Income (Loss)                        | 6,170,437  | 1,436,254           | 258,880             | 741,277             |
| <b>Nonoperating Revenues (Expenses):</b>       |  |                     |                     |                     |
| Interest revenue                               | 27,518   | 6,711               | 2,238               | 13,787              |
| Interest expense                               | (111,898)  | (55,029)            | -                   | (759,167)           |
| Grant revenue                                  | -  | -                   | 11,647              | 58,290              |
| Gain (loss) on disposal of capital assets      | 19,521   | -                   | -                   | -                   |
| <b>Total Nonoperating Revenues (Expenses):</b> | <b>(64,859)</b>                                    | <b>(48,318)</b>     | <b>13,885</b>       | <b>(687,090)</b>    |
| Income (Loss) Before Transfers                 | 6,105,578  | 1,387,936           | 272,765             | 54,187              |
| Transfers out                                  | -  | -                   | -                   | -                   |
| Changes in Net Position                        | 6,105,578  | 1,387,936           | 272,765             | 54,187              |
| <b>Net Position:</b>                           |  |                     |                     |                     |
| Beginning of Year                              | 23,121,085   | 7,742,755           | 797,420             | 9,351,063           |
| <b>End of Fiscal Year</b>                      | <b>\$ 29,226,663</b>                               | <b>\$ 9,130,691</b> | <b>\$ 1,070,185</b> | <b>\$ 9,405,250</b> |

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

|  | Business-Type Activities -<br>Enterprise Funds |                      | Governmental<br>Activities -<br>Internal<br>Service Funds |
|--|--|----------------------|---|
|  | Other<br>Enterprise<br>Funds                   | Totals               |   |
| <b>Operating Revenues:</b>                     |  |                      |   |
| Sales and service charges                      | \$ 1,546,782                                   | \$ 26,563,709        | \$ 9,750,481  |
| Miscellaneous                                  | -  | 36,971               | 38  |
| <b>Total Operating Revenues</b>                | <b>1,546,782</b>                               | <b>26,600,680</b>    | <b>9,750,519</b>  |
| <b>Operating Expenses:</b>                     |  |                      |   |
| Salaries                                       | 36,598   | 1,103,294            | 1,062,646   |
| Employee benefits                              | 20,278   | 457,545              | 412,195   |
| Contract and professional services             | 388,995  | 9,001,041            | 1,016,196   |
| Materials and services                         | 307,315  | 2,392,601            | 1,765,479   |
| Utilities                                      | 62,689   | 548,646              | 110,703   |
| Administrative service charges                 | 136,236  | 3,048,520            | -   |
| Leases and rents                               | 369,531  | 369,531              | -   |
| Claims expense                                 | -  | -                    | 3,770,133   |
| Depreciation expense                           | 143,590  | 991,104              | 519,906   |
| <b>Total Operating Expenses</b>                | <b>1,465,232</b>                               | <b>17,912,282</b>    | <b>8,657,258</b>  |
| Operating Income (Loss)                        | 81,550   | 8,688,398            | 1,093,261   |
| <b>Nonoperating Revenues (Expenses):</b>       |  |                      |   |
| Interest revenue                               | 6,012  | 56,266               | -   |
| Interest expense                               | -  | (926,094)            | (3,586)   |
| Grant revenue                                  | 500,000  | 569,937              | -   |
| Gain (loss) on disposal of capital assets      | -  | 19,521               | (7,963)   |
| <b>Total Nonoperating Revenues (Expenses):</b> | <b>506,012</b>                                 | <b>(280,370)</b>     | <b>(1,549)</b>  |
| Income (Loss) Before Transfers                 | 587,562  | 8,408,028            | 1,091,712   |
| Transfers out                                  | (200,583)                                      | (200,583)            | -   |
| Changes in Net Position                        | 386,979  | 8,207,445            | 1,091,712   |
| <b>Net Position:</b>                           |  |                      |   |
| Beginning of Year                              | 6,957,757                                      | 47,970,080           | 6,563,284   |
| <b>End of Fiscal Year</b>                      | <b>\$ 7,344,736</b>                            | <b>\$ 56,177,525</b> | <b>\$ 7,654,996</b>                                       |

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2013

Business-Type Activities - Enterprise Funds

|   | Water                | Wastewater          | Refuse              | Parking             |
|---|----------------------|---------------------|---------------------|---------------------|
| <b>Cash Flows from Operating Activities:</b>  |                      |                     |                     |                     |
| Cash received from customers and users  | \$ 14,969,136        | \$ 3,389,706        | \$ 4,446,411        | \$ 2,458,035        |
| Cash received from/(paid to) interfund service provided   | (1,784,817)          | (1,297,388)         | (391,644)           | (372,937)           |
| Cash paid to suppliers for goods and services   | (5,377,509)          | (269,661)           | (3,684,338)         | (1,016,015)         |
| Cash paid to employees for services   | (986,077)            | (291,171)           | (88,632)            | (73,349)            |
| <b>Net Cash Provided (Used) by Operating Activities</b>   | <b>6,820,733</b>     | <b>1,531,486</b>    | <b>281,797</b>      | <b>995,734</b>      |
| <b>Cash Flows from Non-Capital Financing Activities:</b>  |                      |                     |                     |                     |
| Repayment of advances due to other funds  | -                    | -                   | -                   | (301,900)           |
| Transfer to other funds   | -                    | -                   | -                   | -                   |
| Grant subsidy   | -                    | -                   | 11,647              | 58,290              |
| <b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>                                       | <b>-</b>             | <b>-</b>            | <b>11,647</b>       | <b>(243,610)</b>    |
| <b>Cash Flows from Capital and Related Financing Activities:</b>  |                      |                     |                     |                     |
| Purchase of capital assets  | (3,202,185)          | (1,279,090)         | -                   | (210,210)           |
| Principal paid on capital debt  | (2,228,578)          | (1,096,422)         | -                   | (11,485,000)        |
| Interest paid on capital debt   | (85,241)             | (41,926)            | -                   | (701,666)           |
| Refunding bond proceeds   | 1,984,038            | 976,112             | -                   | 10,674,576          |
| Cash from sale of property  | 19,521               | -                   | -                   | -                   |
| <b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>                               | <b>(3,512,445)</b>   | <b>(1,441,326)</b>  | <b>-</b>            | <b>(1,722,300)</b>  |
| <b>Cash Flows from Investing Activities:</b>  |                      |                     |                     |                     |
| Interest received   | 27,518               | 6,711               | 2,238               | 13,787              |
| <b>Net Cash Provided (Used) by Investing Activities</b>   | <b>27,518</b>        | <b>6,711</b>        | <b>2,238</b>        | <b>13,787</b>       |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>   | <b>3,335,806</b>     | <b>96,871</b>       | <b>295,682</b>      | <b>(956,389)</b>    |
| Cash and Cash Equivalents at the Beginning of the Year  | 9,341,935            | 3,156,037           | 787,061             | 3,902,014           |
| <b>Cash and Cash Equivalents at the End of the Year</b>   | <b>\$ 12,677,741</b> | <b>\$ 3,252,908</b> | <b>\$ 1,082,743</b> | <b>\$ 2,945,625</b> |
| <b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>            |                      |                     |                     |                     |
| Operating Income (loss)   | \$ 6,170,437         | \$ 1,436,254        | \$ 258,880          | \$ 741,277          |
| <b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b> |                      |                     |                     |                     |
| Depreciation  | 438,727              | 171,511             | -                   | 237,276             |
| (Increase) decrease in accounts receivable  | 48,037               | (13,502)            | 22,091              | (2,653)             |
| (Increase) decrease in prepaid expense  | -                    | -                   | -                   | -                   |
| (Increase) decrease in inventory  | (97,510)             | -                   | -                   | -                   |
| (Increase) decrease in prepaid other post employee benefi   | 22,716               | 5,369               | 2,478               | 1,982               |
| (Increase) decrease in accounts payable   | 234,717              | (68,146)            | (1,652)             | 18,672              |
| (Increase) decrease in deposits payable   | 100                  | -                   | -                   | (820)               |
| (Increase) decrease in compensated absences   | 3,509                | -                   | -                   | -                   |
| (Increase) decrease in claims payable   | -                    | -                   | -                   | -                   |
| <b>Total Adjustments</b>  | <b>650,296</b>       | <b>95,232</b>       | <b>22,917</b>       | <b>254,457</b>      |
| <b>Net Cash Provided (Used) by Operating Activities</b>   | <b>\$ 6,820,733</b>  | <b>\$ 1,531,486</b> | <b>\$ 281,797</b>   | <b>\$ 995,734</b>   |
| <b>Non cash investing, capital, and financing activities:</b>   |                      |                     |                     |                     |
| Capital lease purchase of fire truck and sewer truck  | \$ -                 | \$ -                | \$ -                | \$ -                |

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2013

|   | <b>Business-Type Activities - Enterprise Funds</b> |                      |  |
|---|--|----------------------|--|
|   | <b>Other<br/>Enterprise<br/>Funds</b>              | <b>Totals</b>        | <b>Governmental<br/>Activities-<br/>Internal<br/>Service Funds</b> |
| <b>Cash Flows from Operating Activities:</b>  |  |                      |  |
| Cash received from customers and users  | \$ 1,501,615                                       | \$ 26,764,903        | \$ 112,898   |
| Cash received from/(paid to) interfund service provided   | (195,943)  | (4,042,729)          | 8,481,380  |
| Cash paid to suppliers for goods and services   | (1,220,861)  | (11,568,384)         | (6,073,147)  |
| Cash paid to employees for services   | (52,101)   | (1,491,330)          | (1,399,633)  |
| <b>Net Cash Provided (Used) by Operating Activities</b>   | <b>32,710</b>                                      | <b>9,662,460</b>     | <b>1,121,498</b>   |
| <b>Cash Flows from Non-Capital<br/>Financing Activities:</b>  |  |                      |  |
| Repayment of Advances due to other funds  | -  | (301,900)            | -  |
| Transfer to other funds   | (200,583)  | (200,583)            | -  |
| Grant subsidy   | 500,000  | 569,937              | 10,000   |
| <b>Net Cash Provided (Used) by<br/>Non-Capital Financing Activities</b>                                       | <b>299,417</b>                                     | <b>67,454</b>        | <b>10,000</b>  |
| <b>Cash Flows from Capital and<br/>Related Financing Activities:</b>  |  |                      |  |
| Purchase of capital assets  | (660,134)  | (5,351,619)          | (1,861,965)  |
| Principal paid on capital debt  | -  | (14,810,000)         | (45,672)   |
| Interest paid on capital debt   | -  | (828,833)            | (3,586)  |
| Refunding bond proceeds   | -  | 13,634,726           | -  |
| Cash from sale of property  | -  | 19,521               | -  |
| <b>Net Cash Provided (Used) by<br/>Capital and Related Financing Activities</b>                               | <b>(660,134)</b>                                   | <b>(7,336,205)</b>   | <b>(1,911,223)</b>   |
| <b>Cash Flows from Investing Activities:</b>  |  |                      |  |
| Interest received   | 6,014  | 56,268               | -  |
| <b>Net Cash Provided (Used) by<br/>Investing Activities</b>   | <b>6,014</b>                                       | <b>56,268</b>        | <b>-</b>   |
| <b>Net Increase (Decrease) in Cash<br/>and Cash Equivalents</b>   | <b>(321,993)</b>                                   | <b>2,449,977</b>     | <b>(779,725)</b>   |
| Cash and Cash Equivalents at the Beginning of the Year  | 3,944,995  | 21,132,042           | 14,158,712   |
| <b>Cash and Cash Equivalents at the End of the Year</b>   | <b>\$ 3,623,002</b>                                | <b>\$ 23,582,019</b> | <b>\$ 13,378,987</b>   |
| <b>Reconciliation of Operating Income to Net Cash<br/>Provided (Used) by Operating Activities:</b>            |  |                      |  |
| Operating Income (loss)   | \$ 81,550  | \$ 8,688,398         | \$ 1,093,261   |
| <b>Adjustments to reconcile operating income (loss)<br/>net cash provided (used) by operating activities:</b> |  |                      |  |
| Depreciation  | 143,590  | 991,104              | 519,906  |
| (Increase) decrease in accounts receivable  | (45,168)   | 8,805                | (10,000)   |
| (Increase) decrease in prepaid expense  | -  | -                    | 30,580   |
| (Increase) decrease in inventory  | -  | (97,510)             | 247  |
| (Increase) decrease in prepaid other post employee benefits   | 2,974  | 35,519               | 23,128   |
| (Increase) decrease in accounts payable   | (150,236)  | 33,355               | 252,841  |
| (Increase) decrease in deposits payable   | -  | (720)                | -  |
| (Increase) decrease in compensated absences   | -  | 3,509                | -  |
| (Increase) decrease in claims payable   | -  | -                    | (788,465)  |
| <b>Total Adjustments</b>  | <b>(48,840)</b>                                    | <b>974,062</b>       | <b>28,237</b>  |
| <b>Net Cash Provided (Used) by Operating Activities</b>   | <b>\$ 32,710</b>                                   | <b>\$ 9,662,460</b>  | <b>\$ 1,121,498</b>  |
| <b>Non cash investing, capital, and financing activities:</b>   |  |                      |  |
| Capital lease purchase of fire truck and sewer truck  | \$ -   | \$ -                 | \$ 949,513   |

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2013

|  | <u>Agency<br/>Funds</u>    | <u>Pension Trust<br/>Fund</u> |
|--|----------------------------|-------------------------------|
| <b>Assets:</b>                         |                            |                               |
| Pooled cash and investments            | \$ 1,280,777               | \$ 298,191                    |
| Receivables:                           |                            |                               |
| Accounts                               | 18,916                     | 135,963                       |
| Restricted assets                      |                            |                               |
| Cash and investments with fiscal agent | 3,221,476                  | -                             |
| <b>Total Assets</b>                    | <b><u>\$ 4,521,169</u></b> | <b><u>434,154</u></b>         |
| <b>Liabilities:</b>                    |                            |                               |
| Accounts payable                       | \$ 13,657                  | -                             |
| 401(a) plan deposits                   | 2,249,203                  | -                             |
| Deposits payable                       | 463,342                    | -                             |
| Due bondholders                        | 1,794,967                  | -                             |
| <b>Total Liabilities</b>               | <b><u>\$ 4,521,169</u></b> | <b><u>-</u></b>               |
| <b>Net Position:</b>                   |                            |                               |
| Held in trust for pension benefits     |                            | 434,154                       |
| <b>Total Net Position</b>              |                            | <b><u>\$ 434,154</u></b>      |



CITY OF MANHATTAN BEACH

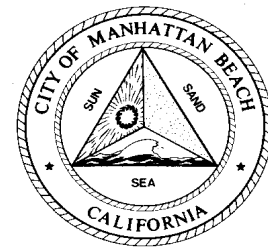
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2013

---

|                                   | <b>Pension Trust<br/>Fund</b> |
|-----------------------------------|-------------------------------|
| <b>Additions</b>                  |                               |
| Refund of contributions           | \$ 135,963                    |
| Investment earnings               | 15,537                        |
|                                   | <hr/>                         |
| Total additions                   | 151,500                       |
|                                   | <hr/>                         |
| <b>Deductions</b>                 |                               |
| Benefits                          | 204,339                       |
|                                   | <hr/>                         |
| Total deductions                  | 204,339                       |
|                                   | <hr/>                         |
| Change in net position            | (52,839)                      |
| Net Position - Beginning of Year  | 486,993                       |
|                                   | <hr/>                         |
| <b>Net Position - End of Year</b> | <b>\$ 434,154</b>             |
|                                   | <hr/> <hr/>                   |



**This Page Left Blank Intentionally**



# **Notes to Financial Statements**



**Note 1: Organization and Summary of Significant Accounting Policies**

**a. Description of the Reporting Entity**

The City of Manhattan Beach, California (the City), was incorporated on December 12, 1912, 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 council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Manhattan Beach (the primary government) and its component unit, the Manhattan Beach Capital Improvements Corporation. The component unit is included in the reporting entity because of the significance of its operational or financial relationships with the City of Manhattan Beach. It is governed by the City Council of the City of Manhattan Beach and its activities exclusively benefit the City, therefore it is presented as a blended component unit. Separate financial statements are not prepared for the Manhattan Beach Capital Improvements Corporation.

Blended Component Unit

Manhattan Beach Capital Improvements Corporation - The Manhattan Beach Capital Improvements Corporation (the Corporation) is a nonprofit public benefits corporation, organized under the laws of the State of California in September 1996, pursuant to the Nonprofit Public Benefit Corporation Laws (Title I, Division 2, Part 2, Section 5110). The sole purpose of the Corporation is to issue debt for capital improvements. Certificates of participation are debt issued by the Corporation providing the holder an interest, i.e. the right to participate in the lease payments paid by the City to the Corporation. In September of 1996, this entity issued \$4,615,000 of debt in the form of Certificates of Participation (the "1996 Certificates") to fund specific projects related to the City's water and wastewater infrastructure. This debt is accounted for in the proprietary fund types within the Water and Wastewater Funds. In April of 2002, this entity issued \$9,535,000 of debt to pay the cost of refinancing existing ground lease commitments with the Beach Cities' Health District for the newly constructed Marine Avenue Sports Fields. This debt was structured as a variable rate demand Certificate of Participation. In January 2003, this entity issued \$13,350,000 of fixed rate Certificates of Participation (the "2003 Certificates") for the construction of a two-level downtown subterranean parking structure and outdoor plaza. This endeavor is commonly known as the Metlox Public Improvement project. The parking lot portion of the project was completed in January 2004, and the public plaza portion of the project was completed in November 2005. In November 2004, this entity issued fixed rate Certificates of Participation (the "2004 Certificates") in the amount of \$12,980,000 to contribute toward the full funding of the construction of a new Police and Fire facility and adjoining City Hall plaza. This major project was completed in December 2007. Capital construction costs for the project were \$38,404,048. In July 2012, the entity issued \$12,975,000 of Certificates of Participation, Series 2012 (the "2012 Certificates"), to refund the outstanding balance of the 1996 Certificates of Participation and the outstanding balance of the 2003 Certificates of Participation. In February 2013, the entity issued \$10,510,000 of Certificates of Participation, Series 2013 (the "2013 Certificates"), to refund the outstanding balance of the 2004 Certificates of Participation. There are no separately issued financial statements for this entity.

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

**b. Accounting and Reporting Policies**

The City adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which established accounting and financial reporting standards for financial statements of state and local governments.

**c. Description of Funds**

The accounts of the City are organized and operated on the basis of funds, each of which is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein. These funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

In accordance with the City's municipal code and budget, several different types of funds are used to record the City's financial transactions. For financial reporting purposes, such funds have been categorized and are presented as follows:

Governmental Fund Types

General Fund - to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than for major capital projects) that are restricted by law or administrative action to expenditures for specified purposes.

Capital Projects Funds - to account for financial resources segregated for the acquisition or construction of major capital facilities, other than those financed by Enterprise or Internal Service Funds. In recent years, the Underground Assessment District Fund was added to this category.

Proprietary Fund Types

Enterprise Funds - to account for operations where it is the stated intent that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where determination of net income is deemed appropriate.

Internal Service Funds - to account for insurance reserve, information systems, building maintenance and operations and fleet management services provided to the departments of the City on a continuing basis, which are financed or recovered primarily by charges to the user departments.

Fiduciary Fund Types

Pension Trust Funds - to account for resources that are required to be held in trust for the members and beneficiaries of supplemental retirement plans, single highest year plans, and post retirement health plans for firefighters and for police.

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

Agency Funds:

- Special Assessment Redemption Fund – to account for special assessment collections for debt service for the underground assessment bonds that the City remits to the fiscal agent.
- Special Deposits Fund – to account for 401(a) plan deposits, utility development deposits, art development fees and other miscellaneous items.

**d. Basis of Accounting/Measurement Funds**

Government-Wide Financial Statements

The City government-wide financial statements include a Statement of Net Position and Statement of Activities and Changes in Net Position. These statements present summaries of Governmental Activities for the City. Interfund services provided and used are not eliminated in the process of consolidation. Fiduciary activities of the City are not included in these statements.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets, deferred inflows and outflows of resources, and liabilities; including capital assets and infrastructure as well as long-term debt are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the benefit is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Government-wide financial statements do not provide information by fund; they simply distinguish between governmental and business activities. The City’s Statement of Net Position includes current and noncurrent assets and liabilities, as well as deferred inflows and outflows of resources.

Financial Statement Classification

In the government-wide financial statements, net position is classified in the following categories:

*Net Investment in capital assets*

This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of capital assets reduce this category.

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

*Restricted Net Position*

This category presents restrictions imposed by creditors, grantors, contributions or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Position*

This category represents the net position of the City, not restricted for any project or other purpose.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenue, Expenditures and Change in Fund Balances for all major governmental funds and aggregated nonmajor funds. An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that met the qualifications of GASB Statement No. 34.

All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the governmental fund balance sheet. Related operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance.

The modified accrual basis of accounting is used by all governmental funds as the basis for recognizing revenues. Under the modified accrual basis of accounting, revenues are susceptible to accrual and consequently recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be readily determined, and "available" means that the transaction amount is collectible within the current period or soon thereafter (generally 60 days after year-end) to be used to pay liabilities of the current period. Revenues considered susceptible to accrual include property taxes and sales taxes collected after year-end, earned and uncollected investment interest income, uncollected rents and leases and unbilled service receivables. Revenues from such items as license and permit fees, fines and forfeitures and general service charges are not susceptible to accrual because they are generally not measurable until received in cash.

The government reports unearned revenue on its balance sheet for grant monies received before the City has a legal claim to them, such as grant funds received prior to incurring qualified expenses. In subsequent periods, the unearned revenue is removed once revenue recognition criteria are met and the City has established legal claim to the resources.

Governmental fund expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when they are due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.



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

Proprietary Funds Financial Statements

Proprietary funds financial statements include a Statement of Fund Net Position, Statement of Revenues, Expenses and Change in Fund Net Position, and Statement of Cash Flows. All proprietary fund types are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. With this measurement focus, all assets, deferred outflows/inflows of resources and liabilities (current and long-term) resulting from the operations of these funds are included in the Statement of Net Position. Accordingly, the proprietary fund Statement of Net Position presents assets, deferred inflows/outflows of resources and liabilities classified into their respective current and long-term categories.

The City's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service funds are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for services. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

There is no look-back adjustment on the statement of fund net position and the statement of revenues, expenses and changes in fund net position for the enterprise funds' participation in the internal services funds because these transactions are paid in cash, therefore there is no internal balance related to what can be considered a quasi-external transaction.

Fiduciary Funds

Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Position and a Statement of Change in Fiduciary Net Position. The fiduciary funds are used to report assets held in a trustee or agency capacity for others and, therefore, are not available to support City programs. The reporting focus is on net position and change in net position, and is reported using accounting principles similar to proprietary funds. Since these assets are being held for the benefit of a third party, these funds are not incorporated into the government-wide statements.

Major Funds

Governmental Accounting Standards Board Statement 34 (GASB 34) requires the City to report all major funds in the basic financial statements. In accordance with GASB 34, the following funds are classified as major governmental funds:

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

The General Fund is used to account for all unrestricted resources except those required to be accounted for in another fund. This fund accounts for general citywide operations.

The Capital Improvement Capital Projects Fund accounts for financial resources segregated for the acquisition or construction of major capital facilities, other than those financed by Enterprise, Internal Service Funds or other project specific funds.

The following funds are classified as major proprietary funds:

Water Fund is used to account for the operation of the City's water utility system. Revenues are generated from user fees, which are adjusted periodically to meet the costs of administration, operation, maintenance and capital improvements to the system. In fiscal year 1997, the City completed a comprehensive utility fee study and issued certificates of participation for the purpose of upgrading the City's water and wastewater systems.

Wastewater Fund is used to account for the maintenance and improvements of the City's sewer system. Revenues are derived from a user charge placed on the water bills. In fiscal year 1997, the City completed a comprehensive utility fee study and issued certificates of participation for the purpose of upgrading the City's water and wastewater system.

Refuse Fund is used to account for the provision of refuse collection, street sweeping and recycling services in the City. The City bills both residential and commercial properties.

Parking Fund is used to account for the general operations and maintenance of City parking lots and spaces. Revenues are generated from the use of these properties.

**e. Property Tax Calculator**

Property tax revenue is recognized on the basis of GASB Code Section P70, that is, in the fiscal year for which the taxes have been levied providing they become available. Available means due or past due and receivable within the current period and 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 AM on the first day in January prior to 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, by 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.

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

**f. Cash and Investments**

*Cash and Cash Equivalents*

For purpose of the Statement of Cash Flows, the City considers cash and cash equivalents as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The City follows the practice of pooling cash and investments of all funds except for funds in its 401(a) plan; 125 medical flex plan; outstanding Water and Wastewater; Marine Avenue Sports Field; and Metlox, Police & Fire Facility bonded debt, which are held by outside trustees. City employees individually direct their investments in the 401(a) plan.

*Investments*

Investments are shown at fair value, in accordance with GASB Statement No. 31. Fair value is based upon quoted market prices.

For purposes of the Statement of Cash Flows, the proprietary fund types consider all cash and investments to be cash equivalents, as these funds participate in the citywide cash and investment pool

**g. Capital Assets**

Capital assets, which include land, machinery and equipment, buildings and improvements, intangibles, and infrastructure (roads, bridges, curbs and gutters, streets, walk-streets and sidewalks, parks and recreation improvements), are reported in the government-wide financial statements. Capital assets and infrastructure are defined by the City as assets with an initial, individual cost of more than \$5,000 and \$100,000 respectively (amount not rounded) 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.

Capital assets are reported net of accumulated depreciation on the Statement of Net Position. Depreciation is provided for on the straight-line method over the estimated useful lives of the assets as follows:

| Asset                   | Years    |
|-------------------------|----------|
| Equipment               | 5 - 20   |
| Vehicles                | 3 - 20   |
| Buildings/Improvements  | 40 - 100 |
| Water and Sewer Systems | 30 - 50  |
| Other Infrastructure    | 15 - 100 |

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.

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

**g. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and governmental balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position and governmental balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: sales taxes and grant revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**h. Interfund Transfers**

As a general rule, interfund transactions have been eliminated from the government-wide financial statements. Exceptions to this rule are payments in lieu or charges for current service between the City's enterprise activity and the City's General Fund. Elimination of these transactions would distort the direct costs and program revenues for the various functions. Certain eliminations have been made regarding interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental, business-type, and Trust & Agency activities have not been eliminated.

**i. Long-Term Obligations**

In the government-wide and proprietary funds financial statements, long-term obligations are recorded as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the debt using the bonds outstanding method.

In the governmental fund financial statements, long-term obligation, bond discounts and premiums are recognized as other financing sources or uses when incurred. Issuance costs are recorded as a current year expenditure.

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

The City has recorded all judgment and claim liabilities resulting from workers' compensation and liability insurance claims in the Insurance Reserve Fund, which is a component of the Internal Service Funds Group. The recorded liability is based upon an estimate of reported claims as provided by an analysis of a third party administrator. Reported short-term and long-term estimated losses and reserves of \$5,727,204 and \$3,189,019 respectively, are recorded in the Insurance Reserve Fund.

Only the short-term liability is reflected as a current liability in all applicable governmental fund types; the remainder of the liability is reported as long-term debt in the Statement of Net Position.

**j. Vacation and Sick Leave**

The City's policy is to record the cost of vested vacation and sick leave as it is earned. Vacation is payable to employees at the time a vacation is taken or upon termination of employment. At termination, employees are eligible to convert 50% of unused sick time to service credit; however, sworn fire safety personnel, upon service retirement, may opt to cash out 50% of the value of unused sick leave.

Miscellaneous and sworn police employees may accrue compensated time off in lieu of payment for overtime hours. Overtime hours are banked at either time-and-a-half or straight-time hours depending upon the nature of the overtime worked. The dollar value of these hours is included as an employee benefits liability as shown in the balance sheet.

**k. Supplemental Leave Allowance**

In December 1994, an emergency leave bank was established for active management/confidential employees. At June 30, 2013, the total accrued liability for this benefit amounted to \$4,607, based on accumulated hours for months in service during the time period from January 1, 1990 to December 4, 1994, as specified in the parameters of the plan. Upon termination, the employee will be paid for any unused leave and as such the total amount of the liability is accrued as a long-term item (see Note 6).

**l. Allocation of Interest Income**

The City pools all non-restricted cash for investment purchases and allocates interest income based on month-end cash balances. Interest earned by restricted Cash is posted to their respective accounts.

**m. Other Accounting Policies**

*Inventories*

Inventories of materials and supplies are carried at cost on a weighted-average basis. The City uses the consumption method of accounting for inventories.

*Prepays*

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.

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

**n. Estimates**

The accompanying financial statements require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**o. Net position flow assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**p. Fund balance flow assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**q. Fund balance policy**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

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

**r. Adoption of new accounting standards**

The City implemented GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65, among other things, amends prior guidance with respect to the treatment of debt issuance costs. Debt issuance costs should be recognized in the period incurred rather than reported on the statement of net position as deferred charges and recognized systematically over the life of the debt.

**Note 2: Budgets and Budgetary Accounting**

**a. Budgetary Basis of Accounting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device.

**b. Excess Expenditures**

For the year ended June 30, 2013, the following funds had expenditures in excess of budget:

| Fund                               | Expenditures | Appropriations | Excess      |
|------------------------------------|--------------|----------------|-------------|
| General Fund                       |              |                |             |
| Public Works                       | \$ 5,936,723 | \$ 5,911,545   | \$ (25,178) |
| Debt Service: Principal retirement | 2,700,000    | 2,699,998      | (2)         |
| Street Lighting & Landscaping      |              |                |             |
| Public Works                       | 638,567      | 597,899        | (40,668)    |

**c. Deficit**

The Federal and State Grants Fund has a deficit of \$22,488. This deficit is due to Accounts Receivable (Due from Other Governments) offset by a unavailable revenue liability. Revenues under modified accrual are recognized when "available" i.e. within 60 days of the end of the fiscal year.

**Note 3: Cash and Investments**

As of June 30, 2013, cash and investments were reported in the accompanying financial statements as follows:

|                            |                             |
|----------------------------|-----------------------------|
| Governmental activities    | \$ 39,105,146               |
| Internal Service           | 13,378,987                  |
| Business-type activities   | 23,582,019                  |
| Agency                     | 4,502,253                   |
| Pension Trust              | 298,191                     |
|                            | <hr/>                       |
| Total Cash and Investments | <u><u>\$ 80,866,596</u></u> |

**Note 3: Cash and Investments (Continued)**

The City pools all cash and investments that is available for use for all funds, including fiduciary funds. Each fund type's position in the pool is reported on the Combined Balance Sheet as cash and investments. The City has adopted an investment policy, which authorizes it to invest in various investments.

**a. Deposits**

At June 30, 2013, the carrying amount of the City's deposits was \$1,737,215 and the bank balance was \$2,475,608. The \$738,393 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City's Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking.

The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency.

Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the City.

**b. Authorized Investments**

Under provisions of the City's Investment Policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies
- Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan associations
- Negotiable Certificates of Deposit
- Bankers Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool) Demand Deposits
- Passbook Savings Account Demand Deposits
- Federally Insured Thrift and Loan
- Repurchase Agreements
- Medium-Term Corporate Notes
- Floaters or step-ups with market driven interest rate adjustments
- Mutual Funds of highest ratings



**Note 3: Cash and Investments (Continued)**

The City's investment policy does not allow the use of reverse-repurchase agreements and, accordingly, the City did not borrow through the use of reverse-repurchase agreements at any time during the year.

**c. Investments Authorized by Debt Agreements**

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Entity's investment policy.

**d. Investments in State Investment Pool**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

The City is required to disclose its methods and assumptions used to estimate the fair value of its holdings in LAIF. The City relied upon information provided by the State Treasurer in estimating the City's fair value position of its holdings in LAIF. The City had a contractual withdrawal value of \$35,750,000 whose pro-rata share of fair value was estimated by the State Treasurer to be \$35,759,767.

**e. Cash and Investments - 401 (a) Plan**

The City contributes to a 401(a) plan for its management confidential employees into which these employees can make voluntary contributions. The fair value of the plan assets at June 30, 2013, was \$2,249,203.

**f. Investment in State Treasury's Investment Pool and 401(a) Plan**

Investment in State Treasury's Investment Pool and 401(a) plan cannot be assigned a credit risk category because the City does not own specific securities. However, the funds' investment policies and practices with regard to the credit and market risks have been determined acceptable to the City's investment policies.

**g. GASB Statement No. 31**

The City adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the Entity reports its investments at fair value in the balance sheet.

All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

**Note 3: Cash and Investments (Continued)**

Methods and assumptions used to estimate fair value. The City maintains investment accounting records and adjusts those records to "fair value" on an annual basis for material amounts. The City's investment custodian provides market values on each investment instrument on a monthly basis for material amounts. The investments held by the City are widely traded in the financial markets and trading values are readily available from numerous published sources. Material unrealized gains and losses are recorded on an annual basis and the carrying value of its investments is considered fair value. For the year ended June 30, 2013, the book value exceeded the fair value of investments by \$618,241.

**h. Credit Risk**

The City's investment policy limits investments in medium-term notes (MTN's) to those rated in the top three rating categories by two of the three largest nationally recognized rating services at time of purchase. As of June 30, 2013, the City's investment in medium-term notes consisted of investments with Wells Fargo & Company, General Electric Capital, Union Bank, Berkshire Hathaway Inc. and Toyota Motor Credit Corp. All MTN's were rated "A" or higher by Moody's at time of purchase. All securities were investment grade and were legal under state and city policies. Investments in U.S. government securities are not considered to have credit risk; therefore, their credit quality is not disclosed.

**i. Custodial Credit Risk**

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk.

As of June 30, 2013, none of the City's deposits or investments was exposed to custodial credit risk.

**j. Concentration of Credit Risk**

The City's investment policy imposes restrictions for certain types of investments with any one issuer for the following types of investments. With respect to concentration of credit risk, as of June 30, 2013, the City is in compliance with its investment policy's restrictions.

In accordance with GASB Statement No. 40, if the city has invested more than 5% of its total investments in any one issuer then it is exposed to credit risk. The following issuers are above the 5% of total investments: Federal Home Loan Bank (8.6%), Federal Farm Credit (6.4%), Federal National Mortgage Association (7.5%) and Federal Home Loan Mortgage Corporation (7.6%). These government-sponsored investments are backed by the federal government and are below the City's investment policy limit of 33.33% of total investments.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

**Note 3: Cash and Investments (Continued)**

**k. Interest Rate Risk**

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy states that no investment can mature more than five years from the date of purchase in line with state code requirements. The only exception to these maturity limits shall be the investment of the gross proceeds of tax-exempt bonds. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of June 30, 2013, the City had the following investments and original maturities:

|  | Remaining Investment Maturities |                    |                      |                      | Fair Value           |
|--|---------------------------------|--------------------|----------------------|----------------------|----------------------|
|  | 6 months or less                | 6 months to 1 year | 1 to 3 years         | More than 3 years    |                      |
| <u>Pooled Investments:</u>                                 |                                 |                    |                      |                      |                      |
| Local Government Fund                                      | \$ 35,786,415                   | \$ -               | \$ -                 | \$ -                 | \$ 35,786,415        |
| Certificate of Deposit                                     | -                               | 492,156            | 1,969,227            | 3,177,077            | 5,638,460            |
| US Treasury and agency notes                               | 3,021,380                       | -                  | 13,421,240           | 7,949,280            | 24,391,900           |
| Medium-term notes  | -                               | -                  | 5,661,885            | 2,499,755            | 8,161,640            |
|  | <u>\$ 38,807,795</u>            | <u>\$ 492,156</u>  | <u>\$ 21,052,352</u> | <u>\$ 13,626,112</u> | <u>73,978,415</u>    |
| <u>Investment with Fiscal Agents:</u>                      |                                 |                    |                      |                      |                      |
| Utility Undergrounding                                     |                                 |                    |                      |                      | 1,359,648            |
| Water/Wastewater, Metlox Refunding bonds                   |                                 |                    |                      |                      | 220,956              |
| Marine certificates of participation                       |                                 |                    |                      |                      | 16,267               |
| Police & Fire certificate of participation refunding bonds |                                 |                    |                      |                      | 139,000              |
| Police & Fire pension bonds                                |                                 |                    |                      |                      | 1,160,769            |
|  |                                 |                    |                      |                      | <u>2,896,640</u>     |
| Demand deposits  |                                 |                    |                      |                      | 1,737,215            |
| Other deposits   |                                 |                    |                      |                      | 3,510                |
| Petty cash   |                                 |                    |                      |                      | 1,613                |
|  |                                 |                    |                      |                      | <u>1,742,338</u>     |
| <u>Other Funds and Deposits:</u>                           |                                 |                    |                      |                      |                      |
| 401(a) employee plan                                       |                                 |                    |                      |                      | 2,249,203            |
|  |                                 |                    |                      |                      | <u>2,249,203</u>     |
| Grand Total  |                                 |                    |                      |                      | <u>\$ 80,866,596</u> |

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2013**

**Note 4: Interfund Transactions**

**Due To/From Other Funds**

|                             |   |
|-----------------------------|---|
|                             | <u>Due To Other<br/>Funds</u><br><u>Nonmajor<br/>Governmental<br/>Funds</u> |
| <u>Due From Other Funds</u> |   |
| General Fund                | <u>\$ 22,488</u>  |

The amount due to the General Fund consists of the elimination of a cash deficit in the Federal and State Grants Fund for grant funds not yet received.

**Advances to Other Funds**

|                                  |  |
|----------------------------------|--|
|                                  | <u>Advance to<br/>Other Funds</u><br><u>Capital<br/>Improvement<br/>Fund</u> |
| <u>Advances From Other Funds</u> |  |
| Parking Fund                     | <u>\$ 469,200</u>  |

The advance is the balance of a loan from the Capital Improvement Fund to the Parking Fund for the purchase of parking meters. The opening balance of the advance was \$771,100. Payment to the Capital Improvement Fund of \$301,900 reduced the advance to \$469,200 as of June 30, 2013.

**Interfund Transfers**

With City Council approval, resources may be transferred from one fund to another. Transfers between individual funds during the fiscal year ended June 30, 2013, are presented below:

|                             | <u>Transfers In</u>     |   |  | <u>Total</u>        |
|-----------------------------|-------------------------|---|--|---------------------|
|                             | <u>General<br/>Fund</u> | <u>Capital<br/>Improvement<br/>Fund</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> |                     |
| <u>Transfers Out</u>        |                         |   |  |                     |
| General Fund                | \$ -                    | \$ 3,000,000                            | \$ 241,817                                 | \$ 3,241,817        |
| Nonmajor Governmental Funds | -                       | -                                       | 328,169                                    | 328,169             |
| Nonmajor Proprietary Funds  | 200,583                 | -                                       | -  | 200,583             |
| Total                       | <u>\$ 200,583</u>       | <u>\$ 3,000,000</u>                     | <u>\$ 569,986</u>                          | <u>\$ 3,770,569</u> |

The interfund transfers scheduled above resulted from a variety of City initiatives including the following:

- The County Parking Lot fund transferred \$200,583 to the General Fund for recreation purposes.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2013**

**Note 4: Interfund Transactions (Continued)**

- The General Fund transferred \$241,817 to the Street Lighting Fund to relieve a deficit fund balance.
- The General Fund transferred \$3,000,000 to Capital Improvement Fund for ongoing capital improvement projects.
- The Measure R Fund transferred \$328,169 to the Prop A Fund for the purchase of busses.

**Note 5: Capital Assets and Depreciation**

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Position. The City elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructure reporting, whereby depreciation expense and accumulated depreciation have been recorded. The following table presents the capital assets activity for the year ended June 30, 2013:

|   | Beginning<br>Balance<br>July 1, 2012 | Increases<br>additions | Decreases<br>(deletions) | Transfers   | Ending<br>Balance<br>June 30, 2013 |
|---|--------------------------------------|------------------------|--------------------------|-------------|------------------------------------|
| Governmental Activities:                        |                                      |                        |                          |             |                                    |
| Land  | \$ 34,072,066                        | \$ -                   | \$ -                     | \$ -        | \$ 34,072,066                      |
| Construction-in-progress                        |                                      |                        |                          |             |                                    |
| Streets / Roadways                              | 2,209,980                            | 1,243,632              | -                        | (1,372,996) | 2,080,616                          |
| Recreation                                      | 3,172,250                            | 1,036,174              | -                        | (3,650,533) | 557,891                            |
| Buildings                                       | 6,985                                | 6,269                  | -                        | -           | 13,254                             |
| Total Capital Assets,<br>Not Being Depreciated  | 39,461,281                           | 2,286,075              | -                        | (5,023,529) | 36,723,827                         |
| Buildings and Structures                        | 43,412,146                           | -                      | -                        | -           | 43,412,146                         |
| Machinery and Equipment                         | 6,206,704                            | 181,166                | (66,730)                 | -           | 6,321,140                          |
| Vehicles  | 7,843,449                            | 3,073,902              | (1,116,991)              | -           | 9,800,360                          |
| Infrastructure                                  |                                      |                        |                          |             |                                    |
| Streets / Roadways                              | 49,837,170                           | -                      | -                        | 1,372,996   | 51,210,166                         |
| Parks & Recreation                              | 13,721,730                           | -                      | -                        | 3,650,533   | 17,372,263                         |
| Investment in Joint Venture (RCC)               | 2,870,253                            | 17,785                 | -                        | -           | 2,888,038                          |
| Total Capital Assets,<br>Being Depreciated      | 123,891,452                          | 3,272,853              | (1,183,721)              | 5,023,529   | 131,004,113                        |
| Less Accumulated Depreciation:                  |                                      |                        |                          |             |                                    |
| Buildings and Structures                        | (6,940,627)                          | (869,026)              | -                        | -           | (7,809,653)                        |
| Machinery and Equipment                         | (4,916,874)                          | (287,486)              | 66,345                   | -           | (5,138,015)                        |
| Vehicles  | (5,784,285)                          | (790,293)              | 1,116,991                | -           | (5,457,587)                        |
| Infrastructure                                  |                                      |                        |                          |             |                                    |
| Streets / Roadways                              | (24,468,250)                         | (1,388,990)            | -                        | -           | (25,857,240)                       |
| Parks & Recreation                              | (4,670,135)                          | (274,313)              | -                        | -           | (4,944,448)                        |
| Investment in Joint Venture (RCC)               | (926,951)                            | (122,156)              | -                        | -           | (1,049,107)                        |
| Total Accumulated<br>Depreciation               | (47,707,122)                         | (3,732,264)            | 1,183,336                | -           | (50,256,050)                       |
| Total Capital Assets,<br>Being Depreciated, Net | 76,184,330                           | (459,411)              | (385)                    | 5,023,529   | 80,748,063                         |
| Governmental Activities<br>Capital Assets, Net  | \$ 115,645,611                       | \$ 1,826,664           | \$ (385)                 | \$ -        | \$ 117,471,890                     |

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

Note 5: Capital Assets and Depreciation (Continued)

|   | Beginning<br>Balance<br>July 1, 2012 | Increases<br>additions | Decreases<br>(deletions) | Transfers        | Ending<br>Balance<br>June 30, 2013 |
|---|--------------------------------------|------------------------|--------------------------|------------------|------------------------------------|
| Business-Type Activities:                               |                                      |                        |                          |                  |                                    |
| Capital assets, not being depreciated:                  |                                      |                        |                          |                  |                                    |
| Land - water  | \$ 307,967                           | \$ -                   | \$ -                     | \$ -             | \$ 307,967                         |
| Land - storm water                                      | 7,650                                | -                      | -                        | -                | 7,650                              |
| Land - parking  | 1,441,817                            | -                      | -                        | -                | 1,441,817                          |
| Construction-in-progress                                | 1,717,388                            | 5,386,423              | -                        | (293,160)        | 6,810,651                          |
| <b>Total Capital Assets,<br/>Not Being Depreciated</b>  | <b>3,474,822</b>                     | <b>5,386,423</b>       | <b>-</b>                 | <b>(293,160)</b> | <b>8,568,085</b>                   |
| Capital assets, being depreciated:                      |                                      |                        |                          |                  |                                    |
| Buildings and structures - parking                      | 16,976,393                           | -                      | -                        | 210,210          | 17,186,603                         |
| Machinery and equipment - parking                       | 1,137,266                            | -                      | -                        | -                | 1,137,266                          |
| Water   | 24,566,657                           | -                      | -                        | 73,682           | 24,640,339                         |
| Storm water   | 6,871,403                            | -                      | -                        | -                | 6,871,403                          |
| Wastewater  | 10,671,298                           | -                      | -                        | 9,268            | 10,680,566                         |
| <b>Total Capital Assets,<br/>Being Depreciated</b>      | <b>60,223,017</b>                    | <b>-</b>               | <b>-</b>                 | <b>293,160</b>   | <b>60,516,177</b>                  |
| Less Accumulated Depreciation:                          |                                      |                        |                          |                  |                                    |
| Buildings and structures - parking                      | (1,363,218)                          | (185,296)              | -                        | -                | (1,548,514)                        |
| Machinery and equipment - parking                       | (595,364)                            | (51,980)               | -                        | -                | (647,344)                          |
| Water   | (10,176,746)                         | (438,727)              | -                        | -                | (10,615,473)                       |
| Storm water   | (3,379,350)                          | (143,590)              | -                        | -                | (3,522,940)                        |
| Wastewater  | (5,524,332)                          | (171,511)              | -                        | -                | (5,695,843)                        |
| <b>Total Accumulated<br/>Depreciation</b>               | <b>(21,039,010)</b>                  | <b>(991,104)</b>       | <b>-</b>                 | <b>-</b>         | <b>(22,030,114)</b>                |
| <b>Total Capital Assets,<br/>Being Depreciated, Net</b> | <b>39,184,007</b>                    | <b>(991,104)</b>       | <b>-</b>                 | <b>293,160</b>   | <b>38,486,063</b>                  |
| <b>Business-Type Activities<br/>Capital Assets, Net</b> | <b>\$ 42,658,829</b>                 | <b>\$ 4,395,319</b>    | <b>\$ -</b>              | <b>\$ -</b>      | <b>\$ 47,054,148</b>               |

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

|  |                     |
|--|---------------------|
| Governmental Activities:                                     |                     |
| General government   | \$ 111,899          |
| Public safety  | 1,084,997           |
| Public works   | 1,729,551           |
| Parks and recreation   | 285,911             |
| Internal service funds                                       | 519,906             |
| <b>Total Depreciation Expense - Governmental Activities</b>  | <b>\$ 3,732,264</b> |
| Business-Type Activities:                                    |                     |
| Water  | \$ 438,727          |
| Wastewater   | 171,511             |
| Parking  | 237,276             |
| Storm water  | 143,590             |
| <b>Total Depreciation Expense - Business-Type Activities</b> | <b>\$ 991,104</b>   |

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

**Note 6: Long-Term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

|   | Balance<br>June 30, 2012 | Additions            | Deletions             | Advance<br>Refunding   | Balance<br>June 30, 2013 | Due in<br>One Year  |
|---|--------------------------|----------------------|-----------------------|------------------------|--------------------------|---------------------|
| <b>Governmental Activities:</b>                 |                          |                      |                       |                        |                          |                     |
| Long-term Debt:                                 |                          |                      |                       |                        |                          |                     |
| Marine Ave Park COP                             | \$ 7,480,000             | \$ -                 | \$ (245,000)          | \$ -                   | \$ 7,235,000             | \$ 255,000          |
| 2001 South Bay Revenue Bond                     | 1,445,000                | -                    | -                     | (1,445,000)            | -                        | -                   |
| 2004 Police and Fire COP                        | 11,450,000               | -                    | -                     | (11,450,000)           | -                        | -                   |
| 2007 Pension Obligation Bonds                   | 2,870,000                | -                    | -                     | (1,010,000)            | 1,860,000                | 1,095,000           |
| 2013 Police and Fire Refunding COP              | -                        | 10,510,000           | -                     | -                      | 10,510,000               | 480,000             |
| Lease Purchase Fire and Sewer Truck             | -                        | 949,513              | (45,672)              | -                      | 903,841                  | 184,499             |
| Other:  |                          |                      |                       |                        |                          |                     |
| Supplemental Leave Allowance                    | 4,607                    | -                    | -                     | -                      | 4,607                    | -                   |
| Compensated Absences                            | 2,486,555                | 1,967,378            | (1,778,450)           | -                      | 2,675,483                | 554,500             |
| Workers Compensation Claims                     | 7,359,269                | 3,749,445            | (3,320,615)           | -                      | 7,788,099                | 4,995,269           |
| General Liability Claims                        | 2,345,419                | 716,441              | (1,933,736)           | -                      | 1,128,124                | 731,935             |
| <b>Total Governmental</b>                       | <b>\$ 35,440,850</b>     | <b>\$ 17,892,777</b> | <b>\$ (7,323,473)</b> | <b>\$ (13,905,000)</b> | <b>32,105,154</b>        | <b>\$ 8,296,203</b> |
| Unamortized premium                             |                          |                      |                       |                        | 487,666                  |                     |
|   |                          |                      |                       |                        | <u>\$ 32,592,820</u>     |                     |
| <b>Business-Type Activities:</b>                |                          |                      |                       |                        |                          |                     |
| Long-term Debt:                                 |                          |                      |                       |                        |                          |                     |
| 1996 Water and Wastewater COP                   | \$ 3,240,000             | \$ -                 | \$ -                  | \$ (3,240,000)         | \$ -                     | \$ -                |
| 2003 Metlox Parking COP                         | 11,125,000               | -                    | -                     | (11,125,000)           | -                        | -                   |
| 2012 Metlox & Water/Wastewater<br>Refunding COP | -                        | 12,975,000           | (445,000)             | -                      | 12,530,000               | 530,000             |
| Other long term liabilities:                    |                          |                      |                       |                        |                          |                     |
| Compensated Absences                            | 59,747                   | 45,557               | (42,048)              | -                      | 63,256                   | 15,794              |
| <b>Total Business Type</b>                      | <b>\$ 14,424,747</b>     | <b>\$ 13,020,557</b> | <b>\$ (487,048)</b>   | <b>\$ (14,365,000)</b> | <b>12,593,256</b>        | <b>\$ 545,794</b>   |
| Unamortized premium                             |                          |                      |                       |                        | 621,447                  |                     |
|   |                          |                      |                       |                        | <u>\$ 13,214,703</u>     |                     |

**a. Marine Avenue Certificates of Participation**

On April 24, 2002, the City of Manhattan Beach issued \$9,535,000 of Variable Rate Demand Refunding Certificates of Participation (COP) to refinance the Marine Sports Field Lease. The adjustable interest rate will be the interest rate for actual days elapsed which, in the judgment of the Remarketing Agent, having due regard for prevailing financial market conditions, when payable with respect to the Certificates, would equal the interest rate necessary to enable the Remarketing Agent to remarket the tendered Certificates at 100% of the principal amount thereof. The rate used for the repayment schedule is 3.58%, which was the rate estimated at the issuance of the COP's. The COP's mature on August 1, 2032.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2013**

---

**Note 6: Long-Term Liabilities (Continued)**

Annual debt service requirements to maturity for the Marine Avenue Certificates of Participation are as follows:

| Fiscal Year Ending<br>June 30, | Principal           | Interest            | Total                |
|--------------------------------|---------------------|---------------------|----------------------|
| 2014                           | \$ 255,000          | \$ 288,484          | \$ 543,484           |
| 2015                           | 265,000             | 277,758             | 542,758              |
| 2016                           | 270,000             | 267,231             | 537,231              |
| 2017                           | 280,000             | 255,094             | 535,094              |
| 2018                           | 290,000             | 243,707             | 533,707              |
| 2019-2023                      | 1,630,000           | 1,025,129           | 2,655,129            |
| 2024-2028                      | 1,935,000           | 659,094             | 2,594,094            |
| 2029-2033                      | 2,310,000           | 222,621             | 2,532,621            |
| Total                          | <u>\$ 7,235,000</u> | <u>\$ 3,239,118</u> | <u>\$ 10,474,118</u> |

**b. 2001 South Bay Regional Public Communications Authority Revenue Bonds**

On January 16, 2001, the City issued \$2,180,000 in South Bay Regional Public Communications Authority Variable Rate Demand Revenue Bonds, 2001 Series C, for the purpose of financing a portion of the costs of the project for use, in part, by the City, pay capitalized interest on the Series C Bonds through May 1, 2002, fund a reserve account for the Series C Bonds, and pay certain costs of issuance of the Series C Bonds. The bonds mature annually each January 1, 2003 to 2031. In October 2012, the City redeemed the \$1,445,000 outstanding balance with City cash.

**c. 2004 Police and Fire Facility Certificates of Participation**

On November 4, 2004, the City issued \$12,980,000 of fixed rate Certificates of Participation (2004 COP) to fund the construction of a new integrated Police and Fire safety facility, fund reserve requirements, and pay related issuance costs. The facility is located on the Civic Center campus, includes approximately 350 subterranean parking spaces, and was substantially completed in fiscal year 2005-2006. The certificates bear interest at 2% to 5% and mature through 2036. The COP's final series mature on January 1, 2036.

In February 2013, the City issued \$10,510,000 of Certificates of Participation, Series 2013, to advance refund the 2004 Police and Fire Certificates of Participation (2004 COP). The proceeds were used to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At June 30, 2013, the outstanding 2004 COP (including prior refunded amounts) of \$11,450,000 are considered to be defeased and the liability of the 2004 COP has been removed from the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next 19 years by \$3,608,790 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding COPs) of \$1,647,160.



CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

**Note 6: Long-Term Liabilities (Continued)**

**d. 2007 Pension Obligation Bonds**

On March 14, 2007, the City issued \$6,800,000 in Taxable Pension Obligation Bonds, for the purpose of paying off the Police and Fire side-fund accrued actuarial liabilities due to the California Public Employees' Retirement System (See Note 9 Mandatory Police and Fire Risk Pooling). The bonds mature annually in amounts ranging from \$695,000 to \$1,095,000, bearing interest at 5.011%.

The annual requirements to amortize the 2007 Taxable Pension Obligation Bonds outstanding at June 30, 2013, were as follows:

| Year Ending<br>June 30, | Principal           | Interest         | Total               |
|-------------------------|---------------------|------------------|---------------------|
| 2014                    | \$ 1,095,000        | \$ 65,769        | \$ 1,160,769        |
| 2015                    | 765,000             | 19,168           | 784,168             |
| Totals                  | <u>\$ 1,860,000</u> | <u>\$ 84,937</u> | <u>\$ 1,944,937</u> |

**e. 2013 Police and Fire Facility Refunding Certificates of Participation**

In February 2013, the City issued \$10,510,000 of Certificates of Participation, Series 2013, to advance refund the 2004 Police and Fire Certificates of Participation (2004 COP). The payments under the lease agreement are due January and July of each year until maturity in January 2032 and include interest rates ranging from 2% to 4%. The proceeds were used to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The balance at June 30, 2013 includes an unamortized bond premium of \$487,666 which will be amortized over the life of the issue.

The reacquisition price exceeded the net carrying amount of the old debt by \$595,473. This amount is being deferred as an outflow of resources and amortized over the remaining life of the refunded debt.

Annual debts service requirements to maturity for the 2013 Police and Fire Certificates of Participation are as follows:

| Fiscal Year Ending<br>June 30, | Principal            | Interest            | Total                |
|--------------------------------|----------------------|---------------------|----------------------|
| 2014                           | \$ 480,000           | \$ 300,004          | \$ 780,004           |
| 2015                           | 450,000              | 328,963             | 778,963              |
| 2016                           | 455,000              | 319,963             | 774,963              |
| 2017                           | 465,000              | 306,313             | 771,313              |
| 2018                           | 480,000              | 292,363             | 772,363              |
| 2019-2023                      | 2,650,000            | 1,235,313           | 3,885,313            |
| 2024-2028                      | 3,120,000            | 752,713             | 3,872,713            |
| 2029-2033                      | 2,410,000            | 178,569             | 2,588,569            |
| Total                          | <u>\$ 10,510,000</u> | <u>\$ 3,714,201</u> | <u>\$ 14,224,201</u> |

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

**Note 6: Long-Term Liabilities (Continued)**

**f. Fire and Sewer Truck Capital Leases**

During the fiscal year, the City entered into two lease agreements as lessee for financing the acquisition of one fire truck and one sewer truck valued at \$568,208 and \$381,305 respectively. The trucks each have an estimated useful life of 10 years. These lease agreements qualify as a capital lease for accounting purposes and therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

| Fiscal Year Ending<br>June 30, | Principal         | Interest         | Total             |
|--------------------------------|-------------------|------------------|-------------------|
| 2014                           | \$ 184,499        | \$ 13,361        | \$ 197,860        |
| 2015                           | 187,522           | 10,338           | 197,860           |
| 2016                           | 190,595           | 7,264            | 197,859           |
| 2017                           | 193,718           | 4,141            | 197,859           |
| 2018                           | 147,507           | 1,095            | 148,602           |
| Total                          | <u>\$ 903,841</u> | <u>\$ 36,199</u> | <u>\$ 940,040</u> |

**g. 1996 Water and Wastewater Certificates of Participation**

In September 1996, the Manhattan Beach Capital Improvements Corporation issued \$4,615,000 of debt in the form of Certificates of Participation. This debt was issued to finance 1996 and 1997 enterprise fund projects, related specifically to the water and wastewater systems. The certificates bear interest at 5.3% to 5.8% and mature through 2026. Installment payments to be made by the City will be secured by net revenues received by the subject enterprise funds and do not obligate the City's General Funds.

In July 2012, the City of Manhattan Beach issued \$2,765,000 of Certificates of Participation, Series 2012 to refund the 1996 Water and Wastewater Improvement Project Certificates of Participation. As a result, the 1996 Water and Wastewater Improvement Project Certificates of Participation are considered to be defeased and the liability has been removed from the statement of net position.

**h. 2003 Metlox Parking Certificate of Participation**

In January 2003, the City of Manhattan Beach issued \$10,210,000 of fixed rate Certificates of Participation (COP) to finance the construction of a public parking structure at the City owned Metlox site. This site is located adjacent to City Hall in the downtown district and the structure's construction was completed in January 2004. Interest rates on the certificates range from 2% to 5% and mature through 2033. These certificates evidence and represent the proportionate interests of the registered owners thereof in lease payments to be made by the City as rent for use of certain real property and improvements thereon. City Hall and adjacent land are encumbered as security for the COP.

In July 2012, the City of Manhattan Beach issued \$10,210,000 of Certificates of Participation, Series 2012 to refund the 2003 Metlox Parking Certificate of Participation. As a result, the 2003 Metlox Parking Certificate of Participation are considered to be defeased and the liability has been removed from the statement of net position.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

**Note 6: Long-Term Liabilities (Continued)**

**i. 2012 Metlox and Water/Wastewater Refunding Certificates of Participation**

In July 2012, the City of Manhattan Beach issued \$12,975,000 of fixed rate Certificates of Participation (COP) to refund the City's 2003 Metlox Public Improvements Certificates of Participation and the 1996 Water and Wastewater Improvement Project Certificates of Participation. The payments under the lease agreement are due January and July of each year with interest rates ranging from 2% to 4% and mature through January 2032. The COP includes an unamortized premium of \$621,447 at June 30, 2013 which will be amortized over the life of the issue. This refunding was undertaken to reduce total debt service payments over the next 19 years by \$5,152,888 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding COPs) of \$2,842,601.

Annual debt service requirements to maturity for the Metlox, Water and Wastewater Certificates of Participation are as follows:

| Fiscal Year<br>Ending June 30, | Water               |                   |                     | Wastewater        |                   |                     |
|--------------------------------|---------------------|-------------------|---------------------|-------------------|-------------------|---------------------|
|                                | Principal           | Interest          | Total               | Principal         | Interest          | Total               |
| 2014                           | \$ 107,239          | \$ 62,433         | \$ 169,672          | \$ 52,761         | \$ 30,717         | \$ 83,478           |
| 2015                           | 110,591             | 60,289            | 170,880             | 54,409            | 29,661            | 84,070              |
| 2016                           | 117,293             | 55,865            | 173,158             | 57,707            | 27,485            | 85,192              |
| 2017                           | 123,996             | 51,173            | 175,169             | 61,004            | 25,177            | 86,181              |
| 2018                           | 127,347             | 46,214            | 173,561             | 62,653            | 22,736            | 85,389              |
| 2019-2023                      | 710,461             | 165,819           | 876,280             | 349,539           | 81,581            | 431,120             |
| 2024-2028                      | 499,341             | 35,389            | 534,730             | 245,659           | 17,411            | 263,070             |
| <b>Total</b>                   | <b>\$ 1,796,268</b> | <b>\$ 477,182</b> | <b>\$ 2,273,450</b> | <b>\$ 883,732</b> | <b>\$ 234,768</b> | <b>\$ 1,118,500</b> |

| Fiscal Year<br>Ending June 30, | Metlox              |                     |                      | Total                |                     |                      |
|--------------------------------|---------------------|---------------------|----------------------|----------------------|---------------------|----------------------|
|                                | Principal           | Interest            | Total                | Principal            | Interest            | Total                |
| 2014                           | \$ 370,000          | \$ 348,762          | \$ 718,762           | \$ 530,000           | \$ 441,912          | \$ 971,912           |
| 2015                           | 375,000             | 341,363             | 716,363              | 540,000              | 431,313             | 971,313              |
| 2016                           | 395,000             | 326,362             | 721,362              | 570,000              | 409,712             | 979,712              |
| 2017                           | 410,000             | 310,563             | 720,563              | 595,000              | 386,913             | 981,913              |
| 2018                           | 430,000             | 294,162             | 724,162              | 620,000              | 363,112             | 983,112              |
| 2019-2023                      | 2,360,000           | 1,236,613           | 3,596,613            | 3,420,000            | 1,484,013           | 4,904,013            |
| 2024-2028                      | 2,850,000           | 786,875             | 3,636,875            | 3,595,000            | 839,675             | 4,434,675            |
| 2029-2033                      | 2,660,000           | 246,600             | 2,906,600            | 2,660,000            | 246,600             | 2,906,600            |
| <b>Total</b>                   | <b>\$ 9,850,000</b> | <b>\$ 3,891,300</b> | <b>\$ 13,741,300</b> | <b>\$ 12,530,000</b> | <b>\$ 4,603,250</b> | <b>\$ 17,133,250</b> |

**j. Compensated Absences**

At June 30, 2013, the total citywide accrued liability for compensated absences amounted to \$2,738,739 which is comprised of \$2,284,030 and \$454,709 of vested vacation and sick leave, respectively. \$2,675,483 of this compensated leave liability is related to general government services with the remaining \$63,256 related to business type activities. The governmental activities liability is generally liquidated by the General Fund and the business type activities liabilities are liquidated by the corresponding proprietary funds.

**Note 6: Long-Term Liabilities (Continued)**

**k. Workers' Compensation Claims**

As of June 30, 2013, reserves for open workers compensation claims have been established in accordance with analysis by a third party claims administrator. The value of these claims is \$4,995,269. In addition, reserves of \$2,792,830 have been set aside for incurred but not reported claims. Total reserves are \$7,788,099.

**l. General Liability Claims**

As of June 30, 2013, reserves for open general liability claims have been established in accordance with an analysis by a third party claims administrator. The value of these claims is \$731,935. In addition, reserves of \$396,189 have been set aside for incurred but not reported claims. Total reserves are \$1,128,124. These reserves are \$1,217,295 less than that as of June 30, 2012, and are due to unexpected claim activity during the prior year.

**Note 7: Non-City Obligation**

In August 2004, the City issued three separate limited obligation improvement bonds totaling \$3,402,891, under provisions of the Improvement Bond Act of 1915, for Underground Assessment Districts 04-1, 04-3 and 04-5. These bonds were issued for the purpose of financing the construction of certain public improvements within the underground utility assessment districts. The bonds are secured solely by the subject properties and the amounts held in respective reserve and bond funds. The bonds are not secured by the general taxing power of the City of Manhattan Beach and the City has not pledged credit for payment thereof.

In August 2006, the City issued two separate limited obligation improvement bonds totaling \$9,207,823, under provisions of the Improvement Bond Act of 1915, for Underground Assessment Districts 05-2 and 05-6, in the amounts of \$4,525,000 and \$4,628,823, respectively. These bonds were issued for the purpose of financing the construction of certain public improvements within the underground utility assessment districts. The bonds are secured solely by the subject properties and the amounts held in respective reserve and bond funds. The bonds are not secured by the general taxing power of the City of Manhattan Beach and the City has not pledged credit for payment thereof.

Because these bonds are not City obligations, the related liabilities are not reflected in the financial statements.

**Note 8: Retirement Plans and Other Post Employment Benefits**

**a. California Public Employees Retirement System**

The City of Manhattan Beach (the City) defined benefit pension plans (the "Safety and Miscellaneous Plans") provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. California Public Employees Retirement System (PERS) acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by state statutes within the Public Employees' Retirement Law. The City of Manhattan Beach selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through local ordinance or resolution. PERS issues a separate comprehensive annual financial report. Copies of the PERS's annual financial report may be obtained from the PERS Executive Office - 400 P Street, Sacramento, California 95814.

**Note 8: Retirement Plans and Other Post Employment Benefits (Continued)**

**Miscellaneous Employees Plan**

Plan Description

The City of Manhattan Beach Miscellaneous Plan is an agent multiple employer defined benefit plan.

Plan Benefits

Standard Service Retirement

The basic benefit formula is number of years of service times single highest year compensation times 2% at age 55 increasing to 2.418% at age 63. The retiree may elect to modify the basic benefit. However all benefits are actuarially equivalent.

Funding Policy

Active plan members in the Miscellaneous Plans are required to contribute 7% of their annual covered salary. The City is required to contribute the actuarially determined additional percentage of payroll amounts necessary to fund the benefits for its members. In accordance with existing bargaining group labor agreements, the City fully pays the employee contribution for all full time miscellaneous employees. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The Annual Valuation Report as of June 30, 2010, determined the required employer contribution rate for fiscal year 2012-2013 to be 9.680% for miscellaneous employees. The contribution requirements of the plan members are established by state statute, and the employer contribution rate is established and adjusted in accordance with actuarial assumptions, investment performance, benefits and demographics.

Assumptions

A summary of principal assumptions and methods used to determine the ARC is as follows for the agent multiple employer plan.

|                          |                                   |
|--------------------------|-----------------------------------|
| Valuation Date           | June 30, 2010                     |
| Actuarial Cost Method    | Entry Age Actuarial Cost Method   |
| Amortization Method      | Level Percent of Payroll          |
| Average Remaining Period | 21 Years as of the Valuation Date |
| Asset Valuation Method   | 15 Year Smoothed Market           |

Actuarial Assumptions:

|                            |  |
|----------------------------|--|
| Investment Rate of Return  | 7.75% (net of administrative expenses)   |
| Projected Salary Increases | 3.55% 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 growth of 3.00% and an annual production growth of 0.25%. |

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

**Note 8: Retirement Plans and Other Post Employment Benefits (Continued)**

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% 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.

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective.

The plans' actuarial value (which differs from fair value) and funding progress over the past three years are set forth below at their actuarial valuation date of June 30. The following schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Funding Progress for PERS  
 Miscellaneous Plan  
 Most Recent Available

| Valuation Date | Entry Age<br>Accrued<br>Liability | Actuarial<br>Value of<br>Assets | Unfunded<br>Liability | Funded Ratio |                 | Annual<br>Covered<br>Payroll | Unfunded<br>Liability<br>as % of<br>Payroll |
|----------------|-----------------------------------|---------------------------------|-----------------------|--------------|-----------------|------------------------------|---|
|                |                                   |                                 |                       | (AV/AL)      | Market<br>Value |                              |   |
| 6/30/2010      | \$ 64,076,720                     | \$ 59,824,270                   | \$ 4,252,450          | 93.4%        | 73.10%          | \$ 11,728,887                | 36.3%                                       |
| 6/30/2011      | 71,498,265                        | 63,418,351                      | 8,079,914             | 88.7%        | 73.10%          | 13,463,033                   | 60.0%                                       |
| 6/30/2012      | 74,098,516                        | 66,623,300                      | 7,475,216             | 89.9%        | 75.00%          | 12,847,411                   | 58.2%                                       |

Annual Pension Cost and Net Pension Obligation Miscellaneous Plan

The City of Manhattan Beach annual pension cost and change in net pension obligation in fiscal year ending June 30, 2013, was as follows:

| Three-Year Trend Information for PERS Miscellaneous Plan |                              |                                  |                           |
|--|------------------------------|----------------------------------|---------------------------|
| Fiscal Year  | Annual Pension<br>Cost (APC) | Percentage of<br>APC Contributed | Net Pension<br>Obligation |
| 6/30/2011  | \$ 1,018,107                 | 100%                             | \$ -                      |
| 6/30/2012  | 1,265,396                    | 100%                             | -                         |
| 6/30/2013  | 1,249,505                    | 100%                             | -                         |

**Note 8: Retirement Plans and Other Post Employment Benefits (Continued)**

**Safety Employees Plan – Pooled Participation**

Plan Description

The Safety Plan is a cost sharing multiple employer public employee defined benefit pension plan and consists of respective pools for Sworn Police and Sworn Fire employees.

The City of Manhattan Beach Police and Fire retirement plans participate in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups thereby reducing potential rate fluctuations that are incurred by small populations. Mandated participation in risk pools began in fiscal year 2005-2006 for plans with less than 100 active members based on the active membership of each rate plan as of June 30, 2003. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The difference between the normal cost of each of the safety plans (based on final stand alone evaluation) and that of the pool was phased out over a five year period. The difference was charged in full in the first year, 80% in the second year and so on until the difference was phased out after fiscal 2010-2011. Initially, the final stand alone normal costs for both safety plans were greater than that of the pool. In addition, each group is charged for class 1 benefits, one year final compensation and post retirement survivor continuance.

At the time that the City joined the risk pool, existing unfunded liabilities for both plans were transferred to the PERS "Side Fund". In March 2007, the City issued taxable pension bonds to pay off the side fund. The City has and will realize cost savings since the effective interest rate of the bonds is substantially lower than the amortization at an imputed interest rate of 7.75%. The amortization period for the side fund was ten years. Debt service requirements for these pension bonds are presented in Note 6e.

Plan Benefits

Police - The basic benefit formula is number of years of service times single highest year compensation times 3% at age 50 and up.

Fire - The basic benefit formula is number of years of service times single highest year compensation times 3% at age 55 and up.

The retiree may elect to modify the basic benefit. However all benefits are actuarially equivalent.

Funding Policy

Active plan members in the Safety Plan are required to contribute 9% of their annual covered salary. The City is required to contribute the actuarially determined additional percentage amounts necessary to fund the benefits for its members. In accordance with existing bargaining group labor agreements, the City fully pays the employee contribution for all full time salaried safety employees. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The Annual Valuation Report as of June 30, 2010, determined the required employer contribution rate for fiscal year 2012-2013 was, 26.416%, and 22.744% for police and fire sworn employees, respectively. These rates reflect the payment of the side fund liability.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2013**

---

**Note 8: Retirement Plans and Other Post Employment Benefits (Continued)**

The contribution requirements of the plan members are established by state statute, and the employer contribution rate is established and adjusted in accordance with actuarial assumptions, investment performance, benefits and demographics.

Pool assumptions (Both Police and Fire Safety)

A summary of principal assumptions and methods used to determine the ARC is shown below for cost-sharing multiple-employer defined benefit plan

|                          |   |
|--------------------------|---|
| Valuation Date           | June 30, 2010   |
| Actuarial Cost Method    | Entry Age Actuarial Cost Method                             |
| Amortization Method      | Level Percent of Payroll                                    |
| Average Remaining Period | 19 Years – Police; 18 Years – Fire as of the Valuation Date |
| Asset Valuation Method   | 15 Year Smoothed Market                                     |

|                            |  |
|----------------------------|--|
| Actuarial Assumptions:     |  |
| Investment Rate of Return  | 7.75% (net of administrative expenses)   |
| Projected Salary Increases | 3.55% 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 growth of 3.00% and an annual production growth of 0.25%. |

Changes in the liability due to plan amendments, actuarial assumptions or methods are amortized separately as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the pool'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.

Annual Pension Cost and Net Pension Obligation Police Plan

The City of Manhattan Beach police plan annual pension cost and change in net pension obligation in fiscal year ending June 30, 2013, was as follows:

| <u>Fiscal Year</u> | <u>Annual pension cost</u> | <u>Percent of APC contributed</u> | <u>Net Pension Obligation</u> |
|--------------------|----------------------------|-----------------------------------|-------------------------------|
| 6/30/2011          | \$ 1,522,884               | 100.00%                           | \$ -                          |
| 6/30/2012          | 1,951,952                  | 100.00%                           | -                             |
| 6/30/2013          | 2,127,387                  | 100.00%                           | -                             |



**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

**Note 8: Retirement Plans and Other Post Employment Benefits (Continued)**

Annual Pension Cost and Net Pension Obligation Fire Plan

The City of Manhattan Beach fire plan annual pension cost and change in net pension obligation in fiscal year ending June 30, 2013, was as follows:

| <u>Fiscal<br/>Year</u> | <u>Annual pension<br/>cost</u> | <u>Percent of APC<br/>contributed</u> | <u>Net Pension<br/>Obligation</u> |
|------------------------|--------------------------------|---------------------------------------|-----------------------------------|
| 6/30/2011              | \$ 723,898                     | 100.00%                               | \$ -                              |
| 6/30/2012              | 995,621                        | 100.00%                               | -                                 |
| 6/30/2013              | 1,016,353                      | 100.00%                               | -                                 |

The net pension obligation relates to the plan specific to the Sworn Safety employees of the City. The status of the risk pool is a separate matter.

Summary of Annual Pension Payments and Cost

For fiscal year ending June 30, 2013, the City of Manhattan Beach's annual pension payment was \$4,393,245 for the Police, Fire and Miscellaneous Plans combined, and was equal to the City's required contribution. The City also contributed \$1,888,384 for the 2012-2013 fiscal year on behalf of the employees. Employee payments by group are as follows: Miscellaneous – \$862,440, Fire - \$391,860, Police – \$634,084. The City's payroll for employees covered by the plans for the year ended June 30, 2013, was \$23,817,945. The total payroll for the year was 27,016,614 and includes compensation not subject to PERS such as overtime and part time personnel enrolled in PARS.

**b. City Funded Pension Plans**

Supplemental Retirement Plan

The Supplemental Retirement Plan is a single-employer defined benefit pension plan that covers Police, Fire and Management/Confidential employees who retired prior to January 1995. The plan provides the employee the difference between the benefit provided by the California Public Employees Retirement System (PERS) calculated under the life annuity option and the PERS benefit had the City adopted the Police Officers' Standards and Training (POST) widows and orphans salary continuation plan. The plan states, "The City shall pay each retiring officer, sergeant, lieutenant, firefighter and management employee upon retirement, a monthly amount which would make up the difference for that option of which the officer will receive from PERS under Government Code Section 21330 through 21335 and what only the officer would have received while alive had the City adopted the Police Officers' Standards and Training (POST) widows and orphans salary continuation plan. The payment shall be made to the officer only while the officer is alive and will cease upon death. Upon retirement, the right to their payment shall be regarded as a vested pension benefit to the same extent as the individual's retirement allowance." The benefit is payable for the life of the employee. The benefit is subject to a 2% annual cost-of-living increase. This plan is currently dormant as discussed in the next paragraph. The Supplemental Retirement Plan does not have a separate annual financial report.

The City of Manhattan Beach incurred the accrued liabilities of active participants under the City PERS plan as of January 1, 1995. The City's remaining obligation is to fund the benefits for those participants who were then currently and are retired.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

**Note 8: Retirement Plans and Other Post Employment Benefits (Continued)**

The number of participants covered under the plan as of June 30, 2013, was as follows:

|  |                 |
|--|-----------------|
| Retirees and beneficiaries receiving benefits<br>Management/Confidential | <u><u>5</u></u> |
|--|-----------------|

The financial statements are prepared using the accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

Investments of the plan are reported at fair value. The City does not charge an administrative fee to the benefit plan.

| Schedules of Funding Progress for Supplemental Plan |                                 |                                   |  |                    |                                 |
|---|---------------------------------|-----------------------------------|--|--------------------|---------------------------------|
| Actuarial<br>Valuation<br>Date                      | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability | Unfunded<br>(Overfunded)<br>Accrued<br>Liability | Covered<br>Payroll | UAAL<br>as a<br>% of<br>Payroll |
| 6/30/2002   | \$ 234,488                      | \$ 200,915                        | \$ (33,573)                                      | N/A                | N/A                             |
| 6/30/2003   | 224,064                         | 200,915                           | (23,149)   | N/A                | N/A                             |
| 6/30/2004   | 196,711                         | 196,289                           | (422)  | N/A                | N/A                             |
| 6/30/2005   | 183,066                         | 196,289                           | 13,223   | N/A                | N/A                             |
| 6/30/2006   | 192,805                         | 192,805                           | -  | N/A                | N/A                             |
| 6/30/2007   | 183,185                         | 192,805                           | 9,620  | N/A                | N/A                             |
| 6/30/2008   | 193,627                         | 189,506                           | (4,121)  | N/A                | N/A                             |
| 6/30/2009   | 175,571                         | 189,506                           | 13,935   | N/A                | N/A                             |
| 6/30/2010   | 169,591                         | 136,197                           | (33,394)   | N/A                | N/A                             |
| 6/30/2011   | 158,035                         | 136,197                           | (21,838)   | N/A                | N/A                             |
| 6/30/2012   | 133,653                         | 133,183                           | (470)  | N/A                | N/A                             |
| 6/30/2013   | 118,255                         | 133,183                           | 14,928   | N/A                | N/A                             |

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

|                               |                                   |
|-------------------------------|-----------------------------------|
| Valuation Date                | June 30, 2012                     |
| Actuarial cost method         | Projected Unit Cost Credit method |
| Amortization period           | N/A plan is dormant               |
| Remaining amortization period | N/A plan is dormant               |
| Asset valuation method        | N/A plan is dormant               |
| <br>Actuarial Assumptions:    |                                   |
| Investment rate of return     | 5.0%                              |
| Discount rate                 | 4.0%                              |
| Projected salary increases    | N/A plan is dormant               |
| Includes inflation at         | N/A plan is dormant               |
| Cost-of-living adjustments    | 2%                                |

Single Highest Year Plan

The Single Highest Year Plan is a single-employer defined benefit pension plan of the City. This plan was adopted effective January 1, 1990, covering Management/Confidential Employees and Non-management/Confidential Sworn Police Employees on July 1, 1990, and is for employees who retired prior to May 1993. The plan

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

**Note 8: Retirement Plans and Other Post Employment Benefits (Continued)**

is known as the City Funded Single Highest Year Plan. The plan pays a retiring employee the difference between the pension payable from PERS and what the PERS pension would be if it were based on the single highest year only. "The payment shall be made to the member only while the member is alive and will cease upon death." Upon retirement, the right to their payment shall be regarded as a vested pension benefit to the same extent as the individual's PERS retirement.

This plan is being accounted for in the Pension Fund. Benefits vest after five years of service. Retirees must qualify for PERS retirement to qualify for the Single Highest Year Plan. The benefit is payable for the life of the employee and is subject to a 2% annual cost of living increase. This plan is currently dormant as discussed in the next paragraph. The Single Highest Year Plan does not issue a separate annual financial report.

The City incurred the accrued liabilities of active participants under City PERS plan as of January 1, 1993. The City's remaining obligation is to fund the benefits for those participants who were then and are currently retired.

The number of participants covered under the plan as of June 30, 2013, was as follows:

|                              |          |
|------------------------------|----------|
| Retirees receiving benefits: |          |
| Management Confidential      | 3        |
| Police                       | 4        |
|                              | <u>7</u> |

The financial statements are prepared using the accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan. Investments of the plan are reported at fair value. The City does not charge an administrative fee to the benefit plan.

| Date      | Assets     | Liability  | Liability   | Payroll | Payroll |
|-----------|------------|------------|-------------|---------|---------|
| 6/30/2002 | \$ 602,569 | \$ 516,298 | \$ (86,271) | N/A     | N/A     |
| 6/30/2003 | 582,400    | 516,298    | (66,102)    | N/A     | N/A     |
| 6/30/2004 | 499,227    | 498,155    | (1,072)     | N/A     | N/A     |
| 6/30/2005 | 472,367    | 498,155    | 25,788      | N/A     | N/A     |
| 6/30/2006 | 444,497    | 444,497    | -           | N/A     | N/A     |
| 6/30/2007 | 428,561    | 444,497    | 15,936      | N/A     | N/A     |
| 6/30/2008 | 461,030    | 432,935    | (28,095)    | N/A     | N/A     |
| 6/30/2009 | 424,128    | 432,935    | 8,807       | N/A     | N/A     |
| 6/30/2010 | 405,545    | 377,004    | (28,541)    | N/A     | N/A     |
| 6/30/2011 | 376,174    | 377,004    | 830         | N/A     | N/A     |
| 6/30/2012 | 353,340    | 373,634    | 20,294      | N/A     | N/A     |
| 6/30/2013 | 315,899    | 373,634    | 57,735      | N/A     | N/A     |

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

**Note 8: Retirement Plans and Other Post Employment Benefits (Continued)**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

|                               |                                   |
|-------------------------------|-----------------------------------|
| Valuation Date                | June 30, 2012                     |
| Actuarial cost method         | Projected Unit Cost Credit Method |
| Amortization period           | N/A plan is dormant               |
| Remaining amortization period | N/A plan is dormant               |
| Asset valuation method        | N/A plan is dormant               |

|                            |                     |
|----------------------------|---------------------|
| Actuarial Assumptions:     |                     |
| Investment rate of return  | 5.0%                |
| Discount Rate              | 4.0%                |
| Projected salary increases | N/A plan is dormant |
| Includes inflation at      | N/A plan is dormant |
| Cost-of-living adjustments | 2%                  |

Financial information for each City sponsored pension plan is as follows:

Statement of Fiduciary Net Position

|                                       | <u>Supplemental</u>      | <u>Single Highest<br/>Year</u> | <u>Total</u>             |
|---------------------------------------|--------------------------|--------------------------------|--------------------------|
| Assets                                |                          |                                |                          |
| Cash & investments                    | \$ 81,222                | \$ 216,969                     | \$ 298,191               |
| Accounts receivable                   | 37,034                   | 98,929                         | 135,963                  |
| <b>Total Assets</b>                   | <b><u>\$ 118,256</u></b> | <b><u>\$ 315,898</u></b>       | <b><u>\$ 434,154</u></b> |
| Net Position:                         |                          |                                |                          |
| Held in trust for<br>pension benefits | <u>\$ 118,256</u>        | <u>\$ 315,898</u>              | <u>\$ 434,154</u>        |

Statement of Changes in Fiduciary Net Position

| Plan Activity                                       | <u>Supplemental</u>      | <u>Single Highest<br/>Year</u> | <u>Total</u>             |
|---|--------------------------|--------------------------------|--------------------------|
| Additions:  |                          |                                |                          |
| Interest  | \$ 4,249                 | \$ 11,288                      | \$ 15,537                |
| <b>Total Additions</b>                              | <u>4,249</u>             | <u>11,288</u>                  | <u>15,537</u>            |
| Deductions:   |                          |                                |                          |
| Benefits  | 19,646                   | 48,730                         | 68,376                   |
| <b>Total Deductions</b>                             | <u>19,646</u>            | <u>48,730</u>                  | <u>68,376</u>            |
| <b>Change in net position</b>                       | <u>(15,397)</u>          | <u>(37,442)</u>                | <u>(52,839)</u>          |
| Net Position Held in Trust for<br>Pension Benefits: |                          |                                |                          |
| Opening balance July 1, 2012                        | 133,653                  | 353,340                        | 486,993                  |
| <b>Ending balance June 30, 2013</b>                 | <b><u>\$ 118,256</u></b> | <b><u>\$ 315,898</u></b>       | <b><u>\$ 434,154</u></b> |

**Note 8: Retirement Plans and Other Post Employment Benefits (Continued)**

**c. Other Post Retirement Benefits**

**City of Manhattan Beach Retiree Medical Program**

Plan Description

The City Retiree Medical Program is a Single Employer Plan that provides a fixed stipend to qualifying retirees and a contribution to all retirees enrolled in PERS medical plan.

Plan Benefits

In accordance with employee Memoranda of Understanding (MOU), the City provides fixed stipends during retirement. Payments cease at age 65. The plan provides a benefit of \$250 to \$400 per month directly to the employee to be used towards the health insurance premiums. Employees who retire from employment with the City and meet service requirements ranging from 15 to 20 years are eligible. The plan and payment amounts are established by MOU with the applicable employee bargaining units and may be amended by agreement between the City and the bargaining units. In fiscal year 2013, the City paid \$135,963 to retirees.

The plan does not issue a separate report, however it is included in the actuarial report that includes other post-retirement benefits (OPEB); per MOU agreements mandated by the State of California. All plan activity is reported within the financial statements of the City.

Funding Policy

The City of Manhattan Beach contracts with PERS to participate in the Public Employee Medical and Hospital Care Act (PEMHCA). Under this contract, both active employees and retirees are provided access to health insurance. The City makes a contribution to retirees who elect to purchase insurance through PERS. This contribution is mandated by Assembly Bill 2544 and is adjusted annually by PERS. For fiscal year 2013, the City contribution paid to PERS was \$104,863. Plan members receiving benefits paid \$682,567.

The plans is financed via actuarially determined contributions and deposited into a trust fund managed by PERS. PERS has dual independent capacities as a provider of medical plans and as a trustee. In its capacity as a trustee, PERS will be referred to as CERBT (California Employees' Retirement Benefit Trust). City payments to employees and PERS will be reimbursed by payments from CERBT in fiscal year 2013. Therefore, the City will be reimbursed for \$240,826.

The policy of the City Council is to budget the actuarially required contributions and to amend the budget if necessary on an annual basis. All contributions are made by the City; there is no employee contribution. Allocation of cost is made based on the MOU benefit corresponding to each position and the number of position within each fund/program. Payment to the trustee is exactly equal to the total budget for this benefit. Payroll does not drive the allocation.

**Note 8: Retirement Plans and Other Post Employment Benefits (Continued)**

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Valuations are performed biennially; the most recent is as of July 1, 2011. The next valuation will be as of July 1, 2013.

In the July 1, 2011, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 7.06% investment rate of return (net of administrative expenses), which is the actuarial rate of return used by PERS for assets in CERBT Strategy 2 plans, an annual healthcare cost trend rate of 10% as of July 1, 2011, reduced by decrements to an ultimate rate of 5% by 2016, and a fixed population of active participants. The assets are valued at fair value.

The Net OPEB Obligation (NOO) is being amortized over a closed ten-year period ending June 30, 2017. The unfunded accrued actuarial liability is being amortized over the same period as that of the net OPEB obligation. Gains and losses are being amortized over the same closed period. The actuarial value of assets is equal to the amount reported by CERBT at June 30, 2013. The number of PEMHCA participants is: active - 229, retired participants - 79. The number of City Plan participants is: active - 244, retired participants - 25.

Annual OPEB Cost and Net OPEB Obligation

In the fiscal year ending June 30, 2013, the City conducted an updated actuarial analysis of these two plans in order to be in conformance with GASB 45. The valuation date was July 1, 2011.

The City's annual post employment benefit (OPEB) cost 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 and amortization of any Net OPEB Obligation existing at the beginning of the fiscal year. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The updated valuation resulted in a fiscal 2012-2013 projected normal cost of \$408,000 and amortization of unfunded actuarial accrued liability of (\$172,000) resulting in an actuarially required contribution for fiscal 2012-2013 of \$236,000. Actuarial valuations are performed biannually. The next actuarial valuation date will be July 1, 2013, and based on that report, a revised ARC for fiscal 2013-2014 will be determined as well as a projected ARC for fiscal 2014-2015.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

**Note 8: Retirement Plans and Other Post Employment Benefits (Continued)**

The City's annual OPEB cost, the amount of annual OPEB cost contributed to the plan and the NOO for fiscal year 2012-2013, and the two preceding years were as follows:

| Fiscal Year<br>Ended | Annual<br>OPEB<br>Cost | Annual<br>OPEB<br>Contribution | Net<br>OPEB<br>Obligation (Asset)               | Percent of<br>OPEB Cost<br>Contributed |
|----------------------|------------------------|--------------------------------|---|--|
| 6/30/2011            | \$ 949,884             | \$ 451,000                     | \$ (3,918,625)                                  | 47.48%                                 |
| 6/30/2012            | 755,979                | 209,000                        | (3,371,646)                                     | 27.65%                                 |
| 6/30/2013            | 821,596                | 236,000                        | (2,786,050)                                     | 28.72%                                 |
|                      |                        |                                | Annual required contributions (ARC)             | \$ 236,000                             |
|                      |                        |                                | Interest on net OPEB                            | (238,038)                              |
|                      |                        |                                | Amortization of OPEB                            | 823,635                                |
|                      |                        |                                | Annual OPEB cost                                | 821,597                                |
|                      |                        |                                | Less: Annual contributions made                 | 236,000                                |
|                      |                        |                                | Increase (decrease) in net OPEB obligation      | 585,597                                |
|                      |                        |                                | Net OPEB obligation (asset) - beginning of year | (3,371,646)                            |
|                      |                        |                                | Net OPEB obligation (asset) - end of year       | <u>\$ (2,786,049)</u>                  |

Funded Status and Funding Programs

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Benefits are projected based on benefit levels as of the date of the valuation and do not explicitly reflect the potential effects of legal or contractual funding limitations. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial valuations take a long-term perspective that involves the use of techniques designed to reduce volatility.

The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Contributions are held and invested by California Employer's Retiree Benefit Trust (CERBT), which has been established by PERS. The value of the City of Manhattan Beach's account as June 30, 2013, was \$8,312,499, which reflects a gain of \$648,025 from the prior fiscal year 2011-2012.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

**Note 8: Retirement Plans and Other Post Employment Benefits (Continued)**

| Fiscal Year<br>Ending | Type of<br>Valuation | Actuarial<br>Valuation Date | Actuarial<br>Accrued<br>Liability | Actuarial<br>Value of<br>Assets | Unfunded<br>Liability | Funded<br>Ratio | Covered<br>Payroll | UAAL as a<br>Percent of<br>Covered<br>Payroll |
|-----------------------|----------------------|-----------------------------|-----------------------------------|---------------------------------|-----------------------|-----------------|--------------------|---|
| 6/30/2008             | Actual               | 7/1/2007                    | \$ 5,709,000                      | \$ -                            | \$ 5,709,000          | 0.0%            | \$ 18,654,000      | 30.6%   |
| 6/30/2009             | Estimated            | 7/1/2007                    | 5,709,000                         | 6,420,450                       | (711,450)             | 112.5%          | 18,654,000         | (3.8%)  |
| 6/30/2010             | Actual               | 7/1/2009                    | 5,926,000                         | 4,946,560                       | 979,440               | 83.5%           | 19,502,000         | 5.0%  |
| 6/30/2011             | Estimated            | 7/1/2009                    | 5,926,000                         | 5,910,001                       | 15,999                | 99.7%           | 19,502,000         | 0.1%  |
| 6/30/2012             | Actual               | 7/1/2011                    | 6,846,000                         | 7,664,474                       | (818,474)             | 112.0%          | 21,871,000         | (3.7%)  |
| 6/30/2013             | Actual               | 7/1/2011                    | 6,846,000                         | 8,312,499                       | (1,466,499)           | 121.4%          | 22,191,000         | (6.1%)  |

It should be noted that benefits are not a function of covered payroll. The benefit is a function of employee count, prescribed benefit per employee according to MOU and PEMHCA requirements.

**d. Retirement Plan for Part-Time, Seasonal and Temporary Employees**

On June 6, 1997, the City dissolved the City-administered retirement plan for part-time, seasonal and temporary employees and selected the Public Agency Retirement System (PARS) as the retirement program for this group.

The PARS plan is a defined contribution pension plan, which is administered by PARS. Benefits and funding requirements are determined by PARS' governing board. All members' earnings are subject to contribution from the employee and the employer. Historically, the contribution rate for both employee and employer has been 3.75% of payroll. In April 2011, the City exercised its option not to pick up 50% share of the required 7.50%. Consequently, for fiscal year ending June 30, 2013, 100% of contribution is derived from employee deduction.

Total payroll for employees covered by this plan for the year was \$1,163,053. The amount of employee contribution was \$87,229.

**Note 9: Risk Management**

The City is exposed to various risks of losses related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City adopted a self-insured workers' compensation program that is administered by City staff and a claims administrator.

The City is a member of the Independent Cities Risk Management Authority (ICRMA), a public entity risk pool currently operating as a common risk management and insurance program for 22 California cities. The City pays an annual premium to the pool for its excess insurance coverage including property (earthquake, flood and all risk), workers compensation and general liability. The City also purchases a separate earthquake policy for the public safety facility.

For workers compensation, the City is self-insured for the first \$750,000 on each claim with excess coverage up to a limit of \$5,000,000. For general liability, the City is self-insured for the first \$500,000 on each claim with excess coverage up to a limit of \$30,000,000.

The City is insured for property losses with a deductible of \$10,000 all risk (fire and theft) and earthquake loss with a deductible of 5% or \$100,000, whichever is greater.



**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

---

**Note 9: Risk Management (Continued)**

Claims expenditures and liabilities (general and worker's compensation) are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2013, the amount of these liabilities was \$8,916,223. The amount represents an estimate of \$5,727,204 for reported claims through June 30, 2013, and \$3,189,019 of estimated incurred but not reported claims. This liability is the City's best estimate based on available information. Changes in the reported liability at June 30, 2013, resulted from the following:

| Year | Liability<br>Beginning<br>of Year | Current Year<br>Claims and<br>Increases in<br>Estimates | Payments and<br>Decreases In<br>Estimates | Liability<br>End of<br>Year |
|------|-----------------------------------|---|---|-----------------------------|
| 2012 | \$ 7,543,856                      | \$ 4,259,325  | \$ (2,098,493)                            | \$ 9,704,688                |
| 2013 | 9,704,688                         | 4,894,823   | (5,683,288)                               | 8,916,223                   |

During the past three fiscal (claims) years, none of the above programs has had settlements or judgments that exceed pooled or insured coverage. There have been no significant reductions in pooled or insured coverages from coverage in the prior year.

The ICRMA has published its own financial report for the year ended June 30, 2013, which can be obtained from Independent Cities Risk Management Authority, 1100 W. Town and Country Road Suite 1550 Orange, California 92868.

**Note 10: Joint Ventures and Jointly Governed Organizations**

**a. Joint Venture**

South Bay Regional Public Communications Authority

The City is a member of the South Bay Regional Public Communications Authority (SBRPCA), a joint powers authority of the cities of Manhattan Beach, Gardena and Hawthorne. SBRPCA was formed October 14, 1975, for the purpose of financing a public safety communications system for the member cities. The Governing Board is composed of an elected official of each member city. An executive committee is composed of the city managers of each member city. The City's participation percentage at June 30, 2013, was 22.7%.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2013**

---

**Note 10: Joint Ventures and Jointly Governed Organizations (Continued)**

Summarized audited financial information for SBRPCA at June 30, 2012\*, is presented below:

Statement of Net Position

|                            |                            |
|----------------------------|----------------------------|
| Assets                     |                            |
| Current assets             | \$ 2,626,514               |
| Due from other governments | 8,103,883                  |
| Total Assets               | <u>10,730,397</u>          |
| Liabilities                |                            |
| Current liabilities        | 292,806                    |
| Noncurrent liabilities     | <u>737,513</u>             |
| Total Liabilities          | <u>1,030,319</u>           |
| Net Position               | <u><u>\$ 9,700,078</u></u> |

Statement of Activities

|                                   |                            |
|-----------------------------------|----------------------------|
| Operating Revenues                | \$ 8,273,036               |
| Operating Expenses                | <u>(8,889,620)</u>         |
| Excess of Expenses Over Revenues  | <u>(616,584)</u>           |
| Non operating revenues (expenses) |                            |
| Interest earnings                 | <u>11,861</u>              |
| Non operating revenues (expenses) | <u>11,861</u>              |
| Change in net position            | (604,723)                  |
| Net Position - June 30, 2012      | <u>10,304,801</u>          |
| Net Position - June 30, 2013      | <u><u>\$ 9,700,078</u></u> |

\*Most current information available. SBRPCA has issued its own separate financial statements, which are available at 4440 W. Broadway, Hawthorne, California 90250.

**b. Jointly Governed Organization**

Los Angeles Interagency Metropolitan Police Apprehension Crime Task Force

The City of Manhattan Beach is a member of 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 enterprise 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.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

---

**Note 10: Joint Ventures and Jointly Governed Organizations (Continued)**

Summarized audited financial information for L.A. IMPACT at June 30, 2012\*, is presented below:

Statement of Net Position

Assets

|                   |                  |
|-------------------|------------------|
| Current assets    | \$ 7,780,576     |
| Noncurrent assets | 814,521          |
| Total Assets      | <u>8,595,097</u> |

Liabilities

|                        |                  |
|------------------------|------------------|
| Current liabilities    | 1,931,381        |
| Noncurrent liabilities | 462,988          |
| Total liabilities      | <u>2,394,369</u> |

|              |                     |
|--------------|---------------------|
| Net Position | <u>\$ 6,200,728</u> |
|--------------|---------------------|

Statement of Activities

|                                      |                    |
|--------------------------------------|--------------------|
| Revenues                             | \$ 7,353,156       |
| Expenses                             | <u>(8,724,601)</u> |
| Excess of Expenditures Over Revenues | <u>(1,371,445)</u> |

Non operating revenues (expenses)

|                                   |                 |
|-----------------------------------|-----------------|
| Investment earnings               | 18,064          |
| Interest expense                  | <u>(40,414)</u> |
| Non operating revenues (expenses) | <u>(22,350)</u> |

|                        |             |
|------------------------|-------------|
| Change in net position | (1,393,795) |
|------------------------|-------------|

|                              |                  |
|------------------------------|------------------|
| Net Position - June 30, 2011 | <u>7,594,523</u> |
|------------------------------|------------------|

|                              |                     |
|------------------------------|---------------------|
| Net Position - June 30, 2012 | <u>\$ 6,200,728</u> |
|------------------------------|---------------------|

\*Most current information available. LA Impact has issued its own separate financial statements, which are available at 5700 S. Eastern Avenue, Commerce, California 90040.

**Note 11: Employee 401(a) Plan**

The City contributes to a 401(a) plan for its management confidential employees into which employees can make voluntary post-tax contributions. The market value of the plan assets at June 30, 2013, was \$2,249,203.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2013**

**Note 12: Commitments and Contingencies**

Contingencies

There are certain claims and lawsuits pending against the City that seek monetary damages. Potential liabilities due to these claims are accounted for in the Insurance Reserve Fund.

Construction Commitments

The following material construction commitments existed as of June 30, 2013:

| Project Name   | Contract Amount | Expenditures to date as of June 30, 2013 | Remaining Commitments |
|--|-----------------|--|-----------------------|
| Annual Slurry Seal 2012                              | \$ 390,155      | \$ 337,060                               | \$ 53,095             |
| Dual left-turn at Manhattan Beach Blvd and Sepulveda | 39,600          | 12,700                                   | 26,900                |
| Sepulveda Bridge Widening Prop C and Safetea-Lu      | 1,474,449       | 398,681                                  | 1,075,768             |
| 2011-12 Water Main Replacement                       | 2,500,918       | 2,401,460                                | 99,458                |
| 2012-13 Water Main Replacement                       | 1,243,700       | 1,229,303                                | 14,397                |
| 2nd Street Booster Pump                              | 60,866          | 25,976                                   | 34,890                |
| Water Main Repl Sepulveda Blvd & 2nd St              | 125,021         | 112,426                                  | 12,595                |
| Pipe Repl & Fire Hydrant Install (Area 2)            | 112,633         | 13,846                                   | 98,787                |
| Marine Ave Park Synthetic Turf                       | 811,887         | 380,133                                  | 431,754               |
| Strand Stairs Improvements                           | 200,885         | 53,867                                   | 147,018               |
| Facilities Condition Assessment                      | 95,440          | -  | 95,440                |
| Greenbelt Low flow Infiltration                      | 72,220          | 54,787                                   | 17,433                |
| 2012-13 Gravity Sewer Main Rehab                     | 524,124         | 427,791                                  | 96,333                |
| 2011-12 through 2014-15 Sewer Manhole Rehab          | 277,673         | 57,423                                   | 220,250               |
| 2010-11 Gravity Sewer Main Rehab                     | 172,675         | 139,681                                  | 32,994                |
| Utility Underground Assessment Dist 12, 13, 14       | 202,300         | 97,515                                   | 104,785               |
|  | \$ 8,304,546    | \$ 5,742,649                             | \$ 2,561,897          |

**Note 13: Subsequent Events**

Sale of City Manager's Home

Subsequent to the end of fiscal year 2012-2013, the jointly owned home was sold. Escrow closed on December 27, 2013. The final sale price was \$1,485,000, before a \$20,000 credit to the buyer for repairs. After accounting for costs of sale, the City received \$1,125,491, which included repayment of the loan to the City Manager (\$432,000), the City's equity in the home (\$540,000), and its share of the appreciation (\$151,871). The City Manager's loan (and accrued interest) was repaid to the General Fund.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2013**

---

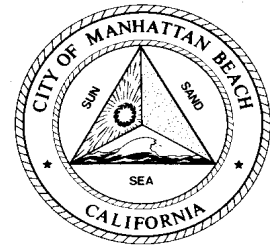
**Note 13: Subsequent Events (Continued)**

Street Sweeping Fees Refund

In July 2013, the City discontinued collection of street sweeping fees, and commenced refunding of all fees collected between 2009 and 2013. This course of action was undertaken after legal review of the validity of such fees. The initial four year refund period coincided with the broadest interpretation of the statute of limitations. On January 21, 2014, the City Council voted to expand the street sweeping refund period from the initial four years to the period of time in which all fees were collected dating back to 2004. Those seeking refunds must complete a claim form and a release in order to receive the refund. As of December 31, 2013, approximately 2,800 refunds for the initial four year period had been processed for a total cost of \$280,491, with an average refund value of \$100.18. The process to expand the refunds from four years to the entire collection period of nine years is under review. The ultimate amount of the refunds is indeterminable at this time. However, the total potential value of all claims dating back to 2004 is estimated to be \$3.3 million. Refunds are paid from the Refuse Fund, which collected the fees since inception in 2004. To the extent the Refuse Fund cannot accommodate the total refunds, General Fund moneys are available for this purpose.



**This Page Left Blank Intentionally**



# **Combining Financial Statements & Schedules**





**CITY OF MANHATTAN BEACH**

**JUNE 30, 2013**

**NONMAJOR FUNDS**

**Special Revenue Fund Description**

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law to expenditures for specified purposes.

**Street Lighting and Landscape Fund** provides the power, maintenance and capital improvements for the lighting system within the City of Manhattan Beach. Money is received from a special assessment placed on each tax bill in the City, the amount of which is determined by the benefit received by the owner of each property.

**Gas Tax Fund** is used to account for the City's share of the state and county gasoline tax collection in accordance with the provisions of the State of California Streets and Highway Code. Revenues are disbursed by the state based on population and must be used toward the maintenance and repair of City streets that serve as state and county thoroughfares.

**Asset Forfeiture Fund** is used to account for funds received through federal and state agencies for drug seizures in which the City participated. These funds must be used to supplement, not supplant, the Police Department's normal operating budget. The amount of revenue will vary from year to year based on activity levels.

**Public Safety Grants** are used for monies received from the federal and state governments for the purposes of supplementing front-line law enforcement services.

**Federal and State Grants Fund** acts as a pass through for capital grants received from local, state and federal authorities. Given the nature of this funding source, this fund's activity levels can vary significantly from year to year.

**Proposition A and C Funds** are used to account for proceeds from the half-cent sales taxes generated by the approval of Proposition A and C by Los Angeles County voters. These funds, which are administered by the Los Angeles County Metropolitan Transportation Authority (MTA), are distributed based on population and must be used for transportation-related projects.

**AB 2766 Fund** is used to account for proceeds received from the additional vehicle registration fee imposed by the state and regulated by the Air Quality Management District (AQMD). These funds are distributed based on population and must be used for programs designed to reduce air pollution from motor vehicles.

**Measure R Fund** is a half cent sales tax approved by Los Angeles voters to be used for new and existing transportation projects, including local bus operations and local city sponsored transportation improvements. Local cities are allocated 15% of collections on a per capita basis. The City of Manhattan Beach began receiving Measure R funds in fiscal 2010-2011, and established a separate fund to capture revenues and expenditures. Eligible expenditures are streets and signals, bikeways, pedestrian improvements, and transit service improvements.

**Capital Project Fund Description**

Capital Projects Funds are used to account for financial resources segregated for the acquisition or construction of major capital facilities, other than those financed by Enterprise or Internal Service Funds.

**Underground Assessment District Fund** accounts for the resources to construct an underground utility in the future.

**CITY OF MANHATTAN BEACH**

**JUNE 30, 2013**

**NONMAJOR ENTERPRISE FUNDS**

The Enterprise Funds are used to account for City operations that are financed and operated in a manner similar to private business enterprises. The intent in using this type of fund is to see that the costs of providing these services to the general public on a continuing basis are financed or recovered primarily through user charges.

**Storm Water Fund** is used to account for the maintenance and improvement of the City's storm drains. Revenues are derived from a storm drain assessment to property owners, which are based on size and use of the parcel, and collected through the property tax rolls.

**County Parking Lot Fund** is used to account for the operation and maintenance of parking lots that are owned by Los Angeles County but leased to the City. Proceeds from the meters and parking permits are divided 55% to the county, with an annual guaranteed minimum of \$130,000 and 45% to the City.

**State Pier and Parking Lot Fund** is used to account for the operation and maintenance of the Manhattan Beach Pier, comfort station and four adjacent parking lots. These properties are owned by the State of California but controlled by the City through an operating agreement.

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013

|  | Special Revenue Funds               |                     |                     |                         |
|--|-------------------------------------|---------------------|---------------------|-------------------------|
|  | Street<br>Lighting and<br>Landscape | Gas Tax             | Asset<br>Forfeiture | Public Safety<br>Grants |
| <b>Assets:</b>   |                                     |                     |                     |                         |
| Pooled cash and investments  | \$ 34,725                           | \$ 3,074,973        | \$ 928,040          | \$ 156,567              |
| Receivables:   |                                     |                     |                     |                         |
| Accounts   | 6,153                               | 104,981             | -                   | -                       |
| Due from other governments   | -                                   | 73,809              | -                   | -                       |
| Restricted assets:   |                                     |                     |                     |                         |
| Cash and investments with fiscal agents                                      | -                                   | -                   | -                   | -                       |
| <b>Total Assets</b>  | <b>\$ 40,878</b>                    | <b>\$ 3,253,763</b> | <b>\$ 928,040</b>   | <b>\$ 156,567</b>       |
| <b>Liabilities, Deferred Inflow of Resources<br/>and Fund Balances:</b>      |                                     |                     |                     |                         |
| <b>Liabilities:</b>  |                                     |                     |                     |                         |
| Accounts payable   | \$ 40,878                           | \$ 35,267           | \$ 10,818           | \$ -                    |
| Deposits payable   | -                                   | -                   | -                   | -                       |
| Due to other funds   | -                                   | -                   | -                   | -                       |
| <b>Total Liabilities</b>   | <b>40,878</b>                       | <b>35,267</b>       | <b>10,818</b>       | <b>-</b>                |
| <b>Deferred Inflow of Resources:</b>   |                                     |                     |                     |                         |
| Unavailable revenues   | -                                   | -                   | -                   | -                       |
| <b>Total deferred Inflow of Resources</b>                                    | <b>-</b>                            | <b>-</b>            | <b>-</b>            | <b>-</b>                |
| <b>Fund Balances:</b>  |                                     |                     |                     |                         |
| <b>Restricted for:</b>   |                                     |                     |                     |                         |
| Public safety  | -                                   | -                   | 917,222             | 156,567                 |
| Culture and recreation   | -                                   | -                   | -                   | -                       |
| Public works   | -                                   | 3,218,496           | -                   | -                       |
| Capital projects   | -                                   | -                   | -                   | -                       |
| <b>Unassigned</b>  | <b>-</b>                            | <b>-</b>            | <b>-</b>            | <b>-</b>                |
| <b>Total Fund Balances</b>   | <b>-</b>                            | <b>3,218,496</b>    | <b>917,222</b>      | <b>156,567</b>          |
| <b>Total Liabilities, Deferred Inflow<br/>of Resources and Fund Balances</b> | <b>\$ 40,878</b>                    | <b>\$ 3,253,763</b> | <b>\$ 928,040</b>   | <b>\$ 156,567</b>       |

## CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013

(CONTINUED)

|  | Special Revenue Funds       |                          |                            |                          |
|--|-----------------------------|--------------------------|----------------------------|--------------------------|
|  | Federal and<br>State Grants | Prop A                   | Prop C                     | AB 2766                  |
| <b>Assets:</b>   |                             |                          |                            |                          |
| Pooled cash and investments  | \$ -                        | \$ 194,121               | \$ 3,522,073               | \$ 420,672               |
| Receivables:   |                             |                          |                            |                          |
| Accounts   | -                           | -                        | -                          | -                        |
| Due from other governments   | 22,488                      | -                        | 306,957                    | 11,131                   |
| Restricted assets:   |                             |                          |                            |                          |
| Cash and investments with fiscal agents                                      | -                           | -                        | -                          | -                        |
| <b>Total Assets</b>  | <b><u>\$ 22,488</u></b>     | <b><u>\$ 194,121</u></b> | <b><u>\$ 3,829,030</u></b> | <b><u>\$ 431,803</u></b> |
| <b>Liabilities, Deferred inflow of resources<br/>and Fund Balances:</b>      |                             |                          |                            |                          |
| <b>Liabilities:</b>  |                             |                          |                            |                          |
| Accounts payable   | \$ -                        | \$ 14,458                | \$ 142,718                 | \$ 286,000               |
| Deposits payable   | -                           | -                        | -                          | -                        |
| Advances from other funds  | 22,488                      | -                        | -                          | -                        |
| <b>Total Liabilities</b>   | <b><u>22,488</u></b>        | <b><u>14,458</u></b>     | <b><u>142,718</u></b>      | <b><u>286,000</u></b>    |
| <b>Deferred inflow of resources:</b>   |                             |                          |                            |                          |
| Unavailable revenues   | 22,488                      | -                        | 114,078                    | -                        |
| <b>Total deferred inflow of resources</b>                                    | <b><u>22,488</u></b>        | <b><u>-</u></b>          | <b><u>114,078</u></b>      | <b><u>-</u></b>          |
| <b>Fund Balances:</b>  |                             |                          |                            |                          |
| <b>Restricted for:</b>   |                             |                          |                            |                          |
| Public safety  | -                           | -                        | -                          | -                        |
| Culture and recreation   | -                           | 179,663                  | -                          | -                        |
| Public works   | -                           | -                        | -                          | 145,803                  |
| Capital projects   | -                           | -                        | 3,572,234                  | -                        |
| <b>Unassigned</b>  | <b><u>(22,488)</u></b>      | <b><u>-</u></b>          | <b><u>-</u></b>            | <b><u>-</u></b>          |
| <b>Total Fund Balances</b>   | <b><u>(22,488)</u></b>      | <b><u>179,663</u></b>    | <b><u>3,572,234</u></b>    | <b><u>145,803</u></b>    |
| <b>Total Liabilities, Deferred Inflow<br/>of Resources and Fund Balances</b> | <b><u>\$ 22,488</u></b>     | <b><u>\$ 194,121</u></b> | <b><u>\$ 3,714,952</u></b> | <b><u>\$ 431,803</u></b> |

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013

|  | Special<br>Revenue<br>Funds | Capital<br>Projects<br>Funds          | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-----------------------------|---------------------------------------|--|
|  | Measure R                   | Underground<br>Assessment<br>District |  |
| <b>Assets:</b>   |                             |                                       |  |
| Pooled cash and investments  | \$ 875,937                  | \$ 197,449                            | \$ 9,404,557                               |
| Receivables:   |                             |                                       |  |
| Accounts   | -                           | -                                     | 111,134                                    |
| Due from other governments   | -                           | -                                     | 414,385                                    |
| Restricted assets:   |                             |                                       |  |
| Cash and investments with fiscal agents                                      | -                           | 390,884                               | 390,884                                    |
| <b>Total Assets</b>  | <b>\$ 875,937</b>           | <b>\$ 588,333</b>                     | <b>\$ 10,320,960</b>                       |
| <b>Liabilities, Deferred inflow of resources<br/>and Fund Balances:</b>      |                             |                                       |  |
| <b>Liabilities:</b>  |                             |                                       |  |
| Accounts payable   | \$ -                        | \$ -                                  | \$ 530,139                                 |
| Deposits payable   | -                           | 1,741                                 | 1,741                                      |
| Due to other funds   | -                           | -                                     | 22,488                                     |
| <b>Total Liabilities</b>   | <b>-</b>                    | <b>1,741</b>                          | <b>554,368</b>                             |
| <b>Deferred inflow of resources:</b>   |                             |                                       |  |
| Unavailable revenues   | -                           | -                                     | 136,566                                    |
| <b>Total deferred inflow of resources</b>                                    | <b>-</b>                    | <b>-</b>                              | <b>136,566</b>                             |
| <b>Fund Balances:</b>  |                             |                                       |  |
| <b>Restricted for:</b>   |                             |                                       |  |
| Public safety  | -                           | -                                     | 1,073,789                                  |
| Culture and recreation   | -                           | -                                     | 179,663                                    |
| Public works   | 875,937                     | 586,592                               | 4,826,828                                  |
| Capital projects   | -                           | -                                     | 3,572,234                                  |
| <b>Unassigned</b>  | <b>-</b>                    | <b>-</b>                              | <b>(22,488)</b>                            |
| <b>Total Fund Balances</b>   | <b>875,937</b>              | <b>586,592</b>                        | <b>9,630,026</b>                           |
| <b>Total Liabilities, Deferred Inflow<br/>of Resources and Fund Balances</b> | <b>\$ 875,937</b>           | <b>\$ 588,333</b>                     | <b>\$ 10,320,960</b>                       |

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

|  | <b>Special Revenue Funds</b>                 |                     |                             |                                 |
|--|--|---------------------|-----------------------------|---------------------------------|
|  | <b>Street<br/>Lighting and<br/>Landscape</b> | <b>Gas Tax</b>      | <b>Asset<br/>Forfeiture</b> | <b>Public Safety<br/>Grants</b> |
| <b>Revenues:</b>   |  |                     |                             |                                 |
| Taxes and assessments  | \$ 376,587                                   | \$ 171,535          | \$ -                        | \$ -                            |
| Intergovernmental  | -  | 831,559             | 25,798                      | 100,000                         |
| Charges for services   | 20,163                                       | -                   | -                           | -                               |
| Use of money and property                                    | -  | 22,866              | 6,745                       | 897                             |
| Miscellaneous revenues                                       | -  | -                   | -                           | -                               |
| <b>Total Revenues</b>  | <b>396,750</b>                               | <b>1,025,960</b>    | <b>32,543</b>               | <b>100,897</b>                  |
| <b>Expenditures:</b>   |  |                     |                             |                                 |
| Current:   |  |                     |                             |                                 |
| Public safety  | -  | -                   | 109,957                     | 137,256                         |
| Culture and recreation                                       | -  | -                   | -                           | -                               |
| Public works   | 638,567                                      | 284,895             | -                           | -                               |
| Capital outlay   | -  | 842,748             | -                           | -                               |
| <b>Total Expenditures</b>                                    | <b>638,567</b>                               | <b>1,127,643</b>    | <b>109,957</b>              | <b>137,256</b>                  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (241,817)                                    | (101,683)           | (77,414)                    | (36,359)                        |
| <b>Other Financing Sources (Uses):</b>                       |  |                     |                             |                                 |
| Transfers in   | 241,817                                      | -                   | -                           | -                               |
| Transfers out  | -  | -                   | -                           | -                               |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>241,817</b>                               | <b>-</b>            | <b>-</b>                    | <b>-</b>                        |
| Net Change in Fund Balance                                   | -  | (101,683)           | (77,414)                    | (36,359)                        |
| Fund Balances, Beginning of Year                             | -  | 3,320,179           | 994,636                     | 192,926                         |
| <b>Fund Balances, End of Year</b>                            | <b>\$ -</b>                                  | <b>\$ 3,218,496</b> | <b>\$ 917,222</b>           | <b>\$ 156,567</b>               |

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

(CONTINUED)

|  | <b>Special Revenue Funds</b>        |                   |                     |                   |
|--|-------------------------------------|-------------------|---------------------|-------------------|
|  | <b>Federal and<br/>State Grants</b> | <b>Prop A</b>     | <b>Prop C</b>       | <b>AB 2766</b>    |
| <b>Revenues:</b>   |                                     |                   |                     |                   |
| Taxes and assessments  | \$ -                                | \$ 568,233        | \$ 472,536          | \$ -              |
| Intergovernmental  | -                                   | -                 | 204,867             | 42,510            |
| Charges for services   | -                                   | 10,043            | -                   | -                 |
| Use of money and property                                    | -                                   | 429               | 26,183              | 3,013             |
| Miscellaneous revenues                                       | -                                   | 16,432            | -                   | -                 |
| <b>Total Revenues</b>  | <b>-</b>                            | <b>595,137</b>    | <b>703,586</b>      | <b>45,523</b>     |
| <b>Expenditures:</b>   |                                     |                   |                     |                   |
| Current:   |                                     |                   |                     |                   |
| Public safety  | -                                   | -                 | -                   | -                 |
| Culture and recreation                                       | -                                   | 851,071           | -                   | -                 |
| Public works   | -                                   | -                 | -                   | 295,107           |
| Capital outlay   | -                                   | -                 | 400,883             | -                 |
| <b>Total Expenditures</b>                                    | <b>-</b>                            | <b>851,071</b>    | <b>400,883</b>      | <b>295,107</b>    |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | -                                   | (255,934)         | 302,703             | (249,584)         |
| <b>Other Financing Sources (Uses):</b>                       |                                     |                   |                     |                   |
| Transfers in   | -                                   | 328,169           | -                   | -                 |
| Transfers out  | -                                   | -                 | -                   | -                 |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>-</b>                            | <b>328,169</b>    | <b>-</b>            | <b>-</b>          |
| Net Change in Fund Balance                                   | -                                   | 72,235            | 302,703             | (249,584)         |
| Fund Balances, Beginning of Year                             | (22,488)                            | 107,428           | 3,269,531           | 395,387           |
| <b>Fund Balances, End of Year</b>                            | <b>\$ (22,488)</b>                  | <b>\$ 179,663</b> | <b>\$ 3,572,234</b> | <b>\$ 145,803</b> |

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

|  | <u>Special<br/>Revenue<br/>Funds</u> | <u>Capital<br/>Projects Funds<br/>Underground<br/>Assessment<br/>District</u> | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|--|--------------------------------------|---|--|
|  | <u>Measure R</u>                     |   |  |
| <b>Revenues:</b>   |                                      |   |  |
| Taxes and assessments  | \$ 353,077                           | \$ -  | \$ 1,941,968   |
| Intergovernmental  | -                                    | -   | 1,204,734  |
| Charges for services   | -                                    | -   | 30,206   |
| Use of money and property                                    | 8,161                                | 1,553   | 69,847   |
| Miscellaneous revenues                                       | -                                    | -   | 16,432   |
| <b>Total Revenues</b>  | <b>361,238</b>                       | <b>1,553</b>  | <b>3,263,187</b>                                     |
| <b>Expenditures:</b>   |                                      |   |  |
| Current:   |                                      |   |  |
| Public safety  | -                                    | -   | 247,213  |
| Culture and recreation                                       | -                                    | -   | 851,071  |
| Public works   | -                                    | -   | 1,218,569  |
| Capital outlay   | -                                    | -   | 1,243,631  |
| <b>Total Expenditures</b>                                    | <b>-</b>                             | <b>-</b>  | <b>3,560,484</b>                                     |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 361,238                              | 1,553   | (297,297)  |
| <b>Other Financing Sources (Uses):</b>                       |                                      |   |  |
| Transfers in   | -                                    | -   | 569,986  |
| Transfers out  | (328,169)                            | -   | (328,169)  |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>(328,169)</b>                     | <b>-</b>  | <b>241,817</b>                                       |
| Net Change in Fund Balance                                   | 33,069                               | 1,553   | (55,480)   |
| Fund Balances, Beginning of Year                             | 842,868                              | 585,039   | 9,685,506  |
| <b>Fund Balances, End of Year</b>                            | <b>\$ 875,937</b>                    | <b>\$ 586,592</b>   | <b>\$ 9,630,026</b>                                  |



CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE  
STREET LIGHTING AND LANDSCAPE  
YEAR ENDED JUNE 30, 2013**

|  | <b>Budget Amounts</b> |                   | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|-------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>      |                           |   |
| Budgetary Fund Balance, July 1             | \$ -                  | \$ -              | \$ -                      | \$ -  |
| <b>Resources (Inflows):</b>                |                       |                   |                           |   |
| Taxes and assessments                      | 378,681               | 378,681           | 376,587                   | (2,095)   |
| Charges for services                       | 20,163                | 20,163            | 20,163                    | -   |
| Transfers in                               | 195,555               | 195,555           | 241,817                   | 46,262  |
| <b>Amounts Available for Appropriation</b> | <b>594,399</b>        | <b>594,399</b>    | <b>638,567</b>            | <b>44,168</b>   |
| <b>Charges to Appropriation (Outflow):</b> |                       |                   |                           |   |
| Public works                               | 594,399               | 597,899           | 638,567                   | (40,668)  |
| <b>Total Charges to Appropriation</b>      | <b>594,399</b>        | <b>597,899</b>    | <b>638,567</b>            | <b>(40,668)</b>   |
| <b>Budgetary Fund Balance, June 30</b>     | <b>\$ -</b>           | <b>\$ (3,500)</b> | <b>\$ -</b>               | <b>\$ 3,500</b>   |

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE

GAS TAX

YEAR ENDED JUNE 30, 2013

|  | Budget Amounts      |                   | Actual<br>Amounts   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|---------------------|-------------------|---------------------|---|
|  | Original            | Final             |                     |   |
| Budgetary Fund Balance, July 1             | \$ 3,320,179        | \$ 3,320,179      | \$ 3,320,179        | \$ -  |
| <b>Resources (Inflows):</b>                |                     |                   |                     |   |
| Taxes and assessments                      | 155,000             | 155,000           | 171,535             | 16,535  |
| Use of money and property                  | 23,000              | 23,000            | 22,866              | (134)   |
| Intergovernmental                          | 1,309,617           | 1,309,617         | 831,559             | (478,058)   |
| <b>Amounts Available for Appropriation</b> | <b>4,807,796</b>    | <b>4,807,796</b>  | <b>4,346,139</b>    | <b>(461,657)</b>  |
| <b>Charges to Appropriation (Outflow):</b> |                     |                   |                     |   |
| Public works                               | 284,895             | 284,895           | 284,895             | -   |
| Capital outlay                             | 585,105             | 3,867,180         | 842,748             | 3,024,432   |
| <b>Total Charges to Appropriation</b>      | <b>870,000</b>      | <b>4,152,075</b>  | <b>1,127,643</b>    | <b>3,024,432</b>  |
| <b>Budgetary Fund Balance, June 30</b>     | <b>\$ 3,937,796</b> | <b>\$ 655,721</b> | <b>\$ 3,218,496</b> | <b>\$ 2,562,775</b>                                     |

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 ASSET FORFEITURE  
 YEAR ENDED JUNE 30, 2013

|  | Budget Amounts    |                   | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------|-------------------|-------------------|---|
|  | Original          | Final             |                   |   |
| Budgetary Fund Balance, July 1             | \$ 994,636        | \$ 994,636        | \$ 994,636        | \$ -  |
| <b>Resources (Inflows):</b>                |                   |                   |                   |   |
| Use of money and property                  | 8,862             | 8,862             | 6,745             | (2,117)   |
| Intergovernmental                          | -                 | 10,000            | 25,798            | 15,798  |
| <b>Amounts Available for Appropriation</b> | <b>1,003,498</b>  | <b>1,013,498</b>  | <b>1,027,179</b>  | <b>13,681</b>   |
| <b>Charges to Appropriation (Outflow):</b> |                   |                   |                   |   |
| Public safety                              | 216,833           | 275,698           | 109,957           | 165,741   |
| <b>Total Charges to Appropriation</b>      | <b>216,833</b>    | <b>275,698</b>    | <b>109,957</b>    | <b>165,741</b>  |
| <b>Budgetary Fund Balance, June 30</b>     | <b>\$ 786,665</b> | <b>\$ 737,800</b> | <b>\$ 917,222</b> | <b>\$ 179,422</b>                                       |

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 PUBLIC SAFETY GRANTS  
 YEAR ENDED JUNE 30, 2013

|  | Budget Amounts    |                  | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------|------------------|-------------------|---|
|  | Original          | Final            |                   |   |
| Budgetary Fund Balance, July 1             | \$ 192,926        | \$ 192,926       | \$ 192,926        | \$ -  |
| <b>Resources (Inflows):</b>                |                   |                  |                   |   |
| Use of money and property                  | 1,502             | 1,502            | 897               | (605)   |
| Intergovernmental                          | -                 | 50,000           | 100,000           | 50,000  |
| <b>Amounts Available for Appropriation</b> | <b>194,428</b>    | <b>244,428</b>   | <b>293,823</b>    | <b>49,395</b>   |
| <b>Charges to Appropriation (Outflow):</b> |                   |                  |                   |   |
| Public safety                              | -                 | 218,957          | 137,256           | 81,701  |
| <b>Total Charges to Appropriation</b>      | <b>-</b>          | <b>218,957</b>   | <b>137,256</b>    | <b>81,701</b>   |
| <b>Budgetary Fund Balance, June 30</b>     | <b>\$ 194,428</b> | <b>\$ 25,471</b> | <b>\$ 156,567</b> | <b>\$ 131,096</b>                                       |

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 PROPOSITION A  
 YEAR ENDED JUNE 30, 2013

|  | Budget Amounts    |                     | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------|---------------------|-------------------|---|
|  | Original          | Final               |                   |   |
| Budgetary Fund Balance, July 1             | \$ 107,428        | \$ 107,428          | \$ 107,428        | \$ -  |
| <b>Resources (Inflows):</b>                |                   |                     |                   |   |
| Taxes and assessments                      | 526,390           | 526,390             | 568,233           | 41,843  |
| Use of money and property                  | 431               | 431                 | 429               | (2)   |
| Charges for services                       | 11,000            | 11,000              | 10,043            | (957)   |
| Miscellaneous                              | 14,380            | 14,380              | 16,432            | 2,052   |
| Transfers in                               | 70,092            | 70,092              | 328,169           | 258,077   |
| <b>Amounts Available for Appropriation</b> | <b>729,721</b>    | <b>729,721</b>      | <b>1,030,734</b>  | <b>301,013</b>  |
| <b>Charges to Appropriation (Outflow):</b> |                   |                     |                   |   |
| Culture and recreation                     | 734,141           | 1,079,043           | 851,071           | 227,972   |
| <b>Total Charges to Appropriation</b>      | <b>734,141</b>    | <b>1,079,043</b>    | <b>851,071</b>    | <b>227,972</b>  |
| <b>Budgetary Fund Balance, June 30</b>     | <b>\$ (4,420)</b> | <b>\$ (349,322)</b> | <b>\$ 179,663</b> | <b>\$ 528,985</b>                                       |

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 PROPOSITION C  
 YEAR ENDED JUNE 30, 2013

|  | Budget Amounts      |                     | Actual<br>Amounts   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|---|
|  | Original            | Final               |                     |   |
| Budgetary Fund Balance, July 1             | \$ 3,269,531        | \$ 3,269,531        | \$ 3,269,531        | \$ -  |
| <b>Resources (Inflows):</b>                |                     |                     |                     |   |
| Taxes and assessments                      | 436,627             | 436,627             | 472,536             | 35,909  |
| Use of money and property                  | 23,789              | 23,789              | 26,183              | 2,394   |
| Intergovernmental                          | 8,094,000           | 8,094,000           | 204,867             | (7,889,133)   |
| <b>Amounts Available for Appropriation</b> | <b>11,823,947</b>   | <b>11,823,947</b>   | <b>3,973,117</b>    | <b>(7,850,830)</b>                                      |
| <b>Charges to Appropriation (Outflow):</b> |                     |                     |                     |   |
| Capital outlay                             | 8,715,937           | 10,517,694          | 400,883             | 10,116,811  |
| <b>Total Charges to Appropriation</b>      | <b>8,715,937</b>    | <b>10,517,694</b>   | <b>400,883</b>      | <b>10,116,811</b>                                       |
| <b>Budgetary Fund Balance, June 30</b>     | <b>\$ 3,108,010</b> | <b>\$ 1,306,253</b> | <b>\$ 3,572,234</b> | <b>\$ 2,265,981</b>                                     |

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE

AB 2766

YEAR ENDED JUNE 30, 2013

|  | Budget Amounts   |                  | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|-------------------|---|
|  | Original         | Final            |                   |   |
| Budgetary Fund Balance, July 1             | \$ 395,387       | \$ 395,387       | \$ 395,387        | \$ -  |
| <b>Resources (Inflows):</b>                |                  |                  |                   |   |
| Use of money and property                  | 2,915            | 2,915            | 3,013             | 98  |
| Intergovernmental                          | 42,000           | 42,000           | 42,510            | 510   |
| <b>Amounts Available for Appropriation</b> | <b>440,302</b>   | <b>440,302</b>   | <b>440,910</b>    | <b>608</b>  |
| <b>Charges to Appropriation (Outflow):</b> |                  |                  |                   |   |
| Public works                               | 358,068          | 373,806          | 295,107           | 78,699  |
| <b>Total Charges to Appropriation</b>      | <b>358,068</b>   | <b>373,806</b>   | <b>295,107</b>    | <b>78,699</b>   |
| <b>Budgetary Fund Balance, June 30</b>     | <b>\$ 82,234</b> | <b>\$ 66,496</b> | <b>\$ 145,803</b> | <b>\$ 79,307</b>  |

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 MEASURE R  
 YEAR ENDED JUNE 30, 2013

|  | Budget Amounts    |                   | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------|-------------------|-------------------|---|
|  | Original          | Final             |                   |   |
| Budgetary Fund Balance, July 1             | \$ 842,868        | \$ 842,868        | \$ 842,868        | \$ -  |
| <b>Resources (Inflows):</b>                |                   |                   |                   |   |
| Taxes and assessments                      | 292,240           | 292,240           | 353,077           | 60,837  |
| Use of money and property                  | 2,891             | 2,891             | 8,161             | 5,270   |
| <b>Amounts Available for Appropriation</b> | <b>1,137,999</b>  | <b>1,137,999</b>  | <b>1,204,106</b>  | <b>66,107</b>   |
| <b>Charges to Appropriation (Outflow):</b> |                   |                   |                   |   |
| Transfers out                              | 300,092           | 300,092           | 328,169           | (28,077)  |
| <b>Total Charges to Appropriation</b>      | <b>300,092</b>    | <b>300,092</b>    | <b>328,169</b>    | <b>(28,077)</b>   |
| <b>Budgetary Fund Balance, June 30</b>     | <b>\$ 837,907</b> | <b>\$ 837,907</b> | <b>\$ 875,937</b> | <b>\$ 38,030</b>  |



CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT  
YEAR ENDED JUNE 30, 2013**

|  | <b>Budget Amounts</b> |                     | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-----------------------|---------------------|---------------------------|---|
|  | <b>Original</b>       | <b>Final</b>        |                           |   |
| Budgetary Fund Balance, July 1             | \$ 5,865,007          | \$ 5,865,007        | \$ 5,865,007              | \$ -  |
| <b>Resources (Inflows):</b>                |                       |                     |                           |   |
| Taxes and assessments                      | 489,662               | 489,662             | 668,425                   | 178,763   |
| Licenses and permits                       | 7,000                 | 7,000               | 14,536                    | 7,536   |
| Intergovernmental                          | 629,497               | 1,142,197           | -                         | (1,142,197)   |
| Charges for services                       | 658,120               | 658,120             | 683,571                   | 25,451  |
| Use of money and property                  | 43,177                | 43,177              | 24,450                    | (18,727)  |
| Fines and forfeitures                      | 119,689               | 119,689             | 122,028                   | 2,339   |
| Miscellaneous                              | -                     | 845,000             | 845,000                   | -   |
| Transfers in                               | 3,000,000             | 3,000,000           | 3,000,000                 | -   |
| Refunding bonds issued                     | -                     | 10,510,000          | 10,510,000                | -   |
| Bond premium                               | -                     | 500,846             | 500,846                   | -   |
| <b>Amounts Available for Appropriation</b> | <b>10,812,152</b>     | <b>23,180,698</b>   | <b>22,233,863</b>         | <b>(946,835)</b>  |
| <b>Charges to Appropriation (Outflow):</b> |                       |                     |                           |   |
| Culture and recreation                     | 38,199                | 38,199              | 38,199                    | -   |
| Capital outlay                             | 4,921,242             | 7,894,818           | 1,042,444                 | 6,852,374   |
| Debt service:                              |                       |                     |                           |   |
| Principal retirement                       | 285,000               | 285,000             | 285,000                   | -   |
| Interest and administrative fees           | 536,050               | 663,495             | 399,279                   | 264,216   |
| Cost of issuance                           | -                     | 159,221             | 150,944                   | 8,277   |
| Advance refunding escrow                   | -                     | 821,153             | 821,153                   | -   |
| Payment to refunded bond escrow agent      | -                     | 10,851,624          | 10,851,624                | -   |
| <b>Total Charges to Appropriation</b>      | <b>5,780,491</b>      | <b>20,713,510</b>   | <b>13,588,643</b>         | <b>7,124,867</b>  |
| <b>Budgetary Fund Balance, June 30</b>     | <b>\$ 5,031,661</b>   | <b>\$ 2,467,188</b> | <b>\$ 8,645,220</b>       | <b>\$ 6,178,032</b>   |

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 UNDERGROUND ASSESSMENT DISTRICT  
 YEAR ENDED JUNE 30, 2013

|  | Budget Amounts    |                   | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------|-------------------|-------------------|---|
|  | Original          | Final             |                   |   |
| Budgetary Fund Balance, July 1             | \$ 585,039        | \$ 585,039        | \$ 585,039        | \$ -  |
| <b>Resources (Inflows):</b>                |                   |                   |                   |   |
| Use of money and property                  | 219               | 219               | 1,553             | 1,334   |
| <b>Amounts Available for Appropriation</b> | <b>585,258</b>    | <b>585,258</b>    | <b>586,592</b>    | <b>1,334</b>  |
| <b>Budgetary Fund Balance, June 30</b>     | <b>\$ 585,258</b> | <b>\$ 585,258</b> | <b>\$ 586,592</b> | <b>\$ 1,334</b>   |

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF FUND NET POSITION  
 NON-MAJOR ENTERPRISE FUNDS  
 YEAR ENDED JUNE 30, 2013

|  | Business-Type Activities - Enterprise Funds |                    |                            | Totals              |
|--|---|--------------------|----------------------------|---------------------|
|  | Stormwater                                  | County Parking Lot | State Pier and Parking Lot |                     |
| <b>Assets:</b>                                   |   |                    |                            |                     |
| Current:   |   |                    |                            |                     |
| Cash and investments                             | \$ 1,253,279                                | \$ 274,913         | \$ 2,094,810               | \$ 3,623,002        |
| Receivables:                                     |   |                    |                            |                     |
| Accounts   | 61,128                                      | -                  | -                          | 61,128              |
| <b>Total Current Assets</b>                      | <b>1,314,407</b>                            | <b>274,913</b>     | <b>2,094,810</b>           | <b>3,684,130</b>    |
| Noncurrent:                                      |   |                    |                            |                     |
| Prepaid other post-employment benefits           | 7,861                                       | 3,144              | 3,144                      | 14,149              |
| Capital assets - net of accumulated depreciation | 4,016,324                                   | -                  | -                          | 4,016,324           |
| <b>Total Noncurrent Assets</b>                   | <b>4,024,185</b>                            | <b>3,144</b>       | <b>3,144</b>               | <b>4,030,473</b>    |
| <b>Total Assets</b>                              | <b>\$ 5,338,592</b>                         | <b>\$ 278,057</b>  | <b>\$ 2,097,954</b>        | <b>\$ 7,714,603</b> |
| <b>Liabilities and Net Position:</b>             |   |                    |                            |                     |
| <b>Liabilities:</b>                              |   |                    |                            |                     |
| Current:   |   |                    |                            |                     |
| Accounts payable                                 | \$ 46,031                                   | \$ 274,913         | \$ 48,923                  | \$ 369,867          |
| <b>Total Current Liabilities</b>                 | <b>46,031</b>                               | <b>274,913</b>     | <b>48,923</b>              | <b>369,867</b>      |
| <b>Total Liabilities</b>                         | <b>46,031</b>                               | <b>274,913</b>     | <b>48,923</b>              | <b>369,867</b>      |
| <b>Net Position:</b>                             |   |                    |                            |                     |
| Net investment in capital assets                 | 4,016,324                                   | -                  | -                          | 4,016,324           |
| Unrestricted                                     | 1,276,237                                   | 3,144              | 2,049,031                  | 3,328,412           |
| <b>Total Net Position</b>                        | <b>5,292,561</b>                            | <b>3,144</b>       | <b>2,049,031</b>           | <b>7,344,736</b>    |
| <b>Total Liabilities and Net Position</b>        | <b>\$ 5,338,592</b>                         | <b>\$ 278,057</b>  | <b>\$ 2,097,954</b>        | <b>\$ 7,714,603</b> |

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
NON-MAJOR ENTERPRISE FUNDS  
YEAR ENDED JUNE 30, 2013

|  | <b>Business-Type Activities - Enterprise Funds</b> |                           |                                   |                     |
|--|--|---------------------------|-----------------------------------|---------------------|
|  | <u>Stormwater</u>                                  | <u>County Parking Lot</u> | <u>State Pier and Parking Lot</u> | <u>Totals</u>       |
| <b>Operating Revenues:</b>                     |  |                           |                                   |                     |
| Sales and service charges                      | \$ 345,821   | \$ 671,876                | \$ 529,085                        | \$ 1,546,782        |
| <b>Total Operating Revenues</b>                | <b>345,821</b>                                     | <b>671,876</b>            | <b>529,085</b>                    | <b>1,546,782</b>    |
| <b>Operating Expenses:</b>                     |  |                           |                                   |                     |
| Salaries                                       | 13,064   | 11,767                    | 11,767                            | 36,598              |
| Employee benefits                              | 7,742  | 6,268                     | 6,268                             | 20,278              |
| Contract and professional services             | 97,659   | 26,832                    | 264,504                           | 388,995             |
| Materials and services                         | 128,237  | 14,995                    | 164,083                           | 307,315             |
| Utilities                                      | 12,622   | 4,761                     | 45,306                            | 62,689              |
| Administrative service charges                 | -  | 37,800                    | 98,436                            | 136,236             |
| Leases and rents                               | -  | 369,531                   | -                                 | 369,531             |
| Depreciation expense                           | 143,590  | -                         | -                                 | 143,590             |
| <b>Total Operating Expenses</b>                | <b>402,914</b>                                     | <b>471,954</b>            | <b>590,364</b>                    | <b>1,465,232</b>    |
| Operating Income (Loss)                        | (57,093)   | 199,922                   | (61,279)                          | 81,550              |
| <b>Nonoperating Revenues (Expenses):</b>       |  |                           |                                   |                     |
| Interest revenue                               | 2,178  | -                         | 3,834                             | 6,012               |
| Grant revenue                                  | 500,000  | -                         | -                                 | 500,000             |
| <b>Total Nonoperating Revenues (Expenses):</b> | <b>502,178</b>                                     | <b>-</b>                  | <b>3,834</b>                      | <b>506,012</b>      |
| Income (Loss) Before Transfers                 | 445,085  | 199,922                   | (57,445)                          | 587,562             |
| Transfers out                                  | -  | (200,583)                 | -                                 | (200,583)           |
| Changes in Net Position                        | 445,085  | (661)                     | (57,445)                          | 386,979             |
| <b>Net Position:</b>                           |  |                           |                                   |                     |
| Beginning of Year                              | 4,847,476  | 3,805                     | 2,106,476                         | 6,957,757           |
| <b>End of Fiscal Year</b>                      | <b>\$ 5,292,561</b>                                | <b>\$ 3,144</b>           | <b>\$ 2,049,031</b>               | <b>\$ 7,344,736</b> |

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS  
NON-MAJOR ENTERPRISE FUNDS  
YEAR ENDED JUNE 30, 2013

|   | Business-Type Activities - Enterprise Funds |                   |                     |                     |
|---|---|-------------------|---------------------|---------------------|
|   |   | County            | State Pier          |                     |
|   | Stormwater                                  | Parking Lot       | and Parking Lot     | Totals              |
| <b>Cash Flows from Operating Activities:</b>  |   |                   |                     |                     |
| Cash received from customers and users  | \$ 300,654                                  | \$ 671,877        | \$ 529,084          | \$ 1,501,615        |
| Cash received from/(paid to) interfund service provided   | (26,387)                                    | (40,016)          | (129,540)           | (195,943)           |
| Cash paid to suppliers for goods and services   | (200,953)                                   | (360,011)         | (659,897)           | (1,220,861)         |
| Cash paid to employees for services   | (18,122)                                    | (16,989)          | (16,990)            | (52,101)            |
| <b>Net Cash Provided (Used) by Operating Activities</b>   | <b>55,192</b>                               | <b>254,861</b>    | <b>(277,343)</b>    | <b>32,710</b>       |
| <b>Cash Flows from Non-Capital Financing Activities:</b>  |   |                   |                     |                     |
| Cash transfers from (to) other funds  | -   | (200,583)         | -                   | (200,583)           |
| Grant subsidy   | 500,000                                     | -                 | -                   | 500,000             |
| <b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>                                       | <b>500,000</b>                              | <b>(200,583)</b>  | <b>-</b>            | <b>299,417</b>      |
| <b>Cash Flows from Capital and Related Financing Activities:</b>  |   |                   |                     |                     |
| Purchase of capital assets  | (660,134)                                   | -                 | -                   | (660,134)           |
| <b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>                               | <b>(660,134)</b>                            | <b>-</b>          | <b>-</b>            | <b>(660,134)</b>    |
| <b>Cash Flows from Investing Activities:</b>  |   |                   |                     |                     |
| Interest received   | 2,179                                       | -                 | 3,835               | 6,014               |
| <b>Net Cash Provided (Used) by Investing Activities</b>   | <b>2,179</b>                                | <b>-</b>          | <b>3,835</b>        | <b>6,014</b>        |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>   | <b>(102,763)</b>                            | <b>54,278</b>     | <b>(273,508)</b>    | <b>(321,993)</b>    |
| Cash and Cash Equivalents at the Beginning of the Year  | 1,356,042                                   | 220,635           | 2,368,318           | 3,944,995           |
| <b>Cash and Cash Equivalents at the End of the Year</b>   | <b>\$ 1,253,279</b>                         | <b>\$ 274,913</b> | <b>\$ 2,094,810</b> | <b>\$ 3,623,002</b> |
| <b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>            |   |                   |                     |                     |
| Operating Income (loss)   | \$ (57,093)                                 | \$ 199,922        | \$ (61,279)         | \$ 81,550           |
| <b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b> |   |                   |                     |                     |
| Depreciation  | 143,590                                     | -                 | -                   | 143,590             |
| (Increase) decrease in accounts receivable  | (45,168)                                    | -                 | -                   | (45,168)            |
| (Increase) decrease in prepaid other post employment benefits   | 1,652                                       | 661               | 661                 | 2,974               |
| (Increase) decrease in accounts payable   | 12,211                                      | 54,278            | (216,725)           | (150,236)           |
| <b>Total Adjustments</b>  | <b>112,285</b>                              | <b>54,939</b>     | <b>(216,064)</b>    | <b>(48,840)</b>     |
| <b>Net Cash Provided (Used) by Operating Activities</b>   | <b>\$ 55,192</b>                            | <b>\$ 254,861</b> | <b>\$ (277,343)</b> | <b>\$ 32,710</b>    |

**Non cash investing, capital, and financing activities:**

During the fiscal year ending June 30, 2013, there was no noncash investing, capital, or financial activities



**CITY OF MANHATTAN BEACH**

**JUNE 30, 2013**

**INTERNAL SERVICE FUNDS**

Internal Service Funds have been established to finance, administer and account for the provision of goods and services to all funds and all departments on a cost-reimbursement basis.

**Insurance Reserve Fund** is used to account for the City's self-insured workers' compensation and general liability programs. The fund collects premiums from departments based on claims history.

**Information Systems Fund** is used to account for the operation, maintenance and replacement of the City's Information Systems including the citywide network and related hardware and software. Revenues are generated from charges to departments based on the number of PCs in use.

**Fleet Management Fund** is used to account for the operation, maintenance and replacement of City vehicles. Revenues are generated from vehicle rental charges to departments based upon the number, type and age of vehicles utilized.

**Building Maintenance and Operations Fund** is used to account for the operation and maintenance of certain City facilities. Revenues are generated by charges to user departments based on the number of personnel in the department.

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF FUND NET POSITION  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2013

|  | Governmental Activities - Internal Service Funds |                     |                     |                                     | Totals               |
|--|--|---------------------|---------------------|-------------------------------------|----------------------|
|  | Insurance Reserve                                | Information Systems | Fleet Management    | Building Maintenance and Operations |                      |
| <b>Assets:</b>                                   |  |                     |                     |                                     |                      |
| Current:   |  |                     |                     |                                     |                      |
| Cash and investments                             | \$ 9,896,808                                     | \$ 390,058          | \$ 3,053,423        | \$ 38,698                           | \$ 13,378,987        |
| Due from other governments                       | -  | -                   | 10,000              | -                                   | 10,000               |
| Prepaid cost                                     | -  | -                   | 975                 | -                                   | 975                  |
| Inventories                                      | -  | -                   | -                   | 109,883                             | 109,883              |
| <b>Total Current Assets</b>                      | <b>9,896,808</b>                                 | <b>390,058</b>      | <b>3,064,398</b>    | <b>148,581</b>                      | <b>13,499,845</b>    |
| Noncurrent:                                      |  |                     |                     |                                     |                      |
| Prepaid other post-employment benefits           | 15,720   | 31,439              | 31,439              | 31,439                              | 110,037              |
| Capital assets - net of accumulated depreciation | -  | -                   | 4,342,773           | -                                   | 4,342,773            |
| <b>Total Noncurrent Assets</b>                   | <b>15,720</b>                                    | <b>31,439</b>       | <b>4,374,212</b>    | <b>31,439</b>                       | <b>4,452,810</b>     |
| <b>Total Assets</b>                              | <b>\$ 9,912,528</b>                              | <b>\$ 421,497</b>   | <b>\$ 7,438,610</b> | <b>\$ 180,020</b>                   | <b>\$ 17,952,655</b> |
| <b>Liabilities and Net Position:</b>             |  |                     |                     |                                     |                      |
| <b>Liabilities:</b>                              |  |                     |                     |                                     |                      |
| Current:   |  |                     |                     |                                     |                      |
| Accounts payable                                 | \$ 9,725   | \$ 39,843           | \$ 345,851          | \$ 82,176                           | \$ 477,595           |
| Lease Payable                                    | -  | -                   | 184,499             | -                                   | 184,499              |
| Worker's compensation claims                     | 4,995,269  | -                   | -                   | -                                   | 4,995,269            |
| Accrued claims and judgments                     | 731,935  | -                   | -                   | -                                   | 731,935              |
| <b>Total Current Liabilities</b>                 | <b>5,736,929</b>                                 | <b>39,843</b>       | <b>530,350</b>      | <b>82,176</b>                       | <b>6,389,298</b>     |
| Noncurrent:                                      |  |                     |                     |                                     |                      |
| Lease Payable                                    | -  | -                   | 719,342             | -                                   | 719,342              |
| Workers' compensation claims                     | 2,792,830  | -                   | -                   | -                                   | 2,792,830            |
| Accrued claims and judgments                     | 396,189  | -                   | -                   | -                                   | 396,189              |
| <b>Total Noncurrent Liabilities</b>              | <b>3,189,019</b>                                 | <b>-</b>            | <b>719,342</b>      | <b>-</b>                            | <b>3,908,361</b>     |
| <b>Total Liabilities</b>                         | <b>8,925,948</b>                                 | <b>39,843</b>       | <b>1,249,692</b>    | <b>82,176</b>                       | <b>10,297,659</b>    |
| <b>Net Position:</b>                             |  |                     |                     |                                     |                      |
| Net investment in capital assets                 | -  | -                   | 3,438,932           | -                                   | 3,438,932            |
| Unrestricted                                     | 986,580  | 381,654             | 2,749,986           | 97,844                              | 4,216,064            |
| <b>Total Net Position</b>                        | <b>986,580</b>                                   | <b>381,654</b>      | <b>6,188,918</b>    | <b>97,844</b>                       | <b>7,654,996</b>     |
| <b>Total Liabilities and Net Position</b>        | <b>\$ 9,912,528</b>                              | <b>\$ 421,497</b>   | <b>\$ 7,438,610</b> | <b>\$ 180,020</b>                   | <b>\$ 17,952,655</b> |



CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2013

|  | Governmental Activities - Internal Service Funds |                     |                     |                                     | Totals              |
|--|--|---------------------|---------------------|-------------------------------------|---------------------|
|  | Insurance Reserve                                | Information Systems | Fleet Management    | Building Maintenance and Operations |                     |
| <b>Operating Revenues:</b>                     |  |                     |                     |                                     |                     |
| Sales and service charges                      | \$ 4,600,819                                     | \$ 1,218,174        | \$ 2,512,740        | \$ 1,418,748                        | \$ 9,750,481        |
| Miscellaneous                                  | 38   | -                   | -                   | -                                   | 38                  |
| <b>Total Operating Revenues</b>                | <b>4,600,857</b>                                 | <b>1,218,174</b>    | <b>2,512,740</b>    | <b>1,418,748</b>                    | <b>9,750,519</b>    |
| <b>Operating Expenses:</b>                     |  |                     |                     |                                     |                     |
| Salaries                                       | 103,509  | 530,902             | 215,161             | 213,074                             | 1,062,646           |
| Employee benefits                              | 50,020   | 153,099             | 125,222             | 83,854                              | 412,195             |
| Contract and professional services             | 46,566   | 218,895             | 64,057              | 686,678                             | 1,016,196           |
| Materials and services                         | 403,229  | 364,869             | 611,744             | 385,637                             | 1,765,479           |
| Utilities                                      | 8,253  | 2,612               | -                   | 99,838                              | 110,703             |
| Claims expense                                 | 3,770,133  | -                   | -                   | -                                   | 3,770,133           |
| Depreciation expense                           | -  | -                   | 519,906             | -                                   | 519,906             |
| <b>Total Operating Expenses</b>                | <b>4,381,710</b>                                 | <b>1,270,377</b>    | <b>1,536,090</b>    | <b>1,469,081</b>                    | <b>8,657,258</b>    |
| Operating Income (Loss)                        | 219,147  | (52,203)            | 976,650             | (50,333)                            | 1,093,261           |
| <b>Nonoperating Revenues (Expenses):</b>       |  |                     |                     |                                     |                     |
| Gain (loss) on disposal of capital assets      | -  | -                   | (7,963)             | -                                   | (7,963)             |
| Interest expense                               | -  | -                   | (3,586)             | -                                   | (3,586)             |
| Grant revenue                                  | -  | -                   | 10,000              | -                                   | 10,000              |
| <b>Total Nonoperating Revenues (Expenses):</b> | <b>-</b>   | <b>-</b>            | <b>(1,549)</b>      | <b>-</b>                            | <b>(1,549)</b>      |
| Changes in Net Position                        | 219,147  | (52,203)            | 975,101             | (50,333)                            | 1,091,712           |
| <b>Net Position:</b>                           |  |                     |                     |                                     |                     |
| Beginning of Year                              | 767,433  | 433,857             | 5,213,817           | 148,177                             | 6,563,284           |
| <b>End of Fiscal Year</b>                      | <b>\$ 986,580</b>                                | <b>\$ 381,654</b>   | <b>\$ 6,188,918</b> | <b>\$ 97,844</b>                    | <b>\$ 7,654,996</b> |

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2013

|   | Governmental Activities - Internal Service Funds |                     |                     |                                     | Totals               |
|---|--|---------------------|---------------------|-------------------------------------|----------------------|
|   | Insurance Reserve                                | Information Systems | Fleet Management    | Building Maintenance and Operations |                      |
| <b>Cash Flows from Operating Activities:</b>  |  |                     |                     |                                     |                      |
| Cash received from customers and users  | \$ 64,908  | \$ -                | \$ 47,990           | \$ -                                | \$ 112,898           |
| Cash received from/(paid to) interfund service provided   | 3,777,440  | 1,151,912           | 2,310,536           | 1,241,492                           | 8,481,380            |
| Cash paid to suppliers for goods and services   | (4,260,960)                                      | (515,035)           | (275,117)           | (1,022,035)                         | (6,073,147)          |
| Cash paid to employees for services   | (148,209)  | (673,637)           | (292,351)           | (285,436)                           | (1,399,633)          |
| <b>Net Cash Provided (Used) by Operating Activities</b>   | <b>(566,821)</b>                                 | <b>(36,760)</b>     | <b>1,791,058</b>    | <b>(65,979)</b>                     | <b>1,121,498</b>     |
| <b>Cash Flows from Non-Capital Financing Activities:</b>  |  |                     |                     |                                     |                      |
| Grant subsidy   | -  | -                   | 10,000              | -                                   | 10,000               |
| <b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>                                       | <b>-</b>   | <b>-</b>            | <b>10,000</b>       | <b>-</b>                            | <b>10,000</b>        |
| <b>Cash Flows from Capital and Related Financing Activities:</b>  |  |                     |                     |                                     |                      |
| Purchase of capital assets  | -  | -                   | (1,861,965)         | -                                   | (1,861,965)          |
| Principal paid on capital debt  | -  | -                   | (45,672)            | -                                   | (45,672)             |
| Interest paid on capital debt   | -  | -                   | (3,586)             | -                                   | (3,586)              |
| <b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>                               | <b>-</b>   | <b>-</b>            | <b>(1,911,223)</b>  | <b>-</b>                            | <b>(1,911,223)</b>   |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>   | <b>(566,821)</b>                                 | <b>(36,760)</b>     | <b>(110,165)</b>    | <b>(65,979)</b>                     | <b>(779,725)</b>     |
| Cash and Cash Equivalents at the Beginning of the Year  | 10,463,629                                       | 426,818             | 3,163,588           | 104,677                             | 14,158,712           |
| <b>Cash and Cash Equivalents at the End of the Year</b>   | <b>\$ 9,896,808</b>                              | <b>\$ 390,058</b>   | <b>\$ 3,053,423</b> | <b>\$ 38,698</b>                    | <b>\$ 13,378,987</b> |
| <b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>            |  |                     |                     |                                     |                      |
| Operating Income (loss)   | \$ 219,147                                       | \$ (52,203)         | \$ 976,650          | \$ (50,333)                         | \$ 1,093,261         |
| <b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b> |  |                     |                     |                                     |                      |
| Depreciation  | -  | -                   | 519,906             | -                                   | 519,906              |
| (Increase) decrease in due from other governments   | -  | -                   | (10,000)            | -                                   | (10,000)             |
| (Increase) decrease in prepaid expense  | -  | 2,300               | 28,280              | -                                   | 30,580               |
| (Increase) decrease in inventory  | -  | -                   | -                   | 247                                 | 247                  |
| (Increase) decrease in prepaid post employment benefits   | 3,304  | 6,608               | 6,608               | 6608                                | 23,128               |
| (Increase) decrease in accounts payable   | (807)  | 6,535               | 269,614             | (22,501)                            | 252,841              |
| (Increase) decrease in claims payable   | (788,465)  | -                   | -                   | -                                   | (788,465)            |
| <b>Total Adjustments</b>  | <b>(785,968)</b>                                 | <b>15,443</b>       | <b>814,408</b>      | <b>(15,646)</b>                     | <b>28,237</b>        |
| <b>Net Cash Provided (Used) by Operating Activities</b>   | <b>\$ (566,821)</b>                              | <b>\$ (36,760)</b>  | <b>\$ 1,791,058</b> | <b>\$ (65,979)</b>                  | <b>\$ 1,121,498</b>  |
| <b>Non cash investing, capital, and financing activities:</b>   |  |                     |                     |                                     |                      |
| Capital lease purchase of fire truck and sewer truck  | \$ -   | \$ -                | \$ 949,513          | \$ -                                | \$ 949,513           |

**CITY OF MANHATTAN BEACH**

**JUNE 30, 2013**

**AGENCY FUNDS**

Agency funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments.

**Special Assessment Redemption Fund** is used to account for special assessment collections for debt service for the underground assessment bonds that the City remits to the fiscal agent.

**Special Deposits Fund** is used to account for 401(a) plan deposits, utility development deposits, art development fees and other miscellaneous deposits.

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2013

|  | Special<br>Assessment<br>Redemption | Special<br>Deposits | Totals              |
|--|-------------------------------------|---------------------|---------------------|
| <b>Assets:</b>                         |                                     |                     |                     |
| Pooled cash and investments            | \$ 807,288                          | \$ 473,489          | \$ 1,280,777        |
| Receivables:                           |                                     |                     |                     |
| Accounts                               | 18,916                              | -                   | 18,916              |
| Restricted assets                      |                                     |                     |                     |
| Cash and investments with fiscal agent | 968,763                             | 2,252,713           | 3,221,476           |
| <b>Total Assets</b>                    | <b>\$ 1,794,967</b>                 | <b>\$ 2,726,202</b> | <b>\$ 4,521,169</b> |
| <b>Liabilities:</b>                    |                                     |                     |                     |
| Accounts payable                       | -                                   | \$ 13,657           | \$ 13,657           |
| 401(a) plan deposits                   | -                                   | 2,249,203           | 2,249,203           |
| Other Deposits                         | -                                   | 49,185              | 49,185              |
| Art development fees                   | -                                   | 414,157             | 414,157             |
| Due Bond Holders                       | 1,794,967                           | -                   | 1,794,967           |
| <b>Total Liabilities</b>               | <b>\$ 1,794,967</b>                 | <b>\$ 2,726,202</b> | <b>\$ 4,521,169</b> |

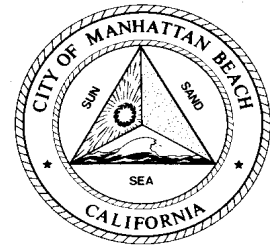
CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CHANGES IN POSITION AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2013

|   | Balance<br>7/1/2012 | Additions           | Deductions          | Balance<br>7/1/2013 |
|---|---------------------|---------------------|---------------------|---------------------|
| <b><u>Special Assessment Redemption</u></b> |                     |                     |                     |                     |
| <b>Assets:</b>                              |                     |                     |                     |                     |
| Pooled cash and investments                 | \$ 732,171          | \$ 1,037,149        | \$ 962,032          | \$ 807,288          |
| Receivables                                 |                     |                     |                     |                     |
| Accounts                                    | 50,892              | 18,916              | 50,892              | 18,916              |
| Restricted assets                           |                     |                     |                     |                     |
| Cash and investments with fiscal agents     | 968,763             | 954,113             | 954,113             | 968,763             |
| <b>Total Assets</b>                         | <b>\$ 1,751,826</b> | <b>\$ 2,010,178</b> | <b>\$ 1,967,037</b> | <b>\$ 1,794,967</b> |
| <b>Liabilities:</b>                         |                     |                     |                     |                     |
| Due to bondholders                          | \$ 1,751,826        | \$ 2,010,178        | \$ 1,967,037        | \$ 1,794,967        |
| <b>Total Liabilities</b>                    | <b>\$ 1,751,826</b> | <b>\$ 2,010,178</b> | <b>\$ 1,967,037</b> | <b>\$ 1,794,967</b> |
| <b><u>Special Deposits</u></b>              |                     |                     |                     |                     |
| <b>Assets:</b>                              |                     |                     |                     |                     |
| Pooled cash and investments                 | \$ 468,798          | \$ 256,734          | \$ 252,043          | \$ 473,489          |
| Restricted assets                           |                     |                     |                     |                     |
| Cash and investments with fiscal agents     | 2,049,911           | 203,480             | 678                 | 2,252,713           |
| <b>Total Assets</b>                         | <b>\$ 2,518,709</b> | <b>\$ 460,214</b>   | <b>\$ 252,721</b>   | <b>\$ 2,726,202</b> |
| <b>Liabilities:</b>                         |                     |                     |                     |                     |
| Accounts payable                            | \$ 11,637           | \$ 35,157           | \$ 33,137           | \$ 13,657           |
| 401(a) plan deposits                        | 2,045,723           | 203,480             | -                   | 2,249,203           |
| Other deposits                              | 66,552              | 202,217             | 219,584             | 49,185              |
| Art Development Fees                        | 394,797             | 54,517              | 35,157              | 414,157             |
| <b>Total Liabilities</b>                    | <b>\$ 2,518,709</b> | <b>\$ 495,371</b>   | <b>\$ 287,878</b>   | <b>\$ 2,726,202</b> |
| <b><u>Totals - All Agency Funds</u></b>     |                     |                     |                     |                     |
| <b>Assets:</b>                              |                     |                     |                     |                     |
| Pooled cash and investments                 | \$ 1,200,969        | \$ 1,293,883        | \$ 1,214,075        | \$ 1,280,777        |
| Receivables                                 |                     |                     |                     |                     |
| Accounts                                    | 50,892              | 18,916              | 50,892              | 18,916              |
| Restricted assets                           |                     |                     |                     |                     |
| Cash and investments with fiscal agents     | 3,018,674           | 1,157,593           | 954,791             | 3,221,476           |
| <b>Total Assets</b>                         | <b>\$ 4,270,535</b> | <b>\$ 2,470,392</b> | <b>\$ 2,219,758</b> | <b>\$ 4,521,169</b> |
| <b>Liabilities:</b>                         |                     |                     |                     |                     |
| Accounts payable                            | \$ 11,637           | \$ 35,157           | \$ 33,137           | \$ 13,657           |
| 401(a) plan deposits                        | 2,045,723           | 203,480             | -                   | 2,249,203           |
| Other deposits                              | 66,552              | 202,217             | 219,584             | 49,185              |
| Art Development Fees                        | 394,797             | 54,517              | 35,157              | 414,157             |
| Due to bondholders                          | 1,751,826           | 2,010,178           | 1,967,037           | 1,794,967           |
| <b>Total Liabilities</b>                    | <b>\$ 4,270,535</b> | <b>\$ 2,505,549</b> | <b>\$ 2,254,915</b> | <b>\$ 4,521,169</b> |



**This Page Left Blank Intentionally**



# **Statistical Section**





## Statistical Section (Unaudited)

*This part of the City's Statistical 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

### Exhibits

#### **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.*

**A-2 to A-5**

#### **Revenue Capacity**

*These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.*

**A-6 to A-14**

#### **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.*

**A-15 to A-18**

#### **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 and to help make comparisons over time and with other governments.*

**A-19 to A-21**

#### **Operating & Other Information**

*These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.*

**A-22 to A-25**

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented Statement 34 in FY2002-2003; schedules presenting government-wide information include information beginning in that year. Where ever possible and practical the City provided historical data as far back as ten years.*



**This Page Left Blank Intentionally**

## **Statistical Section**

### **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.*

**City of Manhattan Beach**  
**Net Position by Component,**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

|   | Fiscal Year Ending    |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | <u>2004</u>           | <u>2005</u>           | <u>2006</u>           | <u>2007</u>           | <u>2008</u>           |
| Governmental activities                     |                       |                       |                       |                       |                       |
| Net investment in capital assets            | \$ 66,438,114         | \$ 70,373,993         | \$ 87,848,227         | \$ 93,644,407         | \$ 94,464,084         |
| Restricted:                                 |                       |                       |                       |                       |                       |
| Debt Service & Restricted Cash              | 1,721,635             | 19,119,420            | 10,676,274            | 2,801,554             | 3,255,752             |
| Special Revenue Funds                       | 6,007,476             | 5,493,705             | 5,659,610             | 5,209,486             | 5,291,992             |
| Unrestricted                                | <u>43,126,116</u>     | <u>26,283,278</u>     | <u>24,859,010</u>     | <u>28,892,839</u>     | <u>28,048,237</u>     |
| Total governmental activities net position  | <u>\$ 117,293,341</u> | <u>\$ 121,270,396</u> | <u>\$ 129,043,121</u> | <u>\$ 130,548,286</u> | <u>\$ 131,060,065</u> |
| Business-type activities                    |                       |                       |                       |                       |                       |
| Net investment in capital assets            | \$ 17,103,437         | \$ 17,903,955         | \$ 21,672,031         | \$ 23,447,692         | 24,736,571            |
| Restricted:                                 |                       |                       |                       |                       |                       |
| Business Improvement district               | 396,198               | 427,607               | 461,754               | 536,856               | 555,569               |
| Debt Service & Restricted Cash              | 3,922,930             | 3,648,074             | 1,400,471             | 1,210,265             | 1,210,061             |
| Unrestricted                                | <u>14,230,043</u>     | <u>14,842,196</u>     | <u>14,888,040</u>     | <u>14,310,331</u>     | <u>13,556,500</u>     |
| Total business-type activities net position | <u>\$ 35,652,608</u>  | <u>\$ 36,821,832</u>  | <u>\$ 38,422,296</u>  | <u>\$ 39,505,144</u>  | <u>\$ 40,058,701</u>  |
| Primary government                          |                       |                       |                       |                       |                       |
| Net investment in capital assets            | \$ 83,541,551         | \$ 88,277,948         | \$ 109,520,258        | \$ 117,092,099        | \$ 119,200,655        |
| Restricted:                                 |                       |                       |                       |                       |                       |
| Business Improvement district               | 396,198               | 427,607               | 461,754               | 536,856               | 555,569               |
| Debt Service & Restricted Cash              | 5,644,565             | 22,767,494            | 12,076,745            | 4,011,819             | 4,465,813             |
| Special Revenue Funds                       | 6,007,476             | 5,493,705             | 5,659,610             | 5,209,486             | 5,291,992             |
| Unrestricted                                | <u>57,356,159</u>     | <u>41,125,474</u>     | <u>39,747,050</u>     | <u>43,203,170</u>     | <u>41,604,737</u>     |
| Total primary government net position       | <u>\$ 152,945,949</u> | <u>\$ 158,092,228</u> | <u>\$ 167,465,417</u> | <u>\$ 170,053,430</u> | <u>\$ 171,118,766</u> |

| Fiscal Year Ending    |                       |                       |                       |                       |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <u>2009</u>           | <u>2010</u>           | <u>2011</u>           | <u>2012</u>           | <u>2013</u>           |
| \$ 95,603,960         | \$ 94,713,693         | \$ 93,795,303         | \$ 93,795,301         | \$ 98,930,447         |
| 2,062,149             | 1,960,662             | 1,999,346             | 2,062,187             | 1,130,434             |
| 6,003,666             | 6,651,292             | 7,479,933             | 9,122,955             | 9,065,922             |
| <u>27,972,613</u>     | <u>29,916,356</u>     | <u>31,513,669</u>     | <u>29,224,129</u>     | <u>31,058,162</u>     |
| <u>\$ 131,642,388</u> | <u>\$ 133,242,003</u> | <u>\$ 134,788,251</u> | <u>\$ 134,204,572</u> | <u>\$ 140,184,965</u> |
| 24,967,604            | 25,485,791            | 27,111,091            | 28,293,829            | 33,902,701            |
| 598,329               | 508,617               | 517,072               | 523,928               | 520,514               |
| 1,213,448             | 1,221,763             | 1,208,833             | 1,210,125             | -                     |
| <u>12,660,558</u>     | <u>12,384,155</u>     | <u>13,385,526</u>     | <u>17,942,198</u>     | <u>21,754,310</u>     |
| <u>\$ 39,439,939</u>  | <u>\$ 39,600,326</u>  | <u>\$ 42,222,522</u>  | <u>\$ 47,970,080</u>  | <u>\$ 56,177,525</u>  |
| \$ 120,571,564        | \$ 120,199,484        | \$ 120,906,394        | \$ 122,089,130        | \$ 132,833,148        |
| 598,329               | 508,617               | 517,072               | 523,928               | 520,514               |
| 3,275,597             | 3,182,425             | 3,208,179             | 3,272,312             | 1,130,434             |
| 6,003,666             | 6,651,292             | 7,479,933             | 9,122,955             | 9,065,922             |
| <u>40,633,171</u>     | <u>42,300,511</u>     | <u>44,899,195</u>     | <u>47,166,327</u>     | <u>52,812,472</u>     |
| <u>\$ 171,082,327</u> | <u>\$ 172,842,329</u> | <u>\$ 177,010,773</u> | <u>\$ 182,174,652</u> | <u>\$ 196,362,490</u> |

**City of Manhattan Beach**  
**Change in Net Position**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

|   | Fiscal Year Ending   |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | <u>2004</u>          | <u>2005</u>          | <u>2006</u>          | <u>2007</u>          | <u>2008</u>          |
| <b>Expenses</b>                                 |                      |                      |                      |                      |                      |
| Governmental activities:                        |                      |                      |                      |                      |                      |
| General government                              | \$ 6,843,576         | \$ 7,814,392         | \$ 7,070,028         | \$ 9,057,584         | \$ 9,090,991         |
| Public Safety                                   | 19,786,367           | 23,756,438           | 24,270,798           | 27,134,132           | 31,752,170           |
| Culture and recreation                          | 4,300,710            | 4,772,150            | 4,724,704            | 5,593,739            | 6,031,938            |
| Public Works                                    | 6,596,160            | 10,355,400           | 10,380,032           | 19,721,241           | 8,675,214            |
| Interest on long-term debt                      | 137,993              | 574,108              | 875,519              | 990,298              | 1,178,065            |
| Total governmental activities expenses          | <u>37,664,806</u>    | <u>47,272,488</u>    | <u>47,321,081</u>    | <u>62,496,994</u>    | <u>56,728,378</u>    |
| Business-type activities:                       |                      |                      |                      |                      |                      |
| Water   | 6,109,964            | 6,516,122            | 6,535,885            | 7,303,547            | 7,500,615            |
| Stormwater                                      | 244,160              | 1,071,557            | 271,364              | 322,566              | 418,088              |
| Wastewater                                      | 993,326              | 338,986              | 1,143,541            | 1,268,737            | 1,279,325            |
| Refuse  | 3,147,820            | 3,430,815            | 3,692,611            | 3,858,401            | 3,888,615            |
| Parking   | 1,442,174            | 1,476,255            | 1,623,963            | 1,973,300            | 2,392,802            |
| Total business-type activities expenses         | <u>11,937,444</u>    | <u>12,833,735</u>    | <u>13,267,364</u>    | <u>14,726,551</u>    | <u>15,479,445</u>    |
| Total primary government expenses               | <u>\$ 49,602,250</u> | <u>\$ 60,106,223</u> | <u>\$ 60,588,445</u> | <u>\$ 77,223,545</u> | <u>\$ 72,207,823</u> |
| <b>Program Revenues</b>                         |                      |                      |                      |                      |                      |
| Governmental activities:                        |                      |                      |                      |                      |                      |
| Charges for services:                           |                      |                      |                      |                      |                      |
| General Government                              | \$ 5,218,843         | \$ 5,311,693         | \$ 5,425,563         | \$ 4,535,955         | \$ 4,265,277         |
| Public Safety                                   | 2,959,681            | 2,877,951            | 2,925,278            | 3,433,570            | 4,206,318            |
| Parks and recreation                            | 1,726,610            | 1,945,432            | 1,965,118            | 2,261,707            | 2,336,374            |
| Public works                                    | 1,142,592            | 1,277,149            | 1,168,167            | 2,673,037            | 2,683,443            |
| Operating grants and contributions              | 2,110,230            | 2,571,735            | 2,767,865            | 1,933,403            | 2,250,606            |
| Capital grants and contributions                | 2,449,473            | 4,795,086            | 5,598,244            | 10,923,007           | 679,865              |
| Total governmental activities program revenues  | <u>15,607,429</u>    | <u>18,779,046</u>    | <u>19,850,235</u>    | <u>25,760,679</u>    | <u>16,421,883</u>    |
| Business-type activities:                       |                      |                      |                      |                      |                      |
| Charges for services:                           |                      |                      |                      |                      |                      |
| Water   | 6,847,731            | 6,776,437            | 6,976,473            | 7,227,008            | 6,860,563            |
| Stormwater                                      | 377,119              | 346,906              | 345,327              | 353,929              | 338,208              |
| Wastewater                                      | 1,008,980            | 1,325,721            | 1,310,622            | 1,333,639            | 1,275,553            |
| Refuse  | 3,224,821            | 3,531,951            | 3,684,121            | 3,866,381            | 3,816,699            |
| Parking   | 1,672,173            | 1,672,347            | 1,781,333            | 2,108,255            | 2,066,617            |
| Operating grants and contributions              | 11,230               | 20,088               | 19,758               | 10,861               | 90,853               |
| Capital grants and contributions                | 198,959              | 21,807               | -                    | -                    | 900,000              |
| Total business-type activities program revenues | <u>13,341,013</u>    | <u>13,695,257</u>    | <u>14,117,634</u>    | <u>14,900,073</u>    | <u>15,348,493</u>    |
| Total primary government program revenues       | <u>\$ 28,948,442</u> | <u>\$ 32,474,303</u> | <u>\$ 33,967,869</u> | <u>\$ 40,660,752</u> | <u>\$ 31,770,376</u> |

Exhibit A-3

| Fiscal Year Ending |               |               |               |               |
|--------------------|---------------|---------------|---------------|---------------|
| <u>2009</u>        | <u>2010</u>   | <u>2011</u>   | <u>2012</u>   | <u>2013</u>   |
| \$ 9,528,102       | \$ 10,308,925 | \$ 9,464,347  | \$ 9,489,937  | \$ 8,659,381  |
| 29,889,347         | 28,879,836    | 30,686,086    | 32,190,597    | 33,374,733    |
| 5,811,982          | 5,853,076     | 6,018,205     | 5,761,135     | 5,798,599     |
| 8,460,078          | 7,906,172     | 8,338,105     | 8,369,506     | 8,044,071     |
| 954,861            | 811,710       | 769,374       | 820,494       | 791,358       |
| 54,644,370         | 53,759,719    | 55,276,117    | 56,631,669    | 56,668,142    |
| 7,844,741          | 8,214,250     | 8,326,398     | 8,523,452     | 8,857,744     |
| 550,234            | 374,513       | 410,188       | 752,257       | 402,914       |
| 1,938,298          | 1,685,881     | 1,692,812     | 1,740,453     | 2,024,852     |
| 4,212,176          | 4,282,026     | 4,386,842     | 4,205,443     | 4,167,310     |
| 2,082,830          | 2,190,580     | 2,352,386     | 2,888,269     | 3,385,556     |
| 16,628,279         | 16,747,250    | 17,168,626    | 18,109,874    | 18,838,376    |
| \$ 71,272,649      | \$ 70,506,969 | \$ 72,444,743 | \$ 74,741,543 | \$ 75,506,518 |
| \$ 3,881,178       | \$ 4,085,381  | \$ 3,883,959  | \$ 4,223,405  | \$ 4,535,499  |
| 4,299,002          | 4,576,210     | 4,765,404     | 4,783,038     | 5,172,443     |
| 2,449,945          | 2,577,883     | 3,029,554     | 2,805,841     | 2,470,359     |
| 2,492,418          | 2,512,225     | 3,440,572     | 4,134,599     | 3,792,239     |
| 2,078,062          | 2,224,949     | 1,322,867     | 1,183,103     | 1,847,316     |
| 1,105,439          | 1,399,366     | 1,504,759     | 2,554,310     | 2,032,724     |
| 16,306,044         | 17,376,014    | 17,947,115    | 19,684,296    | 19,850,580    |
| 7,380,055          | 7,887,900     | 9,557,717     | 12,578,908    | 14,916,283    |
| 347,162            | 360,926       | 347,602       | 352,860       | 345,821       |
| 1,317,713          | 1,820,756     | 2,620,669     | 3,087,150     | 3,406,077     |
| 4,082,292          | 4,110,342     | 4,189,639     | 4,363,739     | 4,426,190     |
| 2,094,179          | 2,544,834     | 3,008,206     | 3,396,749     | 3,506,309     |
| 458,769            | -             | 19,638        | 33,209        | 69,937        |
| -                  | 57,398        | -             | -             | 500,000       |
| 15,680,170         | 16,782,156    | 19,743,471    | 23,812,615    | 27,170,617    |
| \$ 31,986,214      | \$ 34,158,170 | \$ 37,690,586 | \$ 43,496,911 | \$ 47,021,197 |

**City of Manhattan Beach**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

|   | Fiscal Year Ending     |                        |                        |                        |                        |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|
|   | <u>2004</u>            | <u>2005</u>            | <u>2006</u>            | <u>2007</u>            | <u>2008</u>            |
| <b>Net (Expense)/Revenue</b>              |                        |                        |                        |                        |                        |
| Governmental activities                   | \$ (22,057,377)        | \$ (28,493,442)        | \$ (27,470,846)        | \$ (36,736,315)        | \$ (40,306,495)        |
| Business-type activities                  | 1,403,569              | 861,522                | 850,270                | 173,522                | (130,952)              |
| Total primary government net expense      | <u>\$ (20,653,808)</u> | <u>\$ (27,631,920)</u> | <u>\$ (26,620,576)</u> | <u>\$ (36,562,793)</u> | <u>\$ (40,437,447)</u> |
| <b>General Revenues and Other Changes</b> |                        |                        |                        |                        |                        |
| Governmental activities:                  |                        |                        |                        |                        |                        |
| Taxes                                     |                        |                        |                        |                        |                        |
| Property taxes                            | \$ 11,223,986          | \$ 11,793,140          | \$ 15,666,320          | \$ 14,748,616          | \$ 18,567,451          |
| Sales taxes                               | 7,262,693              | 7,903,191              | 8,072,906              | 8,104,778              | 8,230,387              |
| Transient occupancy tax                   | 2,183,162              | 2,449,326              | 3,186,359              | 3,665,741              | 3,995,411              |
| Motor vehicle in lieu tax                 | 1,634,713              | 2,472,372              | 835,709                | 2,753,900              | 157,143                |
| Business license tax                      | 2,134,588              | 2,316,232              | 2,501,180              | 2,464,239              | 2,747,098              |
| Franchise taxes                           | 929,251                | 903,490                | 1,149,740              | 1,200,503              | 1,168,383              |
| Other taxes                               | 1,009,327              | 1,003,916              | 1,001,386              | 788,348                | 439,104                |
| Rental income                             | 1,646,647              | 1,625,068              | 1,788,242              | 2,260,408              | 2,201,037              |
| Investment earnings                       | 667,020                | 707,298                | 835,352                | 2,075,875              | 2,088,549              |
| Other                                     | 265,007                | 327,376                | 410,374                | -                      | 1,254,482              |
| Transfers                                 | 75,000                 | 143,000                | (204,000)              | 26,000                 | (30,771)               |
| Total governmental activities             | <u>29,031,394</u>      | <u>31,644,409</u>      | <u>35,243,568</u>      | <u>38,088,408</u>      | <u>40,818,274</u>      |
| Business-type activities:                 |                        |                        |                        |                        |                        |
| Investment earnings                       | 302,082                | 450,702                | 546,197                | 935,323                | 874,003                |
| Transfers                                 | (75,000)               | (143,000)              | 204,000                | (26,000)               | 30,771                 |
| Other                                     | -                      | -                      | -                      | -                      | -                      |
| Total business-type activities            | <u>227,082</u>         | <u>307,702</u>         | <u>750,197</u>         | <u>909,323</u>         | <u>904,774</u>         |
| Total primary government                  | <u>\$ 29,258,476</u>   | <u>\$ 31,952,111</u>   | <u>\$ 35,993,765</u>   | <u>\$ 38,997,731</u>   | <u>\$ 41,723,048</u>   |
| <b>Change in Net Position</b>             |                        |                        |                        |                        |                        |
| Governmental activities                   | \$ 6,974,017           | \$ 3,150,967           | \$ 7,772,722           | \$ 1,352,093           | \$ 511,779             |
| Business-type activities                  | 1,630,651              | 1,169,224              | 1,600,467              | 1,082,845              | 773,822                |
| Total primary government                  | <u>\$ 8,604,668</u>    | <u>\$ 4,320,191</u>    | <u>\$ 9,373,189</u>    | <u>\$ 2,434,938</u>    | <u>\$ 1,285,601</u>    |

Source: City of Manhattan Beach Finance Department Historical CAFRs



Exhibit A-3  
Continued

| Fiscal Year Ending     |                        |                        |                        |                        |
|------------------------|------------------------|------------------------|------------------------|------------------------|
| 2009                   | 2010                   | 2011                   | 2012                   | 2013                   |
| \$ (38,338,326)        | \$ (36,383,705)        | \$ (37,329,002)        | \$ (36,947,373)        | \$ (36,817,562)        |
| (948,109)              | 34,906                 | 2,574,845              | 5,702,741              | 8,332,241              |
| <u>\$ (39,286,435)</u> | <u>\$ (36,348,799)</u> | <u>\$ (34,754,157)</u> | <u>\$ (31,244,632)</u> | <u>\$ (28,485,321)</u> |
|                        |                        |                        |                        |                        |
| \$ 19,930,492          | \$ 20,006,558          | \$ 19,791,425          | \$ 20,408,314          | \$ 21,626,173          |
| 7,436,912              | 7,646,109              | 8,148,688              | 8,788,599              | 9,103,160              |
| 3,507,775              | 3,174,319              | 3,229,823              | 3,240,364              | 3,881,174              |
| 105,883                | 108,815                | 118,296                | 95,915                 | 18,887                 |
| 2,767,070              | 2,783,641              | 2,844,066              | 3,018,177              | 3,124,644              |
| 1,185,406              | 1,220,171              | 1,289,443              | 1,335,815              | 1,471,197              |
| 325,001                | 356,367                | 473,275                | 521,274                | 587,399                |
| 2,021,352              | 1,925,895              | 2,029,355              | 2,087,648              | 2,406,174              |
| 1,385,481              | 476,463                | 696,066                | 603,334                | 226,951                |
| 145,047                | 150,229                | 148,451                | 151,219                | 151,613                |
| 110,230                | 134,753                | 106,362                | 99,884                 | 200,583                |
| <u>38,920,649</u>      | <u>37,983,320</u>      | <u>38,875,250</u>      | <u>40,350,543</u>      | <u>42,797,955</u>      |
| 439,576                | 260,234                | 153,713                | 144,701                | 56,266                 |
| (110,230)              | (134,753)              | (106,362)              | (99,884)               | (200,583)              |
| -                      | -                      | -                      | -                      | 19,521                 |
| <u>329,346</u>         | <u>125,481</u>         | <u>47,351</u>          | <u>44,817</u>          | <u>(124,796)</u>       |
| <u>\$ 39,249,995</u>   | <u>\$ 38,108,801</u>   | <u>\$ 38,922,601</u>   | <u>\$ 40,395,360</u>   | <u>\$ 42,673,159</u>   |
|                        |                        |                        |                        |                        |
| \$ 582,323             | \$ 1,599,615           | \$ 1,546,248           | \$ 3,403,170           | \$ 5,980,393           |
| (618,763)              | 160,387                | 2,622,196              | 5,747,558              | 8,207,445              |
| <u>\$ (36,440)</u>     | <u>\$ 1,760,002</u>    | <u>\$ 4,168,444</u>    | <u>\$ 9,150,728</u>    | <u>\$ 14,187,838</u>   |

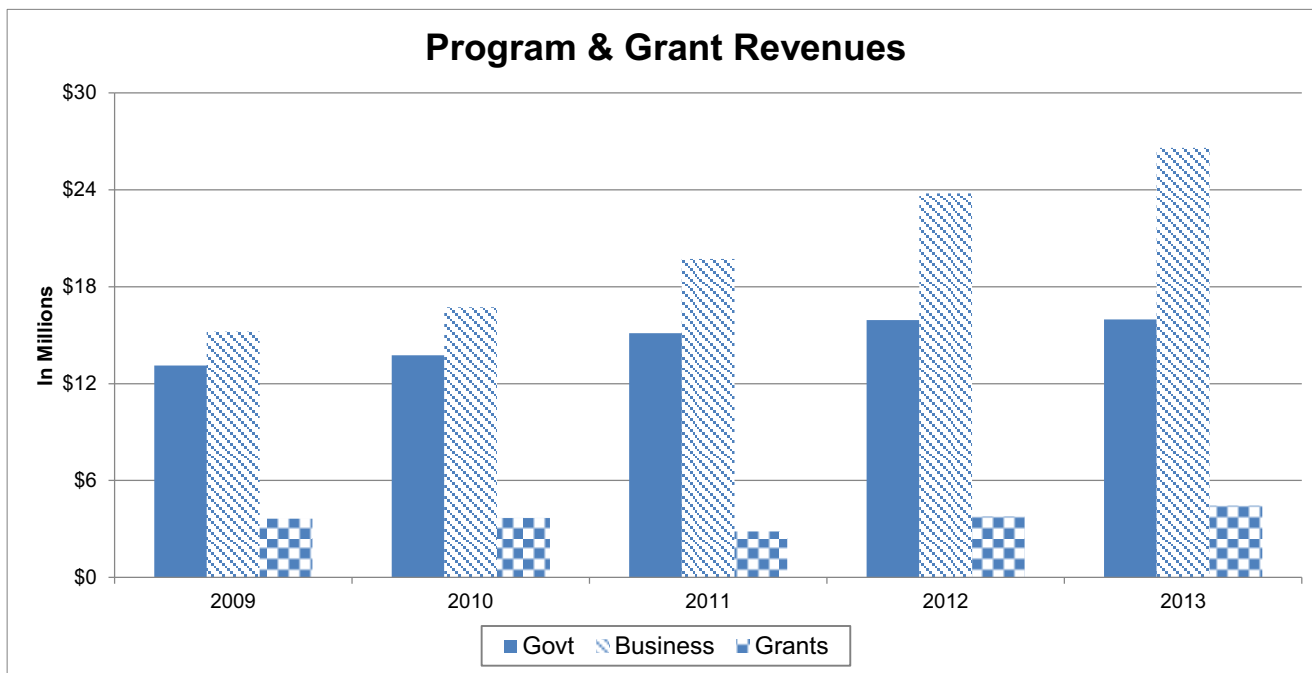
Source: City of Manhattan Beach Finance Department Historical CAFRs



**City of Manhattan Beach**  
**Program Revenues by Function/Program,**  
**Last Five Fiscal Years**  
*(accrual basis of accounting)*

Exhibit A-4

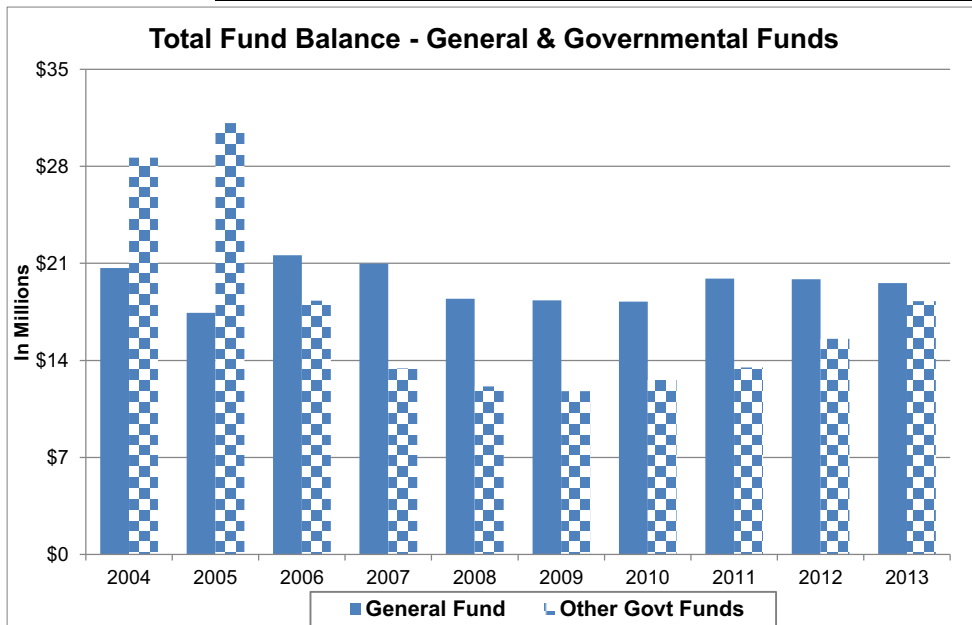
|  | Fiscal Year          |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | <u>2009</u>          | <u>2010</u>          | <u>2011</u>          | <u>2012</u>          | <u>2013</u>          |
| <b>Program Revenues</b>                                |                      |                      |                      |                      |                      |
| Governmental activities:                               |                      |                      |                      |                      |                      |
| Charges for services:                                  |                      |                      |                      |                      |                      |
| General Government                                     | \$ 3,881,178         | \$ 4,085,381         | \$ 3,883,959         | \$ 4,223,405         | \$ 4,535,499         |
| Public Safety  | 4,299,002            | 4,576,210            | 4,765,404            | 4,783,038            | 5,172,443            |
| Culture and recreation                                 | 2,449,945            | 2,577,883            | 3,029,554            | 2,805,841            | 2,470,359            |
| Public works   | 2,492,418            | 2,512,225            | 3,440,572            | 4,134,599            | 3,792,239            |
| Operating grants and contributions                     | 2,078,062            | 2,224,949            | 1,322,867            | 1,183,103            | 1,847,316            |
| Capital grants and contributions                       | 1,105,439            | 1,399,366            | 1,504,759            | 2,554,310            | 2,032,724            |
| <b>Total governmental activities program revenues</b>  | <b>16,306,044</b>    | <b>17,376,014</b>    | <b>17,947,115</b>    | <b>19,684,296</b>    | <b>19,850,580</b>    |
| Business-type activities:                              |                      |                      |                      |                      |                      |
| Charges for services:                                  |                      |                      |                      |                      |                      |
| Water  | 7,380,055            | 7,887,900            | 9,557,717            | 12,578,908           | 14,916,283           |
| Stormwater   | 347,162              | 360,926              | 347,602              | 352,860              | 345,821              |
| Wastewater   | 1,317,713            | 1,820,756            | 2,620,669            | 3,087,150            | 3,406,077            |
| Refuse   | 4,082,292            | 4,110,342            | 4,189,639            | 4,363,739            | 4,426,190            |
| Parking  | 2,094,179            | 2,544,834            | 3,008,206            | 3,396,749            | 3,506,309            |
| Operating grants and contributions                     | 458,769              | -                    | 19,638               | 33,209               | 69,937               |
| Capital grants and contributions                       | -                    | 57,398               | -                    | -                    | 500,000              |
| <b>Total business-type activities program revenues</b> | <b>15,680,170</b>    | <b>16,782,156</b>    | <b>19,743,471</b>    | <b>23,812,615</b>    | <b>27,170,617</b>    |
| <b>Total primary government program revenues</b>       | <b>\$ 31,986,214</b> | <b>\$ 34,158,170</b> | <b>\$ 37,690,586</b> | <b>\$ 43,496,911</b> | <b>\$ 47,021,197</b> |



Source: City of Manhattan Beach Finance department historical CAFRs

**City of Manhattan Beach**  
**Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

|   | <b>Fiscal Year Ending</b> |                      |                      |                      |                      |
|---|---------------------------|----------------------|----------------------|----------------------|----------------------|
|   | <u>2004</u>               | <u>2005</u>          | <u>2006</u>          | <u>2007</u>          | <u>2008</u>          |
| General Fund                              |                           |                      |                      |                      |                      |
| Reserved                                  |                           |                      |                      |                      |                      |
| Debt service & restricted cash            | \$ 62,496                 | \$ 49,300            | \$ 404,204           | \$ 972,422           | \$ 1,355,530         |
| Encumbrances & other items                | 373,242                   | 1,025,189            | 646,111              | 507,096              | 495,646              |
| Unreserved                                | 20,231,796                | 16,365,761           | 20,528,738           | 19,499,495           | 16,585,982           |
| Nonspendable                              |                           |                      |                      |                      |                      |
| Prepaid costs                             |                           |                      |                      |                      |                      |
| Notes and loans                           |                           |                      |                      |                      |                      |
| Restricted                                |                           |                      |                      |                      |                      |
| Debt service & restricted cash            |                           |                      |                      |                      |                      |
| Unassigned                                |                           |                      |                      |                      |                      |
| <b>Total General fund</b>                 | <b>20,667,534</b>         | <b>17,440,250</b>    | <b>21,579,053</b>    | <b>20,979,013</b>    | <b>18,437,158</b>    |
| All Other Governmental Funds              |                           |                      |                      |                      |                      |
| Reserved                                  |                           |                      |                      |                      |                      |
| Continuing Projects                       | 3,894,588                 | 7,795,003            | 9,916,842            | 6,094,070            | 4,642,305            |
| Debt service & restricted cash            | 1,579,976                 | 19,170,120           | 935,696              | 817,081              | 817,076              |
| Encumbrances & other items                | 268,195                   | 8,148                | 218,926              | 9,427                | 40,925               |
| Unreserved, reported in:                  |                           |                      |                      |                      |                      |
| Special revenue funds                     | 3,022,824                 | 2,438,704            | 2,111,598            | 2,842,097            | 2,748,609            |
| Capital projects funds                    | 19,864,825                | 1,715,536            | 5,115,277            | 3,657,446            | 3,878,706            |
| Nonspendable                              |                           |                      |                      |                      |                      |
| Notes and loans                           |                           |                      |                      |                      |                      |
| Advances to other funds                   |                           |                      |                      |                      |                      |
| Restricted                                |                           |                      |                      |                      |                      |
| Public safety                             |                           |                      |                      |                      |                      |
| Parks and recreation                      |                           |                      |                      |                      |                      |
| Public works                              |                           |                      |                      |                      |                      |
| Capital projects                          |                           |                      |                      |                      |                      |
| Debt service                              |                           |                      |                      |                      |                      |
| Committed                                 |                           |                      |                      |                      |                      |
| Capital projects                          |                           |                      |                      |                      |                      |
| Unassigned                                |                           |                      |                      |                      |                      |
| <b>Total all other governmental funds</b> | <b>28,630,408</b>         | <b>31,127,511</b>    | <b>18,298,339</b>    | <b>13,420,121</b>    | <b>12,127,621</b>    |
| <b>Total all governmental funds</b>       | <b>\$ 49,297,942</b>      | <b>\$ 48,567,761</b> | <b>\$ 39,877,392</b> | <b>\$ 34,399,134</b> | <b>\$ 30,564,779</b> |



Source: City of Manhattan Beach Finance department historical CAFRs

| Fiscal Year Ending   |                      |                      |                      |                      |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| <u>2009</u>          | <u>2010</u>          | <u>2011</u>          | <u>2012</u>          | <u>2013</u>          |
| \$ 1,244,971         | \$ 1,143,587         |                      |                      |                      |
| 373,980              | 213,938              |                      |                      |                      |
| 16,710,818           | 16,888,308           |                      |                      |                      |
|                      |                      | \$ 19,519            | \$ 48,989            | \$ 42,514            |
|                      |                      | 432,000              | 432,000              | 432,000              |
|                      |                      | 1,182,271            | 1,245,112            | 1,130,434            |
|                      |                      | 18,270,832           | 18,134,492           | 17,983,812           |
| <b>18,329,769</b>    | <b>18,245,833</b>    | <b>19,904,622</b>    | <b>19,860,593</b>    | <b>19,588,760</b>    |
| 4,618,592            | 6,755,397            |                      |                      |                      |
| 817,178              | 817,075              |                      |                      |                      |
| 71,887               | 393,852              |                      |                      |                      |
| 2,340,055            | 2,692,575            |                      |                      |                      |
| 3,934,840            | 1,925,704            |                      |                      |                      |
|                      |                      | 42,744               | 38,336               | 45,052               |
|                      |                      | 1,073,000            | 771,100              | 469,200              |
|                      |                      | 1,247,014            | 1,187,562            | 1,073,789            |
|                      |                      | 80,284               | 107,428              | 179,663              |
|                      |                      | 3,324,947            | 4,558,434            | 4,826,828            |
|                      |                      | 2,827,688            | 3,269,531            | 3,572,234            |
|                      |                      | 817,075              | 817,075              | 8,278                |
|                      |                      | 4,089,866            | 4,823,535            | 8,122,690            |
|                      |                      | (22,488)             | (22,488)             | (22,488)             |
| <b>11,782,552</b>    | <b>12,584,603</b>    | <b>13,480,130</b>    | <b>15,550,513</b>    | <b>18,275,246</b>    |
| <b>\$ 30,112,321</b> | <b>\$ 30,830,436</b> | <b>\$ 33,384,752</b> | <b>\$ 35,411,106</b> | <b>\$ 37,864,006</b> |



**This Page Left Blank Intentionally**

## **Statistical Section**

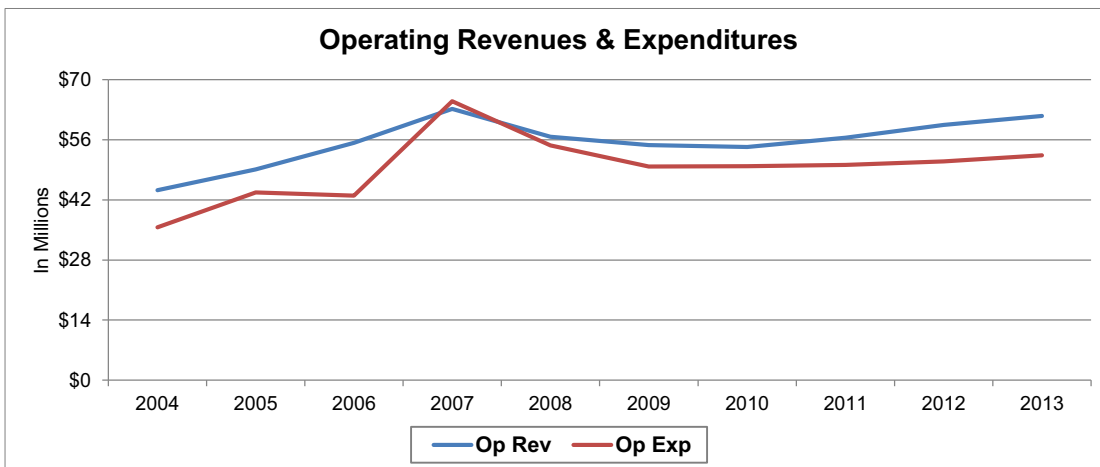
### **Revenue Capacity**

*These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.*

**City of Manhattan Beach**  
**Changes in Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

|   | Fiscal Year Ending |                     |                    |                     |                    |
|---|--------------------|---------------------|--------------------|---------------------|--------------------|
|   | 2004               | 2005                | 2006               | 2007                | 2008               |
| <b>Revenues</b>                             |                    |                     |                    |                     |                    |
| Tax and assessments                         | \$ 27,381,711      | \$ 26,907,138       | \$ 33,026,089      | \$ 35,261,246       | \$ 36,933,447      |
| Licenses, fees, and permits                 | 1,643,682          | 1,560,346           | 1,810,681          | 1,686,922           | 1,463,207          |
| Intergovernmental                           | 3,639,236          | 4,623,276           | 2,994,138          | 3,007,764           | 2,147,817          |
| Charges for services                        | 6,454,314          | 7,218,915           | 7,400,197          | 7,812,110           | 8,013,155          |
| Interest and Rents                          | 3,094,363          | 2,863,553           | 3,354,041          | 3,845,001           | 3,939,191          |
| Fines and forfeitures                       | 2,294,535          | 1,910,757           | 1,895,506          | 2,153,078           | 2,169,402          |
| Contributions from property owner           | -                  | 3,372,891           | 3,147,739          | 8,498,306           | -                  |
| Net change fair value investments           | (671,517)          | (30,777)            | (192,026)          | 353,642             | 350,394            |
| Other revenues                              | 436,260            | 705,588             | 1,863,937          | 553,241             | 1,707,735          |
| <b>Total revenues</b>                       | <b>44,272,584</b>  | <b>49,131,687</b>   | <b>55,300,302</b>  | <b>63,171,310</b>   | <b>56,724,348</b>  |
| <b>Expenditures</b>                         |                    |                     |                    |                     |                    |
| General government                          | 6,636,125          | 7,120,760           | 7,452,850          | 8,646,822           | 9,808,544          |
| Public Safety                               | 19,719,804         | 22,735,205          | 24,020,705         | 33,302,747          | 31,354,970         |
| Culture and recreation                      | 3,989,250          | 4,592,628           | 4,680,871          | 5,328,693           | 6,027,462          |
| Public works                                | 5,297,262          | 9,303,463           | 6,819,825          | 17,737,634          | 7,500,615          |
| <b>Total operating expenditures</b>         | <b>35,642,441</b>  | <b>43,752,056</b>   | <b>42,974,251</b>  | <b>65,015,896</b>   | <b>54,691,591</b>  |
| <b>Excess of revenue over expenditures</b>  | <b>8,630,143</b>   | <b>5,379,631</b>    | <b>12,326,051</b>  | <b>(1,844,586)</b>  | <b>2,032,757</b>   |
| Capital outlay                              | 7,751,990          | 18,382,798          | 19,965,439         | 7,764,994           | 3,405,258          |
| Debt service                                |                    |                     |                    |                     |                    |
| Interest                                    | 87,055             | 524,158             | 822,862            | 1,035,878           | 1,178,066          |
| Principal                                   | 180,000            | 185,000             | 190,000            | 515,000             | 1,235,000          |
| Cost of Issuance                            | -                  | -                   | -                  | -                   | -                  |
| Payment to refunded bond escrow agent       | -                  | -                   | -                  | -                   | -                  |
| <b>Total Non Operating expenditures</b>     | <b>8,019,045</b>   | <b>19,091,956</b>   | <b>20,978,301</b>  | <b>9,315,872</b>    | <b>5,818,324</b>   |
| <b>Excess of revenues over expenditures</b> | <b>611,098</b>     | <b>(13,712,325)</b> | <b>(8,652,250)</b> | <b>(11,160,458)</b> | <b>(3,785,567)</b> |
| <b>Other financing sources (Uses)</b>       |                    |                     |                    |                     |                    |
| Bonds issued                                | -                  | 12,980,000          | -                  | 6,634,179           | -                  |
| Premium on bonds issues                     | -                  | 186,055             | -                  | 163,120             | -                  |
| Refunding Lease                             | -                  | -                   | -                  | -                   | -                  |
| Capital Contribution                        | -                  | -                   | -                  | -                   | -                  |
| Proceeds from sale of capital assets        | -                  | -                   | -                  | -                   | -                  |
| Transfers in                                | 18,919,651         | 11,647,938          | 841,116            | 4,179,102           | 215,047            |
| Transfers out                               | (18,844,651)       | (12,554,938)        | (1,045,116)        | (5,497,006)         | (263,835)          |
| Other financing sources                     | -                  | -                   | -                  | -                   | -                  |
| Other financing uses                        | -                  | -                   | -                  | -                   | -                  |
| <b>Total other financing sources (uses)</b> | <b>75,000</b>      | <b>12,259,055</b>   | <b>(204,000)</b>   | <b>5,479,395</b>    | <b>(48,788)</b>    |
| Prior Period Adjustment                     | -                  | -                   | 165,882            | 202,807             | -                  |
| <b>Net change in fund balances</b>          | <b>686,098</b>     | <b>(1,453,270)</b>  | <b>(8,690,368)</b> | <b>(5,478,256)</b>  | <b>(3,834,355)</b> |

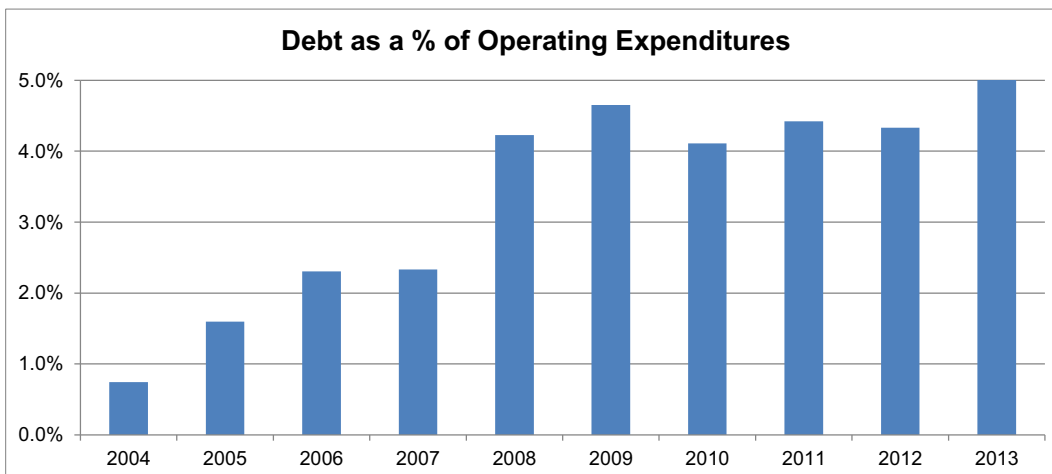
**Debt - % of Operating Expenditures & Debt**      0.7%      1.6%      2.3%      2.3%      4.2%



Source: City of Manhattan Beach Finance Department Historical CAFRs



| Fiscal Year Ending |                   |                   |                   |                   |                   |
|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                    | <u>2009</u>       | <u>2010</u>       | <u>2011</u>       | <u>2012</u>       | <u>2013</u>       |
| \$                 | 36,839,471        | \$ 36,582,239     | \$ 37,697,637     | \$ 39,389,241     | \$ 42,273,666     |
|                    | 1,200,529         | 1,200,347         | 1,289,183         | 1,418,230         | 1,513,821         |
|                    | 2,072,660         | 2,638,044         | 1,749,382         | 2,566,478         | 1,599,821         |
|                    | 8,202,164         | 8,291,275         | 9,396,606         | 9,706,289         | 9,202,436         |
|                    | 3,607,997         | 2,344,105         | 2,723,666         | 2,692,576         | 2,633,124         |
|                    | 2,400,483         | 2,984,868         | 2,867,072         | 2,805,559         | 2,588,865         |
|                    | -                 | -                 | -                 | -                 | -                 |
|                    | (201,163)         | 58,253            | (21,680)          | (21,265)          | (95,900)          |
|                    | 634,524           | 192,965           | 751,112           | 878,475           | 1,867,612         |
|                    | <b>54,756,665</b> | <b>54,292,096</b> | <b>56,452,978</b> | <b>59,435,583</b> | <b>61,583,445</b> |
|                    | 9,215,265         | 9,785,663         | 8,660,865         | 8,560,273         | 9,101,953         |
|                    | 28,727,983        | 28,461,175        | 29,176,141        | 30,449,560        | 30,470,567        |
|                    | 5,599,052         | 5,699,228         | 6,192,471         | 5,552,632         | 5,680,001         |
|                    | 6,207,990         | 5,923,828         | 6,149,939         | 6,369,092         | 7,155,292         |
|                    | <b>49,750,290</b> | <b>49,869,894</b> | <b>50,179,416</b> | <b>50,931,557</b> | <b>52,407,813</b> |
|                    | <b>5,006,375</b>  | <b>4,422,202</b>  | <b>6,273,562</b>  | <b>8,504,026</b>  | <b>9,175,632</b>  |
|                    | 3,124,353         | 1,705,513         | 1,510,341         | 4,272,496         | 2,485,027         |
|                    | 1,192,716         | 811,711           | 896,096           | 820,494           | 640,413           |
|                    | 1,235,000         | 1,325,000         | 1,425,000         | 1,485,000         | 2,985,000         |
|                    | -                 | -                 | -                 | -                 | 150,944           |
|                    | -                 | -                 | -                 | -                 | 821,153           |
|                    | 5,552,069         | 3,842,224         | 3,831,437         | 6,577,990         | 7,082,537         |
|                    | <b>(545,694)</b>  | <b>579,978</b>    | <b>2,442,125</b>  | <b>1,926,036</b>  | <b>2,093,095</b>  |
|                    | -                 | -                 | -                 | -                 | -                 |
|                    | -                 | -                 | -                 | -                 | -                 |
|                    | -                 | -                 | -                 | -                 | -                 |
|                    | -                 | -                 | -                 | -                 | -                 |
|                    | 3,006             | 3,384             | 5,829             | 434               | -                 |
|                    | 331,183           | 424,211           | 830,712           | 3,353,075         | 3,770,569         |
|                    | (220,953)         | (289,458)         | (724,350)         | (3,253,191)       | (3,569,986)       |
|                    | -                 | -                 | -                 | -                 | 11,010,846        |
|                    | -                 | -                 | -                 | -                 | (10,851,624)      |
|                    | 113,236           | 138,137           | 112,191           | 100,318           | 359,805           |
|                    | (20,000)          |                   |                   |                   |                   |
|                    | <b>(452,458)</b>  | <b>718,115</b>    | <b>2,554,316</b>  | <b>2,026,354</b>  | <b>2,452,900</b>  |
|                    | <b>4.7%</b>       | <b>4.1%</b>       | <b>4.4%</b>       | <b>4.3%</b>       | <b>6.5%</b>       |



Source: City of Manhattan Beach Finance Department Historical CAFRs



**This Page Left Blank Intentionally**

**City of Manhattan Beach**  
**Taxes & Assessment Revenues by Source, Governmental Funds, and Assessment**  
**Last Ten Fiscal Years**

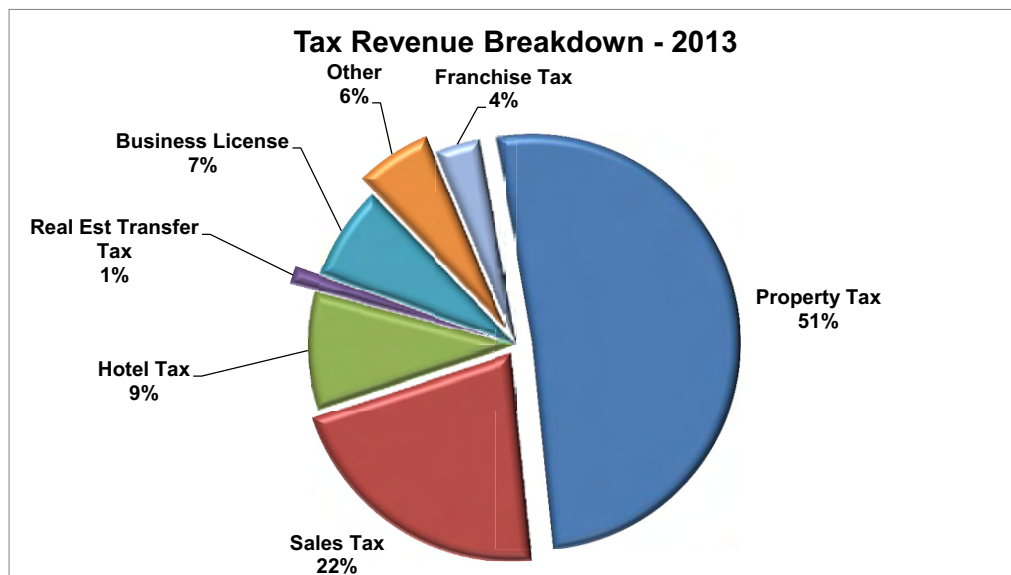
Exhibit A-7

(modified accrual basis of accounting)

| <u>Fiscal Year</u> | <u>Property Tax</u> | <u>Sales &amp; Use</u> | <u>Hotel</u> | <u>Franchise</u> | <u>Real Est Transfer</u> | <u>Business License</u> | <u>Admissions</u> | <u>Other Taxes Assessments</u> | <u>Total</u>  |
|--------------------|---------------------|------------------------|--------------|------------------|--------------------------|-------------------------|-------------------|--------------------------------|---------------|
| 2013               | \$ 21,626,173       | \$ 9,103,160           | \$ 3,881,174 | \$ 1,471,197     | \$ 587,399               | \$ 3,124,644            | \$ -              | \$ 2,479,919                   | \$ 42,273,666 |
| 2012               | 20,408,314          | 8,788,599              | 3,240,364    | 1,335,815        | 521,274                  | 3,018,177               | -                 | 2,076,698                      | 39,389,241    |
| 2011               | 19,791,425          | 8,148,688              | 3,229,823    | 1,289,443        | 473,280                  | 2,844,066               | -                 | 1,920,912                      | 37,697,637    |
| 2010               | 20,006,558          | 7,301,378              | 3,174,319    | 1,220,171        | 356,367                  | 2,783,641               | -                 | 1,739,805                      | 36,582,239    |
| 2009               | 19,930,492          | 7,480,516              | 3,507,774    | 1,185,406        | 325,001                  | 2,767,070               | -                 | 1,643,212                      | 36,839,471    |
| 2008               | 18,567,451          | 8,230,387              | 3,995,411    | 1,168,383        | 450,299                  | 2,747,098               | -                 | 1,774,418                      | 36,933,447    |
| 2007               | 17,116,975          | 8,416,844              | 3,665,741    | 1,200,503        | 788,347                  | 2,464,239               | -                 | 1,608,597                      | 35,261,246    |
| 2006               | 15,523,154          | 8,557,986              | 3,186,359    | 1,149,740        | 668,242                  | 2,468,067               | -                 | 1,472,541                      | 33,026,089    |
| 2005               | 11,652,108          | 7,581,885              | 2,449,326    | 903,490          | 688,616                  | 2,285,524               | -                 | 1,346,189                      | 26,907,138    |
| 2004               | 11,090,838          | 7,550,378              | 2,183,163    | 929,251          | 721,502                  | 2,134,588               | 140               | 2,771,851                      | 27,381,711    |

**Change**  
**2004-2013**

|       |       |       |       |        |       |         |        |       |
|-------|-------|-------|-------|--------|-------|---------|--------|-------|
| 95.0% | 20.6% | 77.8% | 58.3% | -18.6% | 46.4% | -100.0% | -10.5% | 54.4% |
|-------|-------|-------|-------|--------|-------|---------|--------|-------|



Source: City of Manhattan Beach Finance Department Historical CAFRs

**City of Manhattan Beach  
 Assessed Value and Estimated Actual Value of Taxable Property,  
 Last Ten Fiscal Years**

| <b>Fiscal Year</b> | <b>Residential Property</b> | <b>Commercial Property</b> | <b>Industrial Property</b> | <b>Other Property</b> | <b>Total Assessed Value</b> |
|--------------------|-----------------------------|----------------------------|----------------------------|-----------------------|-----------------------------|
| 2004               | \$ 6,300,479,116            | \$ 585,254,193             | \$ 247,401,995             | \$ 744,055,059        | \$ 7,877,190,363            |
| 2005               | 6,895,415,748               | 369,922,480                | 260,299,961                | 1,017,547,074         | 8,543,185,263               |
| 2006               | 7,674,008,480               | 714,543,660                | 265,885,057                | 753,424,800           | 9,407,861,997               |
| 2007               | 8,572,299,055               | 745,453,370                | 219,928,225                | 711,825,301           | 10,249,505,951              |
| 2008               | 9,427,136,444               | 796,972,539                | 224,326,781                | 737,961,261           | 11,186,397,025              |
| 2009               | 10,136,131,042              | 847,686,744                | 280,998,547                | 758,566,064           | 12,023,382,397              |
| 2010               | 10,279,360,710              | 870,969,553                | 286,618,511                | 760,569,467           | 12,197,518,241              |
| 2011               | 10,310,125,299              | 857,387,446                | 272,285,842                | 798,171,374           | 12,237,969,961              |
| 2012               | 10,639,403,753              | 900,787,632                | 355,749,068                | 624,994,067           | 12,520,934,520              |

Exhibit A-8

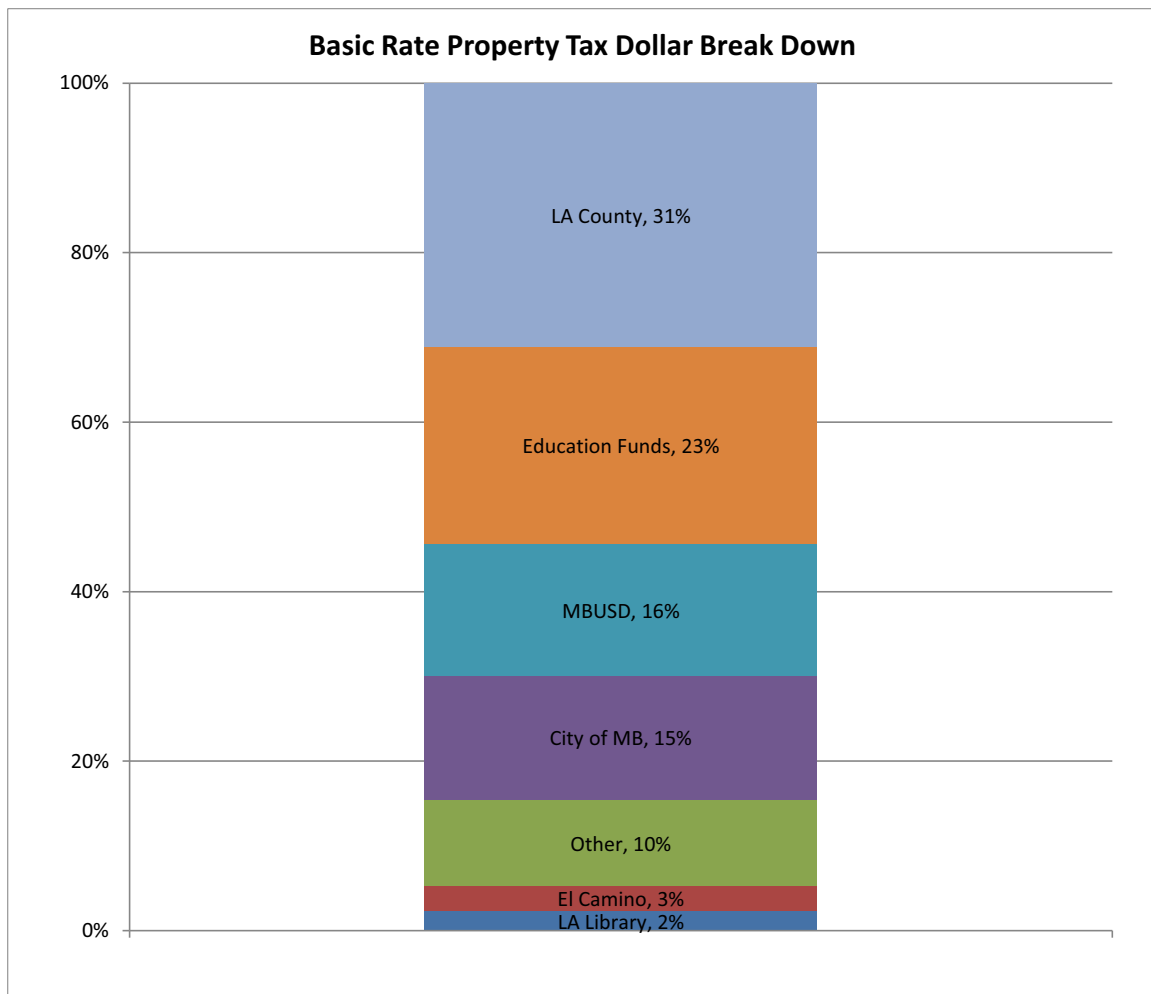
|    | <b>Tax-Exempt<br/>Property</b> | <b>Total<br/>Direct<br/>Tax<br/>Rate</b> | <b>Net<br/>Taxable<br/>Value</b> | <b>Taxable Assessed<br/>Value as a<br/>Percentage of<br/>Actual Taxable Value</b> |
|----|--------------------------------|--|----------------------------------|---|
| \$ | 305,420,714                    | 0.16632%                                 | \$ 7,554,435,006                 | 104.272%  |
|    | 305,194,535                    | 0.14283%                                 | 8,216,800,523                    | 103.972%  |
|    | 305,194,535                    | 0.15692%                                 | 9,080,889,082                    | 103.601%  |
|    | 301,140,884                    | 0.15697%                                 | 9,925,464,834                    | 103.265%  |
|    | 301,140,740                    | 0.15793%                                 | 10,861,350,753                   | 102.993%  |
|    | 301,140,740                    | 0.15857%                                 | 11,697,899,600                   | 102.782%  |
|    | 301,140,740                    | 0.15842%                                 | 11,871,677,111                   | 102.745%  |
|    | 301,140,740                    | 0.15619%                                 | 11,913,602,319                   | 102.723%  |
|    | 301,140,740                    | 0.15928%                                 | 12,190,853,653                   | 102.708%  |



**This Page Left Blank Intentionally**

**City of Manhattan Beach  
Direct and Overlapping Property Tax Rates,  
Last Ten Fiscal Years**

| Fiscal Year | City Direct Rates         |                   | Overlapping Rates |                             |                      |                        |                    |              |            |
|-------------|---------------------------|-------------------|-------------------|-----------------------------|----------------------|------------------------|--------------------|--------------|------------|
|             | General Levy (Basic Rate) | Total Direct Rate | LA County         | Colleges & School Districts | Metro Water District | Flood Control District | Total Overlap Rate | General Levy | Total Rate |
| 2004        | 1.00000%                  | 0.16632%          | 0.00099           | 0.05938                     | 0.00610              | 0.00047                | 0.06694            | 1.00000      | 1.06694    |
| 2005        | 1.00000%                  | 0.16664%          | 0.00092           | 0.05610                     | 0.00580              | 0.00024                | 0.06306            | 1.00000      | 1.06306    |
| 2006        | 1.00000%                  | 0.16706%          | 0.00080           | 0.05639                     | 0.00520              | 0.00005                | 0.06244            | 1.00000      | 1.06244    |
| 2007        | 1.00000%                  | 0.16733%          | 0.00066           | 0.07425                     | 0.00470              | 0.00005                | 0.07966            | 1.00000      | 1.07966    |
| 2008        | 1.00000%                  | 0.16758%          | 0.00000           | 0.05350                     | 0.00450              | 0.00000                | 0.05800            | 1.00000      | 1.05800    |
| 2009        | 1.00000%                  | 0.15857%          | 0.00000           | 0.11758                     | 0.00430              | 0.00000                | 0.12188            | 1.00000      | 1.12188    |
| 2010        | 1.00000%                  | 0.15842%          | 0.00000           | 0.11146                     | 0.00430              | 0.00000                | 0.11576            | 1.00000      | 1.11576    |
| 2011        | 1.00000%                  | 0.15619%          | 0.00000           | 0.14514                     | 0.00370              | 0.00000                | 0.14884            | 1.00000      | 1.14884    |
| 2012        | 1.00000%                  | 0.15928%          | 0.00000           | 0.11600                     | 0.00370              | 0.00000                | 0.11970            | 1.00000      | 1.11970    |
| 2013        | 1.00000%                  | 0.15951%          | 0.00000           | 0.15541                     | 0.00350              | 0.00000                | 0.15891            | 1.00000      | 1.15891    |



**City of Manhattan Beach  
Principal Property Tax Payers Based on Net Values,  
Current Year and Ten Years Ago**

| <b><u>Taxpayer</u></b>               | <b>2013</b>              |  |
|--------------------------------------|--------------------------|--|
|                                      | <b><u>Net Value</u></b>  | <b><u>Percentage of Total City Net Value</u></b> |
| Northrop Grumman Systems Corp        | \$ 209,152,828           | 1.65%  |
| Reef America Reit II Corporation BBB | 160,724,706              | 1.26%  |
| CRP MB Studios LLC                   | 138,000,000              | 1.09%  |
| Parstem Realty Company Inc.          | 66,855,425               | 0.53%  |
| Host Marriott Corporation Interstate | 64,682,576               | 0.51%  |
| 1230 and 1240 Rosecrans Ave H        | 58,700,000               | 0.46%  |
| Sketchers USA Inc.                   | 40,155,113               | 0.32%  |
| RIMB LLC                             | 30,674,500               | 0.24%  |
| St. Paul Properties Inc.             | 30,587,884               | 0.24%  |
| Hughes Aircraft Employees FCU        | 27,965,671               | 0.22%  |
| Top Ten Total                        | <b>\$ 827,498,703</b>    | <b>6.5%</b>                                      |
| City Total                           | <b>\$ 12,713,329,765</b> |  |



Exhibit A-10

| <u>Taxpayer</u>                      | 2004                           |   |
|--------------------------------------|--------------------------------|---|
|                                      | <u>Net Value</u>               | <u>Percentage of Total City Net Value</u> |
| Northrop Grumman Systems Corp        | \$ 204,799,125                 | 2.71%                                     |
| Shamrock MBS LLC                     | 135,167,435                    | 1.79%                                     |
| Reef America Reit II Corporation BBB | 104,880,689                    | 1.39%                                     |
| HSOV Manhattan Towers LP             | 61,866,280                     | 0.82%                                     |
| Pastem Realty Company Inc.           | 57,979,543                     | 0.77%                                     |
| TRW Inc                              | 53,972,268                     | 0.71%                                     |
| Host Marriott Corporation Interstate | 35,280,000                     | 0.47%                                     |
| Sanko Nakayama International Inc.    | 28,754,854                     | 0.38%                                     |
| St Paul Properties Inc.              | 26,526,972                     | 0.35%                                     |
| Sketchers USA                        | 20,695,141                     | 0.27%                                     |
|                                      | <u>\$ 729,922,307</u>          | <u>9.7%</u>                               |
|                                      | <u><u>\$ 7,554,435,006</u></u> |   |

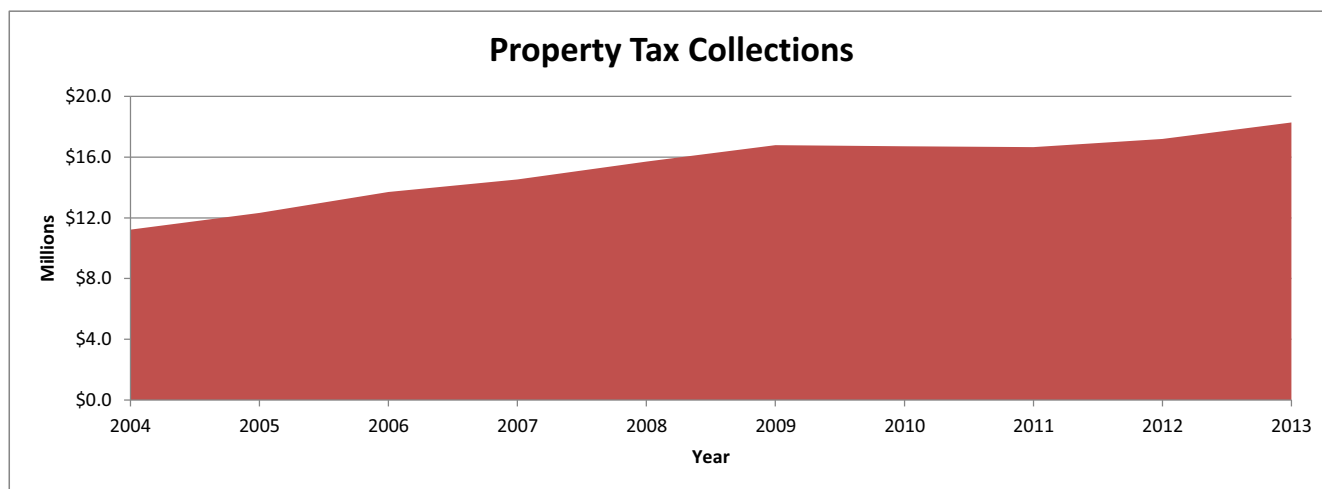


**This Page Left Blank Intentionally**

**City of Manhattan Beach  
Property Tax Levies and Collections,  
Last Ten Fiscal Years**

**Exhibit A-11**

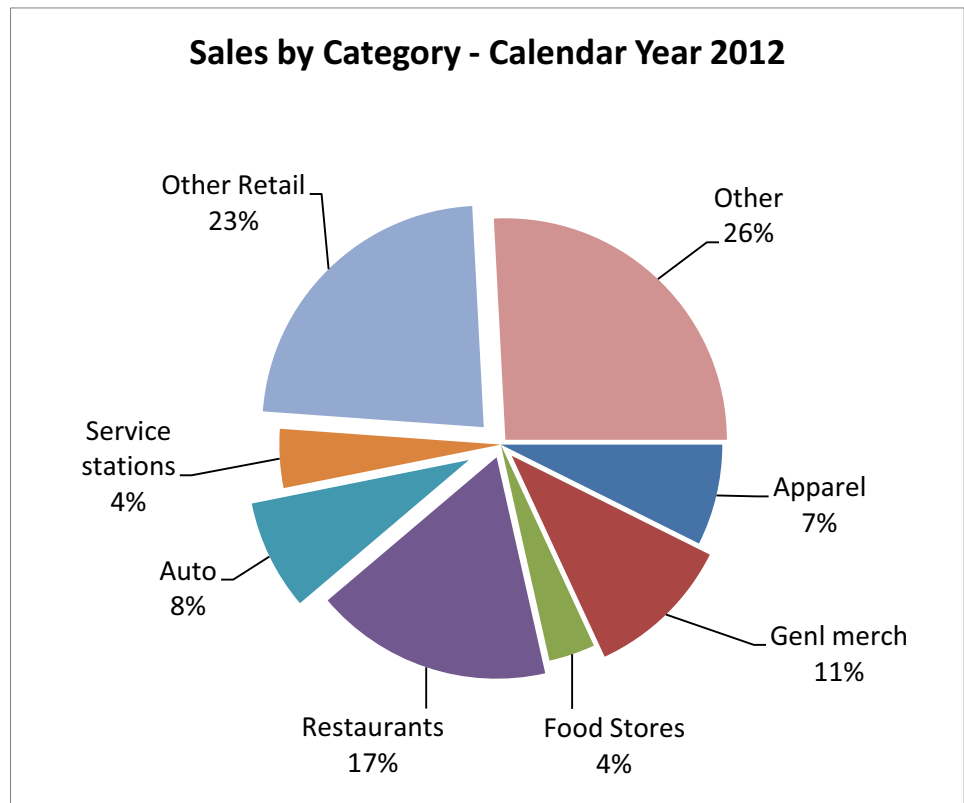
| Fiscal Year Ended June 30, | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy |                    | Prior Year | Collections in Subsequent Years | Total Collections to Date |                    |
|----------------------------|----------------------------------|--|--------------------|------------|---------------------------------|---------------------------|--------------------|
|                            |                                  | Amount                                       | Percentage of Levy |            |                                 | Amount                    | Percentage of Levy |
| 2004                       | \$ 10,713,583                    | \$ 10,335,067                                | 96.47%             | \$ 750,974 | \$ -                            | \$ 11,223,986             | 104.76%            |
| 2005                       | 11,677,784                       | 11,336,153                                   | 97.07%             | 923,375    | -                               | 12,326,299                | 105.55%            |
| 2006                       | 12,944,802                       | 12,527,975                                   | 96.78%             | 1,176,979  | -                               | 13,704,954                | 105.87%            |
| 2007                       | 14,197,925                       | 13,311,119                                   | 93.75%             | 1,219,824  | -                               | 14,530,943                | 102.35%            |
| 2008                       | 15,564,989                       | 14,643,132                                   | 94.08%             | 1,065,305  | -                               | 15,708,437                | 100.92%            |
| 2009                       | 16,795,932                       | 15,888,783                                   | 94.60%             | 902,280    | 4,869                           | 16,791,063                | 99.97%             |
| 2010                       | 17,041,081                       | 16,054,348                                   | 94.21%             | 661,930    | 324,804                         | 16,716,278                | 98.09%             |
| 2011                       | 16,836,854                       | 16,056,305                                   | 95.36%             | 604,649    | 175,900                         | 16,660,953                | 98.96%             |
| 2012                       | 17,529,077                       | 16,865,345                                   | 96.21%             | 334,117    | 329,615                         | 17,199,461                | 98.12%             |
| 2013                       | 18,294,098                       | 17,716,515                                   | 96.84%             | 569,183    | 8,400                           | 18,285,698                | 99.95%             |



Source: Los Angeles County Assessor and City of Manhattan Beach Finance Department

**City of Manhattan Beach  
Taxable Sales by Category,  
Last Ten Calendar Years**  
*(in thousands of dollars)*

|                                    | <b>Calendar Year</b>     |                          |                          |                          |                          |
|------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                                    | <u>2003</u>              | <u>2004</u>              | <u>2005</u>              | <u>2006</u>              | <u>2007</u>              |
| Apparel stores                     | \$ 58,444                | \$ 67,461                | \$ 70,615                | \$ 74,287                | \$ 73,592                |
| General merchandise                | 105,563                  | 108,221                  | 109,957                  | 114,830                  | 118,872                  |
| Food stores                        | 30,835                   | 30,922                   | 31,129                   | 32,182                   | 31,484                   |
| Eating and drinking establishments | 113,063                  | 119,620                  | 128,111                  | 137,008                  | 139,375                  |
| Auto dealers and supplies          | 55,529                   | 75,279                   | 80,594                   | 76,340                   | 78,480                   |
| Service stations                   | 24,860                   | 29,620                   | 34,473                   | 34,574                   | 33,605                   |
| Other retail stores                | 202,751                  | 206,341                  | 214,491                  | 225,199                  | 227,525                  |
| All other outlets                  | 117,163                  | 127,342                  | 130,812                  | 124,896                  | 124,841                  |
| <b>Total</b>                       | <b><u>\$ 708,208</u></b> | <b><u>\$ 764,806</u></b> | <b><u>\$ 800,182</u></b> | <b><u>\$ 819,316</u></b> | <b><u>\$ 827,774</u></b> |
| City direct sales tax rate         | 1.00%                    | 1.00%                    | 1.00%                    | 1.00%                    | 1.00%                    |



Source: State Board of Equalization HDL Coren Cone

Exhibit A-12

| Calendar Year     |                   |                   |                   |                   |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| <u>2008</u>       | <u>2009</u>       | <u>2010</u>       | <u>2011</u>       | <u>2012</u>       |
| \$ 68,451         | \$ 62,034         | \$ 66,433         | \$ 69,484         | \$ 71,573         |
| 113,037           | 104,610           | 101,306           | 103,507           | 104,250           |
| 32,029            | 32,191            | 31,578            | 31,958            | 32,790            |
| 144,266           | 140,603           | 145,680           | 156,015           | 168,416           |
| 73,144            | 63,329            | 57,912            | 68,912            | 78,118            |
| 37,505            | 28,354            | 29,078            | 34,709            | 41,655            |
| 220,122           | 203,130           | 223,346           | 225,819           | 223,704           |
| <u>123,682</u>    | <u>104,140</u>    | <u>173,205</u>    | <u>225,579</u>    | <u>250,941</u>    |
| <u>\$ 812,236</u> | <u>\$ 738,391</u> | <u>\$ 828,538</u> | <u>\$ 915,983</u> | <u>\$ 971,447</u> |
| 1.00%             | 1.00%             | 1.00%             | 1.00%             | 1.00%             |

Source: State Board of Equalization HDL Coren Cone

**City of Manhattan Beach  
Direct and Overlapping Sales Tax Rates,  
Last Ten Fiscal Years**

**Exhibit A-13**

| <u>Fiscal<br/>Year</u> | <u>City<br/>Direct<br/>Rate</u> | <u>L.A.<br/>County</u> |
|------------------------|---------------------------------|------------------------|
| 2013                   | 1.00%                           | .25%                   |
| 2012                   | 1.00%                           | .25%                   |
| 2011                   | 1.00%                           | .25%                   |
| 2010                   | 1.00%                           | .25%                   |
| 2009                   | 1.00%                           | .25%                   |
| 2008                   | 1.00%                           | .25%                   |
| 2007                   | 1.00%                           | .25%                   |
| 2006                   | 1.00%                           | .25%                   |
| 2005                   | 1.00%                           | .25%                   |
| 2004                   | 1.00%                           | .25%                   |

Source: State of California Board of Equalization

**City of Manhattan Beach  
Principal Sales Tax Remitters,  
Fiscal Year Comparison**

**Exhibit A-14**

**Tax Remitter**

**2013**

---

Apple Store  
Arco  
Barnes & Noble  
BevMo  
Chevron  
Circle K  
CVS Pharmacy  
Dewitt Petroleum  
Frys Electronics  
Houston's  
Macys  
Manhattan Beach Marriott  
Manhattan Beach Toyota Scion  
Old Navy  
Olive Garden  
Pottery Barn  
Power Pre Owned Auto Center of South Bay  
Ralphs  
REI  
Sephora  
Sketchers  
Strand House Strandbar  
Target  
Tin Roof Bistro  
Trader Joes

**2004**

---

Barnes & Noble  
Bristol Farms  
California Pizza Kitchen  
Chase Auto Leasing Corporation  
Chevron  
Frys Electronics  
Gateway Country  
Houston's  
Kwik Gas  
Macys  
Manhattan Beach Marriott  
Manhattan Beach Toyota Scion  
Mercedes Benz of South Bay  
Office Depot  
Old Navy  
Olive Garden  
Ralphs  
REI  
Sav On  
Sketchers  
Target  
Toyota Motor Credit Corporation  
Trader Joes  
TRW Space & Electronics  
Williams Sonoma

\* Listed Alphabetically



**This Page Left Blank Intentionally**



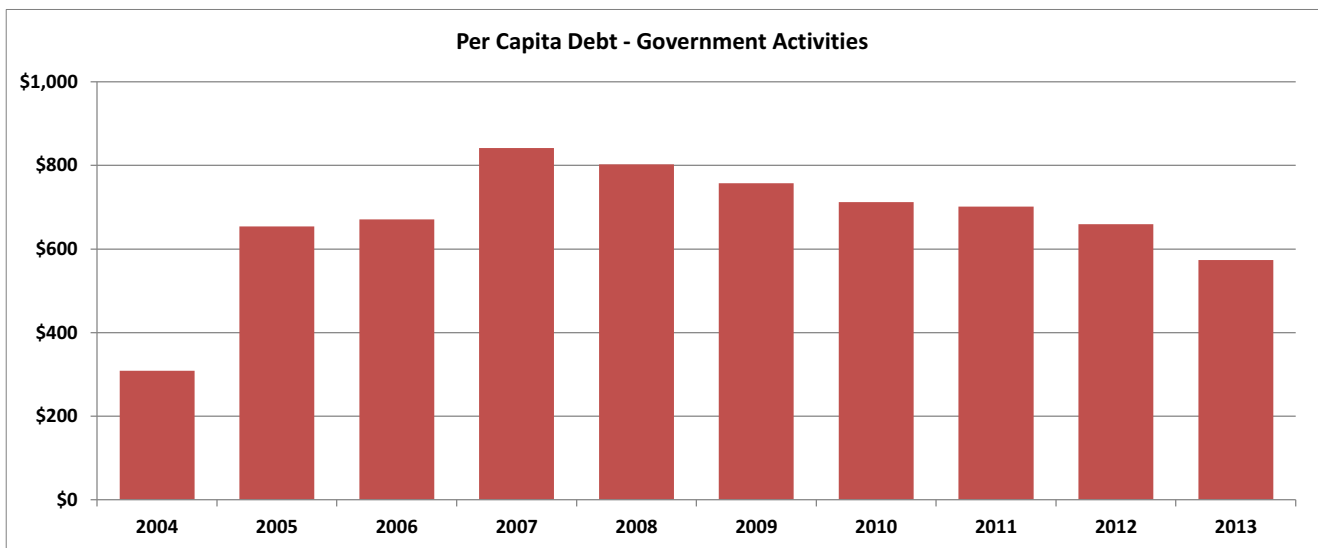
## **Statistical Section**

### **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.*

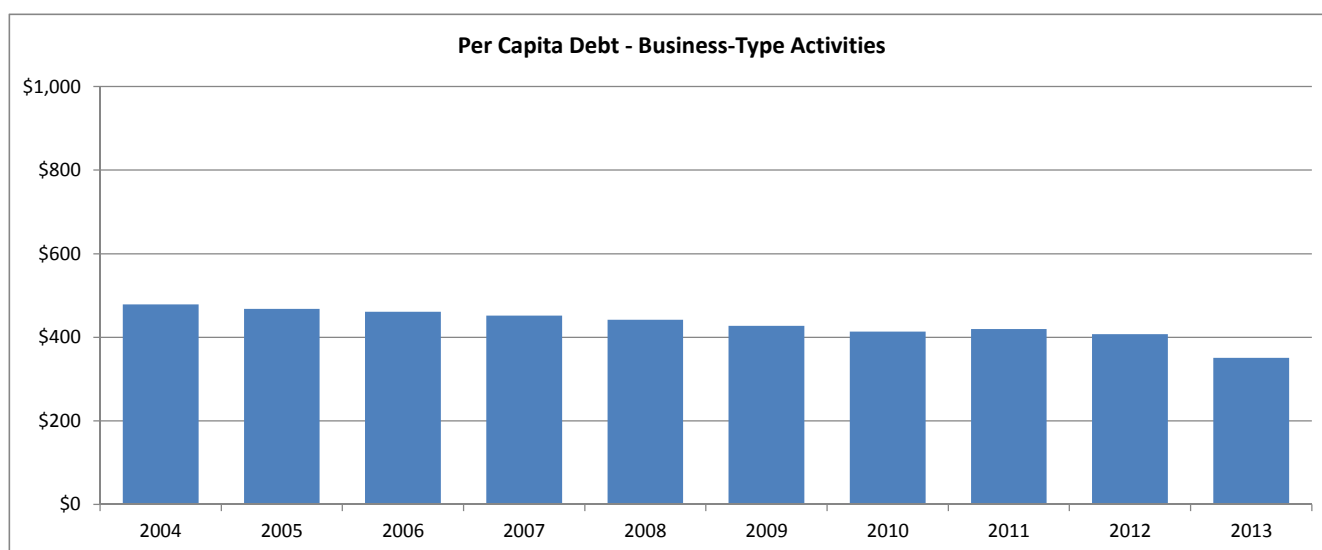
**City of Manhattan Beach  
 Ratios of Outstanding Debt by Type,  
 Last Ten Fiscal Years**

| Fiscal Year | RCC Facility | Governmental Activities  |                                      |   |                             |                |                    | Total Per Capita |
|-------------|--------------|--------------------------|--------------------------------------|---|-----------------------------|----------------|--------------------|------------------|
|             |              | Pension Obligation Bonds | Marine Certificates of Participation | Police/Fire Certificates of Participation | Police/Fire Refunding Bonds | Capital Leases | Total Governmental |                  |
| 2004        | \$ 2,045,000 | \$ -                     | \$ 9,155,000                         | \$ -                                      | \$ -                        | \$ 62,495      | \$ 11,262,495      | 309              |
| 2005        | 1,975,000    | -                        | 8,970,000                            | 12,980,000                                | -                           | -              | 23,925,000         | 654              |
| 2006        | 1,905,000    | -                        | 8,780,000                            | 12,980,000                                | -                           | 720,693        | 24,385,693         | 671              |
| 2007        | 1,830,000    | 6,800,000                | 8,580,000                            | 12,740,000                                | -                           | 558,370        | 30,508,370         | 842              |
| 2008        | 1,750,000    | 6,095,000                | 8,375,000                            | 12,495,000                                | -                           | 390,008        | 29,105,008         | 803              |
| 2009        | 1,670,000    | 5,400,000                | 8,165,000                            | 12,245,000                                | -                           | 215,949        | 27,695,949         | 757              |
| 2010        | 1,585,000    | 4,635,000                | 7,945,000                            | 11,990,000                                | -                           | 35,807         | 26,190,807         | 712              |
| 2011        | 1,495,000    | 3,795,000                | 7,715,000                            | 11,725,000                                | -                           | -              | 24,730,000         | 702              |
| 2012        | 1,445,000    | 2,870,000                | 7,480,000                            | 11,450,000                                | -                           | -              | 23,245,000         | 660              |
| 2013        | -            | 1,860,000                | 7,235,000                            | -   | 10,510,000                  | 903,841        | 20,508,841         | 574              |



Source: City of Manhattan Beach Finance Department Historical CAFRs Debt Schedules

| Business-type Activities |                                      |                         |                        |                     |                  | Total                    |                               |                  |
|--------------------------|--------------------------------------|-------------------------|------------------------|---------------------|------------------|--------------------------|-------------------------------|------------------|
| Utility Revenue          | Metlox Certificates of Participation | Utility Refunding Bonds | Metlox Refunding Bonds | Total Business Type | Total Per Capita | Total Primary Government | Percentage of Personal Income | Total Per Capita |
| \$4,105,000              | \$13,350,000                         | -                       | -                      | \$17,455,000        | \$479            | \$28,717,495             | 1.22%                         | \$788            |
| 4,015,000                | 13,095,000                           | -                       | -                      | 17,110,000          | 468              | 41,035,000               | 1.68%                         | 1,122            |
| 3,920,000                | 12,835,000                           | -                       | -                      | 16,755,000          | 461              | 41,140,693               | 1.63%                         | 1,131            |
| 3,820,000                | 12,570,000                           | -                       | -                      | 16,390,000          | 452              | 46,898,370               | 1.81%                         | 1,294            |
| 3,715,000                | 12,300,000                           | -                       | -                      | 16,015,000          | 442              | 45,120,008               | 1.67%                         | 1,244            |
| 3,605,000                | 12,020,000                           | -                       | -                      | 15,625,000          | 427              | 43,320,949               | 1.63%                         | 1,184            |
| 3,490,000                | 11,735,000                           | -                       | -                      | 15,225,000          | 414              | 41,415,807               | 1.56%                         | 1,126            |
| 3,370,000                | 11,435,000                           | -                       | -                      | 14,805,000          | 420              | 39,535,000               | 1.49%                         | 1,122            |
| 3,240,000                | 11,125,000                           | -                       | -                      | 14,365,000          | 408              | 37,610,000               | 1.41%                         | 1,067            |
| -                        | -                                    | 2,680,000               | 9,850,000              | 12,530,000          | 351              | 33,038,841               | 1.24%                         | 924              |



Source: City of Manhattan Beach Finance Department Historical CAFRs Debt Schedules



**This Page Left Blank Intentionally**

**City of Manhattan Beach**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2013**

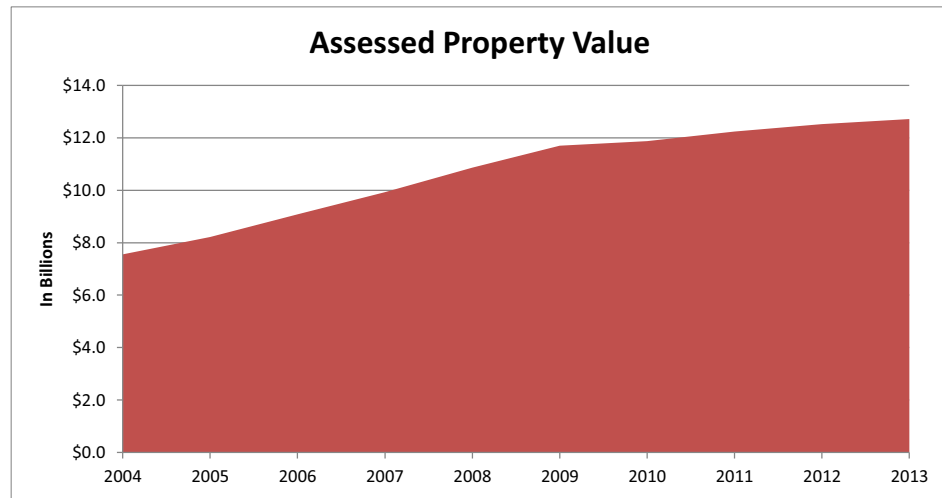
**Exhibit A-16**

| <u>Governmental Unit</u>                 | <u>Gross<br/>Bonded Debt<br/>Balance</u> | <u>Percentage<br/>Applicable<br/>To City</u> | <u>Net<br/>Bonded<br/>Debt</u> |
|--|--|--|--------------------------------|
| <b>Direct Debt</b>                       |  |  |                                |
| Manhattan Beach UNIF 96 SER A DS         | \$ 6,868,584                             | 100.000%                                     | \$ 6,868,584                   |
| Manhattan Beach UNIF DS 1998 SER B       | 5,512,503                                | 100.000%                                     | 5,512,503                      |
| Manhattan Beach USD DS 1999 SER C        | 3,089,575                                | 100.000%                                     | 3,089,575                      |
| Manhattan Beach USD DS 2001 SER D        | 3,985,803                                | 100.000%                                     | 3,985,803                      |
| Manhattan Beach USD DS 2000 SER A        | 4,628,829                                | 100.000%                                     | 4,628,829                      |
| Manhattan Beach USD DS 1995 SER E        | 6,766,026                                | 100.000%                                     | 6,766,026                      |
| Manhattan Beach USD DS 2000 SER B        | 7,651,589                                | 100.000%                                     | 7,651,589                      |
| Manhattan Beach USD DS 2004 REF BDS      | 14,115,000                               | 100.000%                                     | 14,115,000                     |
| Manhattan Beach USD DS 2008 2009 SER A   | 9,738,877                                | 100.000%                                     | 9,738,877                      |
| Manhattan Beach USD 2008, 2010 SER B     | 11,335,000                               | 100.000%                                     | 11,335,000                     |
| Manhattan Beach USD DS 2008, 2011 SER C  | 15,190,000                               | 100.000%                                     | 15,190,000                     |
| Manhattan Beach USD DS 2008 2012 SER D   | 22,625,000                               | 100.000%                                     | 22,625,000                     |
| <b>Total Direct Debt</b>                 |  |  | <b><u>111,506,786</u></b>      |
| <b>Overlapping Debt</b>                  |  |  |                                |
| Metropolitan Water District              | 79,696,126                               | 1.440%                                       | 1,147,882                      |
| El Camino CCS DS 2002 S-2003A            | 1,790,000                                | 15.531%                                      | 277,998                        |
| El Camino CCS DS 2005 REF BONDS          | 69,346,609                               | 15.531%                                      | 10,769,971                     |
| El Camino CCS DS 2002 SER 2006B          | 88,880,000                               | 15.531%                                      | 13,803,632                     |
| El Camino CCS DS 2002 SER 2012C          | 180,812,882                              | 15.531%                                      | 28,081,396                     |
| <b>Total Overlapping Debt</b>            |  |  | <b><u>54,080,880</u></b>       |
| <b>Total Direct and Overlapping Debt</b> |  |  | <b><u>\$ 165,587,666</u></b>   |

In this particular instance of overlapping debt, overlapping governments are those whose boundaries whole or in part contained within the boundaries of a District that is issuing debt. The percent of overlap is based on the ratio assessed value of the land of the government to that of total assessed valuation of all governments within that district.

**City of Manhattan Beach  
Legal Debt Margin Information,  
Last Ten Fiscal Years**

|   | Fiscal Year           |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | <u>2004</u>           | <u>2005</u>           | <u>2006</u>           | <u>2007</u>           | <u>2008</u>           |
| Total Assessed Value  | \$ 7,554,435,006      | \$ 8,216,800,523      | \$ 9,080,889,082      | \$ 9,925,464,834      | \$ 10,861,350,753     |
| Legal debt limit (3.75%)  | 283,291,313           | 308,130,020           | \$ 340,533,341        | \$ 372,204,931        | \$ 407,300,653        |
| Total net debt applicable to limit                                      | -                     | -                     | -                     | -                     | -                     |
| Legal debt margin   | <u>\$ 283,291,313</u> | <u>\$ 308,130,020</u> | <u>\$ 340,533,341</u> | <u>\$ 372,204,931</u> | <u>\$ 407,300,653</u> |
| Total net debt applicable to the limit<br>as a percentage of debt limit | 0.00%                 | 0.00%                 | 0.00%                 | 0.00%                 | 0.00%                 |
| Assessed Value Growth   | 9.12%                 | 8.77%                 | 10.52%                | 9.30%                 | 9.43%                 |

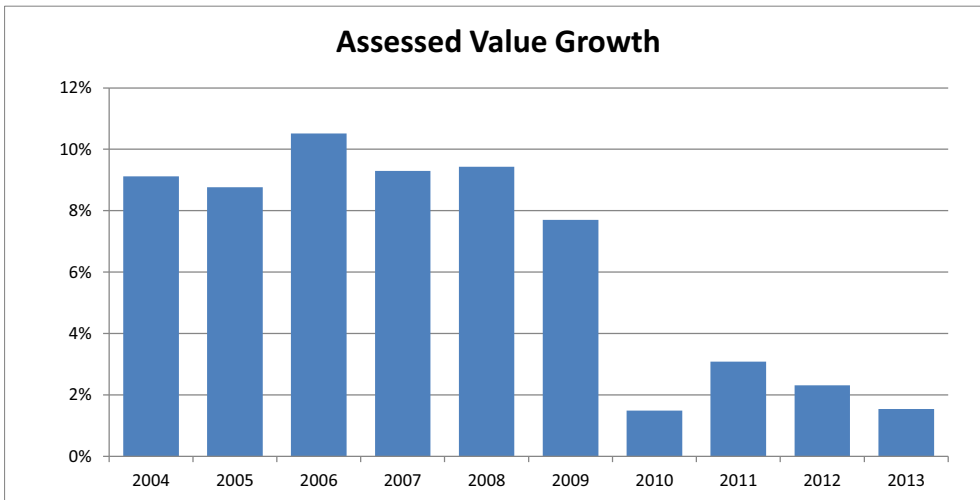


Source: City of Manhattan Beach Finance Department Historical CAFRs

| Fiscal Year           |                       |                       |                       |                       |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <u>2009</u>           | <u>2010</u>           | <u>2011</u>           | <u>2012</u>           | <u>2013</u>           |
| \$ 11,697,899,600     | \$ 11,871,677,111     | \$ 12,237,969,961     | \$ 12,520,934,520     | \$ 12,713,329,765     |
| 438,671,235           | 445,187,892           | 458,923,874           | 469,535,045           | 476,749,866           |
| -                     | -                     | -                     | -                     | -                     |
| <u>\$ 438,671,235</u> | <u>\$ 445,187,892</u> | <u>\$ 458,923,874</u> | <u>\$ 469,535,045</u> | <u>\$ 476,749,866</u> |

|       |       |       |       |       |
|-------|-------|-------|-------|-------|
| 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
|-------|-------|-------|-------|-------|

|       |       |       |       |       |
|-------|-------|-------|-------|-------|
| 7.70% | 1.49% | 3.09% | 2.31% | 1.54% |
|-------|-------|-------|-------|-------|



**City of Statistical  
Pledged-Revenue Coverage,  
Last Ten Fiscal Years**

**Water - Wastewater Debt Service Principal and Interest**

| Fiscal<br>Year | Utility<br>Service<br>Charges | (a) Less:<br>Operating<br>Expenses | Net<br>Available<br>Revenue | Debt Service |            |
|----------------|-------------------------------|------------------------------------|-----------------------------|--------------|------------|
|                |                               |                                    |                             | Principal    | Interest   |
| 2004           | \$ 7,856,711                  | \$ 6,454,773                       | \$ 1,401,938                | \$ 85,000    | \$ 235,340 |
| 2005           | 8,102,158                     | 6,957,411                          | 1,144,747                   | 90,000       | 229,112    |
| 2006           | 8,287,096                     | 6,993,409                          | 1,293,687                   | 95,000       | 224,121    |
| 2007           | 8,560,647                     | 7,864,351                          | 696,296                     | 100,000      | 218,804    |
| 2008           | 8,136,116                     | 8,053,961                          | 82,155                      | 105,000      | 213,205    |
| 2009           | 8,697,768                     | 9,060,376                          | (362,608)                   | 110,000      | 218,235    |
| 2010           | 9,668,966                     | 9,129,202                          | 539,764                     | 115,000      | 212,345    |
| 2011           | 12,149,167                    | 9,230,873                          | 2,918,294                   | 120,000      | 205,769    |
| 2012           | 15,572,398                    | 9,431,747                          | 6,140,651                   | 130,000      | 201,090    |
| 2013 (c)       | 18,322,361                    | 10,105,431                         | 8,216,930                   | 85,000       | 93,150     |

*(a) Operating Expense less depreciation expense*

*(b) Interest expense includes discount amortization, trustee fees and other debt management expenses*

*(c) Refunding bonds - please refer to footnotes regarding bond refunding*



| <b>Parking Debt Service Principal and Interest</b> |                                     |   |                                      |                     |                 |                           |
|--|-------------------------------------|---|--------------------------------------|---------------------|-----------------|---------------------------|
| <b>Times<br/>Coverage</b>                          | <b>Parking<br/>Fund<br/>Revenue</b> | <b>(a) Less:<br/>Operating<br/>Expenses</b> | <b>Net<br/>Available<br/>Revenue</b> | <b>Debt Service</b> |                 | <b>Times<br/>Coverage</b> |
|  |                                     |   |                                      | <b>Principal</b>    | <b>Interest</b> |                           |
| 4.38   | \$ 922,325                          | \$ 325,197                                  | \$ 597,128                           | \$ -                | \$ 597,671      | 1.00                      |
| 3.59   | 964,598                             | 357,360                                     | 607,238                              | 255,000             | 595,321         | 0.71                      |
| 4.05   | 1,149,312                           | 511,760                                     | 637,552                              | 260,000             | 590,171         | 0.75                      |
| 2.18   | 1,411,406                           | 693,207                                     | 718,199                              | 265,000             | 584,590         | 0.85                      |
| 0.26   | 1,355,513                           | 644,225                                     | 711,288                              | 270,000             | 577,896         | 0.84                      |
| (1.10)   | 1,735,739                           | 664,415                                     | 1,071,324                            | 280,000             | 585,311         | 1.24                      |
| 1.65   | 1,591,919                           | 789,917                                     | 802,002                              | 285,000             | 575,046         | 0.93                      |
| 8.96   | 2,094,783                           | 765,202                                     | 1,329,581                            | 300,000             | 564,432         | 1.54                      |
| 18.55  | 2,302,557                           | 988,324                                     | 1,314,233                            | 310,000             | 552,580         | 1.52                      |
| 46.12  | 2,305,348                           | 1,326,796                                   | 978,552                              | 360,000             | 342,475         | 1.39                      |

Source: City of Manhattan Beach Finance Department and Historical CAFRs



**This Page Left Blank Intentionally**

## **Statistical Section**

### **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 and to help make comparisons over time and with other governments.*

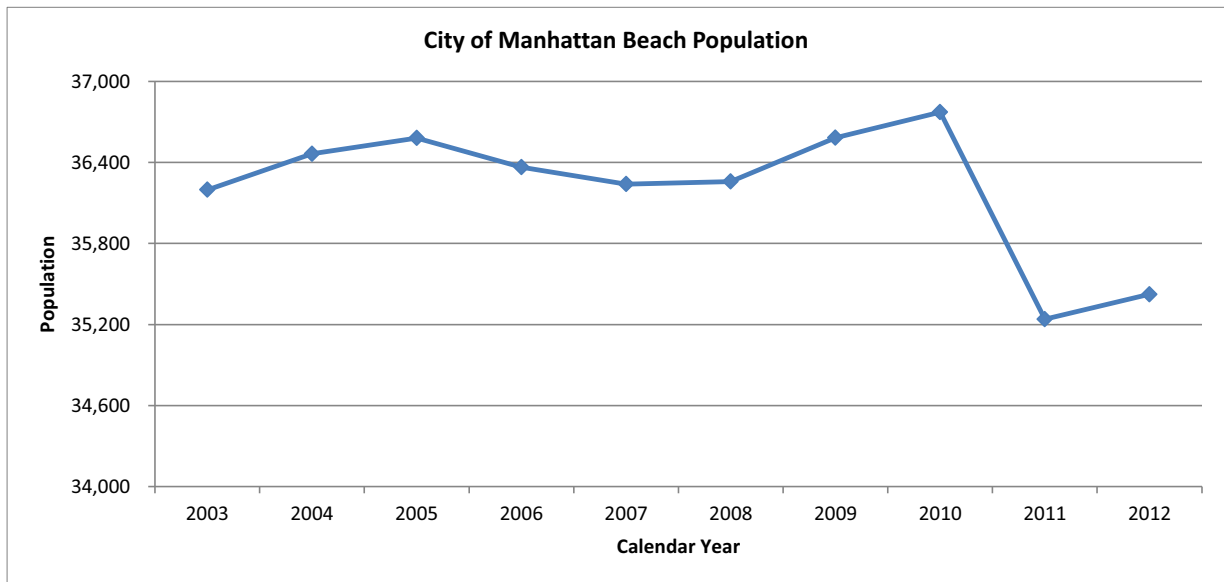
**City of Manhattan Beach  
Demographic and Economic Statistics,  
Last Ten Calendar Years**

**Exhibit A-19**

| <b>Calendar Year</b> | <b>Population (a)</b> | <b>Man Beach Personal Income (in thousands)</b> | <b>Personal Income L.A. County* (in thousands)</b> | <b>Per Capita Personal Income L.A. County*</b> | <b>Per Capita Personal Income Man Beach</b> | <b>Unempl Rate</b> | <b>School Enrollment</b> |
|----------------------|-----------------------|---|--|--|---|--------------------|--------------------------|
| 2003                 | 36,198                | \$ 2,294,710                                    | \$ 310,044,000                                     | \$ 31,070                                      | \$ 63,393                                   | 2.4%               | 6,434                    |
| 2004                 | 36,464                | 2,398,962                                       | 329,048,000  | 32,569   | 65,790                                      | 2.2%               | 6,354                    |
| 2005                 | 36,581                | 2,491,204                                       | 349,868,000  | 34,214   | 68,101                                      | 1.8%               | 6,260                    |
| 2006                 | 36,364                | 2,601,304                                       | 370,860,000  | 36,196   | 71,535                                      | 1.6%               | 6,266                    |
| 2007                 | 36,240                | 2,675,144                                       | 379,824,000  | 36,762   | 73,817                                      | 1.7%               | 6,307                    |
| 2008                 | 36,258                | 2,695,604                                       | 411,000,000  | 39,657   | 74,345                                      | 2.6%               | 6,282                    |
| 2009                 | 36,583                | 2,659,307                                       | 392,000,000  | 37,718   | 72,692                                      | 4.1%               | 6,560                    |
| 2010                 | 36,773                | 2,830,050                                       | 405,000,000  | 38,789   | 76,960                                      | 4.5%               | 6,602                    |
| 2011                 | 35,239                | 2,802,945                                       | 431,100,000 <sup>F</sup>                           | 43,458 <sup>F</sup>                            | 79,541                                      | 4.4%               | 6,651                    |
| 2012                 | 35,423                | 2,850,383                                       | 444,200,000 <sup>F</sup>                           | 44,598   | 80,467                                      | 3.2%               | 6,768                    |

(a) Source: HdL Companies.

\* Represents fiscal year ended June 30th. Source: County of Los Angeles Comprehensive Annual Financial Report for FY 2012.



Source: HdL Coren Cone, US Census Bureau; Manhattan Beach School District; Calif Labor Market; Bureau of Econ Analysis; Los Angeles County Economic Development Corp; Department of Transportation

**City of Manhattan Beach  
Principal Employers  
Current Year**

**Exhibit A-20**

| <b><u>Employer</u></b>       | <b>2013</b>             |  |
|------------------------------|-------------------------|--|
|                              | <b><u>Employees</u></b> | <b><u>Percentage<br/>of Total<br/>Employment</u></b> |
| Northrop Grumman             | 1,865                   | 20.72%   |
| Kinecta Federal Credit Union | 550                     | 6.11%  |
| Target Corporation           | 405                     | 4.50%  |
| Skechers USA Inc.            | 356                     | 3.96%  |
| City of Manhattan Beach      | 271                     | 3.01%  |
| Macy's West LLC              | 271                     | 3.01%  |
| Fry's Electronics Inc.       | 264                     | 2.93%  |
| Marriott- HMC Interstate     | 233                     | 2.59%  |
| Skechers USA Inc.            | 170                     | 1.89%  |
| Ralphs Grocery Co.           | 167                     | 1.86%  |
| Skechers USA Inc.            | 148                     | 1.64%  |
| Bristol Farms                | 129                     | 1.43%  |
| Olive Garden                 | 117                     | 1.30%  |
| Houston's Restaurants Inc.   | 115                     | 1.28%  |
| 24 Hour Fitness              | 108                     | 1.20%  |
| California Pizza Kitchen     | 106                     | 1.18%  |
| Tecolote Research            | 100                     | 1.11%  |
| Il Fornaio                   | 99                      | 1.10%  |
| MB Country Club              | 90                      | 1.00%  |
| Chili's Grill & Bar          | 85                      | 0.94%  |
| Manhattan Beach Toyota       | 82                      | 0.91%  |
| Islands Restaurant           | 75                      | 0.83%  |
| Recreational Equipment Inc.  | 75                      | 0.83%  |
| Belamar Hotel                | 71                      | 0.79%  |
| Old Navy #6043               | 71                      | 0.79%  |
| Shade Hotel                  | 70                      | 0.78%  |
| <b>Total</b>                 | <b><u>6,093</u></b>     | <b><u>67.70%</u></b>                                 |

*Data from 2002 not available. Earliest data available is from 2006.*

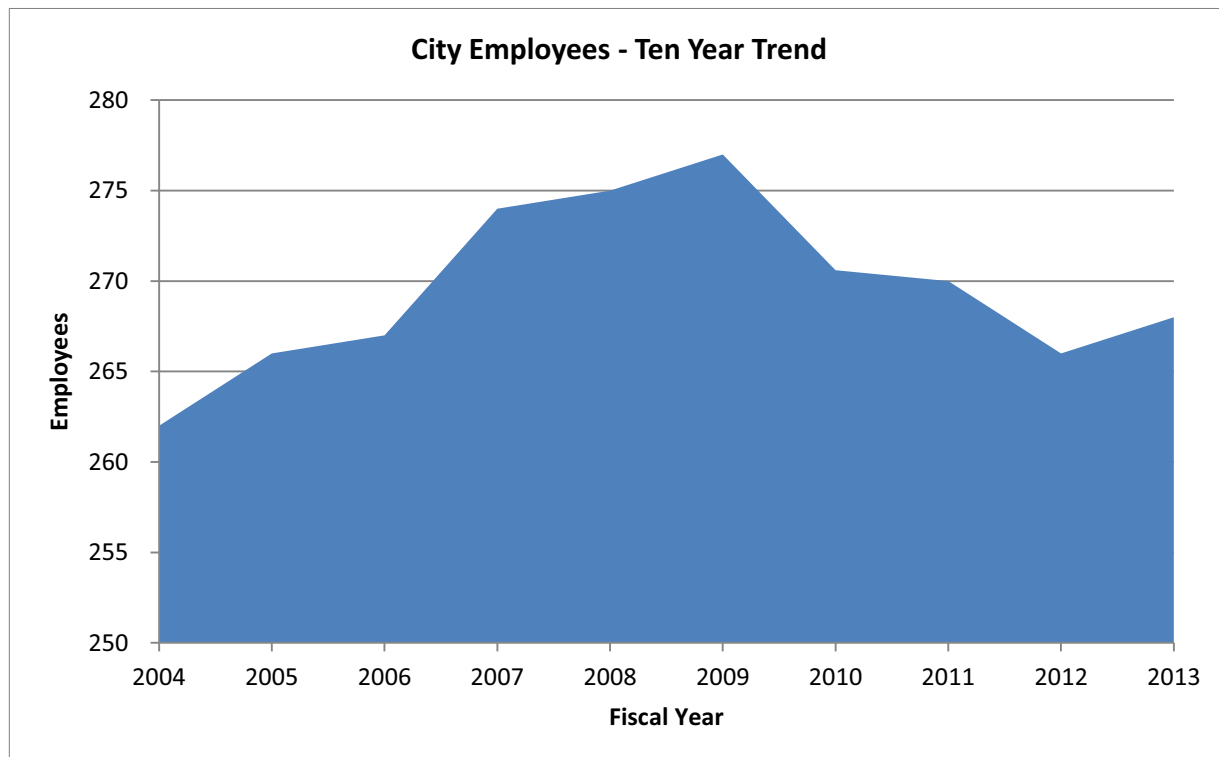


**This Page Left Blank Intentionally**

**City of Manhattan Beach**  
**Full-time Authorized City Employees by Function/Program,**  
**Last Ten Fiscal Years**

**Exhibit A-21**

| <u>Function/Program</u> | <u>Full-time Authorized Employees as of June 30</u> |             |             |             |             |             |             |             |             |             |
|-------------------------|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                         | <u>2004</u>   | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
| General government      |   |             |             |             |             |             |             |             |             |             |
| Management services     | 13  | 13          | 13          | 13          | 14          | 14          | 14          | 14          | 13          | 12          |
| Finance                 | 20  | 20          | 20          | 21          | 21          | 21          | 20          | 20          | 20          | 20          |
| Human Resources         | 7   | 7           | 7           | 7           | 7           | 7           | 7           | 7           | 6           | 6           |
| Planning & Building     | 21  | 21          | 21          | 22          | 22          | 22          | 20          | 20          | 19          | 20          |
| Parks and Recreation    | 16  | 16          | 16          | 19          | 19          | 19          | 20          | 20          | 20          | 20          |
| Police                  |   |             |             |             |             |             |             |             |             |             |
| Officers                | 64  | 64          | 64          | 65          | 65          | 65          | 63          | 64          | 62          | 65          |
| Civilians               | 33  | 35          | 35          | 35          | 35          | 35          | 35          | 34          | 35          | 36          |
| Fire                    |   |             |             |             |             |             |             |             |             |             |
| Firefighters & officers | 30  | 30          | 30          | 30          | 30          | 30          | 30          | 30          | 30          | 30          |
| Civilians               | 1   | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Public works            |   |             |             |             |             |             |             |             |             |             |
| Engineering             | 6   | 7           | 7           | 7           | 7           | 9           | 8           | 8           | 8           | 8.2         |
| Water                   | 11  | 12          | 12          | 13          | 13          | 13          | 13.5        | 14.25       | 14.25       | 11.7        |
| Wastewater              | 3   | 3           | 4           | 4           | 4           | 3           | 3.1         | 3.35        | 3.35        | 3.3         |
| Other                   | 37  | 37          | 37          | 37          | 37          | 38          | 36          | 34.4        | 34.4        | 34.8        |
| <b>Total</b>            | <u>262</u>  | <u>266</u>  | <u>267</u>  | <u>274</u>  | <u>275</u>  | <u>277</u>  | <u>271</u>  | <u>270</u>  | <u>266</u>  | <u>268</u>  |



Source: City of Manhattan Beach Finance Department

**CITY OF MANHATTAN BEACH**  
**SCHEDULE OF INSURANCE IN FORCE**

June 30, 2013

| <u>TYPE OF COVERAGE</u>  | <u>POLICY NUMBER</u> | <u>FROM</u> |
|--|----------------------|-------------|
| <b>Liability</b><br>Self-Insured   | RXL-4628397-00       | 07/01/12    |
| <b>Excess Liability</b><br>Independent Cities Risk Management<br>ICRMA (Pool)                            | ICAPL 1014           | 07/01/12    |
| Argonaut - Primary   | RXL-4628397-00       | 07/01/12    |
| Torus  |                      | 07/01/12    |
| Scor Re  |                      | 07/01/12    |
| <b>Building &amp; Property (All City excluding EQ/FL to public safety building)</b><br>Lexington-Primary | 019946866            | 07/01/12    |
| Other Carriers   | Various              | 07/01/12    |
| <b>Building &amp; Property Public Safety Building EQ/FL</b><br>Various Carriers - Public Safety Bldg     | Various              | 07/01/12    |
| Princeton E&S  | B2A3IM0001407-02     |             |
| Hermitage Ins Co   | IMPEW00079-12        |             |
| Ins Co of the West   | XCH2163426 05        |             |
| <b>Workers' Comp.</b><br>Self-Insured  | -                    | 07/01/12    |
| <b>Excess Workers' Comp.</b><br>ICRMA (Pool)   | ICRMA2012-1WC        | 07/01/12    |
| Safety National  | SP4044260            | 07/01/12    |
| <b>Public Officials,<br/>Faithful Performance<br/>&amp; Fidelity Bonds</b><br>Hartford                   |                      |             |
| <b>Employee Dishonesty<br/>(Crime), Replaces Public<br/>Officials</b>                                    | 02-420-55-40         | 07/01/12    |



**CITY OF MANHATTAN BEACH  
SCHEDULE OF INSURANCE IN FORCE**

June 30, 2013

| <u>TO</u> | <u>LIMITS OF COVERAGE</u>   | <u>ANNUAL PREMIUM</u> |
|-----------|---|-----------------------|
| 06/30/13  | \$500,000 per occurrence  |                       |
| 06/30/13  | \$4,500,000 excess of \$500,000   | \$418,722             |
| 06/30/13  | \$5,000,000 excess of \$5,000,000   | Included in above     |
| 06/30/13  | \$10,000,000 excess of \$10,000,000   | Included in above     |
| 06/30/13  | \$10,000,000 excess of \$20,000,000   | Included in above     |
| 06/30/13  | \$97,609,264  | \$366,112.00          |
| 06/30/13  | Earthquake & Flood shared proportionally  |                       |
| 06/30/13  | \$29,678,845<br>\$10,000,000 1st Layer<br>\$5,000,000 2nd Layer<br>\$14,678,845 3rd Layer | \$70,425.00           |
| 06/30/13  | \$750,000 per occurrence  | -                     |
| 06/30/13  | \$5M xs \$750,000   | \$182,973             |
| 06/30/13  | \$100,000,000 xs \$5M Retention   |                       |
| 06/30/13  | 1,000,000   | 1,687                 |

City of Manhattan Beach  
 Operating Indicators by Function/Program,  
 Last Ten Fiscal Years

Exhibit A-23

| <u>Function/Program</u>                             | <u>Fiscal Year</u> |             |             |             |             |             |             |             |             |             |
|---|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|   | <u>2004</u>        | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
| General government                                  |                    |             |             |             |             |             |             |             |             |             |
| Building permits issued                             | 3,539              | 3,269       | 3,829       | 3,477       | 1,142       | 1,077       | 1,254       | 1,318       | 1,484       | 1,339       |
| Building inspections conducted                      | 18,338             | 16,564      | 18,170      | 18,021      | 14,634      | 11,401      | 9,544       | 9,676       | 10,298      | 11,165      |
| Police  |                    |             |             |             |             |             |             |             |             |             |
| Arrests   | 926                | 1,081       | 1,179       | 1,359       | 1,247       | 1,242       | 1,224       | 1,007       | 1,387       | 1,173       |
| Parking citations                                   | 66,718             | 54,091      | 54,214      | 57,807      | 57,356      | 71,810      | 72,789      | 70,001      | 68,080      | 63,624      |
| Traffic citations                                   | 6,417              | 5,340       | 5,774       | 6,461       | 6,726       | 6,674       | 9,513       | 8,591       | 9,605       | 6,890       |
| Fire (a)  |                    |             |             |             |             |             |             |             |             |             |
| Emergency responses                                 | 2,693              | 2,719       | 2,469       | 2,831       | 2,958       | 3,158       | 3,036       | 3,100       | 3,254       | 3,176       |
| Fires extinguished                                  | 114                | 98          | 75          | 103         | 126         | 124         | 94          | 98          | 94          | 95          |
| Inspections   | 920                | 923         | 900         | 975         | 995         | 1,155       | 1,300       | 973         | 1,650       | 933         |
| Refuse collection                                   |                    |             |             |             |             |             |             |             |             |             |
| Refuse collected (tons per day)                     | 84.1               | 73.7        | 77.8        | 63.0        | 58.7        | 58.09       | 62.33       | 60.27       | 47.78       | 43.55       |
| Recyclables collected (tons per day)                | 28.5               | 34.6        | 28.6        | 61.0        | 52.2        | 39.22       | 42.44       | 44.07       | 45.18       | 48.16       |
| Other public works                                  |                    |             |             |             |             |             |             |             |             |             |
| Street resurfacing (miles)                          | 1.0                | 2.3         | 0.4         | 1.2         | 1.2         | 3.6         | 8.5         | 6.6         | 3.9         | -           |
| Parks and recreation                                |                    |             |             |             |             |             |             |             |             |             |
| Athletic field permits issued                       | 4,092              | 4,083       | 3,460       | 2,949       | 4,464       | 4,246       | 4,501       | 4,887       | 5,901       | 7,002       |
| Community center admissions*                        | 93,495             | 125,554     | 166,910     | 150,041     | 153,628     | 143,441     | 134,144     | 147,630     | 41,374      | 89,134      |
| Water   |                    |             |             |             |             |             |             |             |             |             |
| Water main breaks                                   | 5                  | 7           | 5           | 10          | 2           | -           | -           | 4           | 3           | 4           |
| Average daily consumption<br>(thousands of gallons) | 6,395              | 6,223       | 6,203       | 6,020       | 6,018       | 4,819       | 5,096       | 4,900       | 4,920       | 5,123       |
| Peak daily consumption<br>(thousands of gallons)    | 7,360              | 7,300       | N/A         | 7,265       | 7,168       | 5,783       | 7,644       | 7,350       | 6,712       | 6,989       |
| Transportation                                      |                    |             |             |             |             |             |             |             |             |             |
| Total route miles                                   | 31,469             | 31,936      | 31,849      | 32,940      | 46,749      | 43,406      | 51,736      | 65,517      | 43,461      | 38,995      |
| Passengers  | 9,742              | 9,654       | 9,142       | 9,785       | 11,911      | 12,842      | 14,945      | 18,831      | 18,899      | 16,039      |

(a) Represents calendar year data.

\* The Community Centers underwent a full renovation. Both centers were fully operational by January 2013.

**City of Statistical  
Capital Asset Statistics by Function/Program,  
Last Ten Fiscal Years**

**Exhibit A-24**

| <u>Function/Program</u>            | <u>Fiscal Year</u> |             |             |             |             |             |             |             |             |             |
|------------------------------------|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                                    | <u>2004</u>        | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
| Police                             |                    |             |             |             |             |             |             |             |             |             |
| Stations                           | 1                  | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Patrol units                       | 22                 | 23          | 23          | 23          | 23          | 23          | 23          | 23          | 23          | 23          |
| Fire stations                      | 2                  | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Other public works                 |                    |             |             |             |             |             |             |             |             |             |
| Streets (miles)                    | 110                | 110         | 110         | 110         | 110         | 110         | 110         | 110         | 108         | 108         |
| Highways (miles)                   | 10                 | 10          | 10          | 10          | 10          | 10          | 10          | 10          | 10          | 10          |
| Parks and recreation               |                    |             |             |             |             |             |             |             |             |             |
| Acreage                            | 80.88              | 80.88       | 80.88       | 80.88       | 80.88       | 80.88       | 80.88       | 80.88       | 80.88       | 80.88       |
| Baseball/softball diamonds         | 13                 | 13          | 13          | 13          | 13          | 13          | 13          | 13          | 13          | 13          |
| Soccer/football fields             | 15                 | 15          | 15          | 15          | 15          | 15          | 15          | 15          | 15          | 15          |
| Community centers                  | 2                  | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Water                              |                    |             |             |             |             |             |             |             |             |             |
| Water mains (miles)                | -                  | -           | 106         | 106         | 106         | 106         | 106         | 106         | 106         | 106         |
| Fire hydrants                      | -                  | -           | 667         | 669         | 670         | 671         | 775         | 774         | 774         | 774         |
| Storage capacity (1000s Gallons)   | -                  | -           | 9,830       | 9,830       | 9,830       | 9,830       | 9,830       | 9,800       | 9,800       | 9,800       |
| Wastewater                         |                    |             |             |             |             |             |             |             |             |             |
| Sanitary sewers (miles)            | -                  | -           | 84.0        | 84.0        | 84.0        | 84.0        | 84.0        | 81.6        | 82.0        | 82.0        |
| Storm sewers (miles)               | -                  | -           | 16.0        | 16.0        | 16.0        | 16.0        | 16.0        | 25.0        | 25.0        | 25.0        |
| Treatment capacity (1000s Gallons) | -                  | -           | -           | -           | -           | -           | -           | -           | -           | -           |
| Transportation—minibuses           | 4                  | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           |

Source: City of Manhattan Beach Departments

**CITY OF MANHATTAN BEACH**  
**DEMOGRAPHIC STATISTICAL DATA**  
**Official Results from the 2010 US Census**

**Population distribution by ethnic group (one race):**

|                                   | <u>Number of<br/>Persons</u> | <u>Percent</u>     |
|-----------------------------------|------------------------------|--------------------|
| White                             | 29,686                       | 84%                |
| Asian                             | 3,023                        | 9%                 |
| Black or African American         | 290                          | 1%                 |
| American Indian and Alaska Native | 59                           | 0%                 |
| Other                             | <u>2,077</u>                 | <u>6%</u>          |
|                                   | <u><u>35,135</u></u>         | <u><u>100%</u></u> |

**Household Type:**

|                | <u>Number of<br/>Persons</u> | <u>Percent</u>     |
|----------------|------------------------------|--------------------|
| Family:        |                              |                    |
| Married couple | 7,583                        | 54%                |
| Female head    | 892                          | 6%                 |
| Male head      | 438                          | 3%                 |
| Nonfamily      | <u>5,125</u>                 | <u>37%</u>         |
|                | <u><u>14,038</u></u>         | <u><u>100%</u></u> |

**Population distribution by age group:**

|               | <u>Number of<br/>Persons</u> | <u>Percent</u>     |
|---------------|------------------------------|--------------------|
| Under 5 years | 2,031                        | 6%                 |
| 5-14          | 5,264                        | 15%                |
| 15-24         | 3,170                        | 9%                 |
| 25-44         | 9,532                        | 27%                |
| 45-59         | 8,508                        | 24%                |
| 60-64         | 2,173                        | 6%                 |
| 65 and over   | <u>4,457</u>                 | <u>13%</u>         |
|               | <u><u>35,135</u></u>         | <u><u>100%</u></u> |

**Population distribution by gender:**

|        | <u>Number of<br/>Persons</u> | <u>Percent</u>     |
|--------|------------------------------|--------------------|
| Male   | 17,605                       | 50%                |
| Female | <u>17,530</u>                | <u>50%</u>         |
|        | <u><u>35,135</u></u>         | <u><u>100%</u></u> |



# **Bond Disclosure**



## **Bond Disclosure Section**

### **Continuing Disclosure Requirements**

*The following section provides information to fulfill the City's bond continuing disclosure requirements of material events, delinquencies, and other financial data not otherwise contained in the audited financial reports.*

## Continuing Disclosure Requirements

This section is provided in accordance with the Continuing Disclosure requirements, as set forth in the offering statements of the following debt issues:

- Underground Assessment District Bonds (04-01, 04-03, 04-05, 05-02, 05-06)
- Police/Fire Certificates of Participation
- Pension Obligation Bonds
- Marine Variable Rate Certificates of Participation
- RCC Variable Rate Certificates of Participation
- Metlox and Water/Wastewater Refunding Certificates of Participation
- Police and Fire Facility Refunding Certificates of Participation

The required Annual Report is contained herein as the Audited Financial Statements.

---

## Reporting of Events with Respect to Debt Issuance during Fiscal Year 2012-2013

### Refunding of Metlox Certificates of Participation

In January 2003, the City issued Certificates of Participation in the amount of \$13.35 million to finance public improvements at the Metlox site. These funds were used to construct a two level underground parking garage as well as a 45,000 square foot town square open space to complement the retail developments.

In January 2013, the City redeemed the Metlox COPs through the issuance of new Certificates of Participation. Estimated present value savings through refunding these bonds is estimated at \$588,776 and will generate debt service savings of approximately \$41,000 annually while maintaining a similar amortization period.

### Refunding of Water and Wastewater Bonds

In September 1996, the City issued \$4.615 million of debt in the form of Certificates of Participation. This debt was issued to finance 1996 and 1997 enterprise fund projects related specifically to the water and wastewater systems.

In August 2012, the City redeemed the Water and Wastewater bonds through the issuance of new Certificates of Participation. The present value savings through refunding these bonds at current market rates is estimated to generate savings of \$40,000 (14.53%) annually while maintaining a similar amortization period.

### Refunding of Police and Fire Bonds

In November 2004, the City issued \$12.98 million in Certificates of Participation for the construction of the Police/Fire facility. In addition there was a cash contribution from the City of 15.32 million. The debt is callable after January 2, 2014.

In February 2013, the City issued \$10.51 million in Certificates of Participation to advance refund the remaining balance of \$11.65 million of the 2004 issued. Since this debt was issued a year in advance of the call date, the refunded bonds are considered defeased as of June 30, 2013. Because the remaining period of the defeased bonds and the refunding bonds are not equal, annual savings are highly variable and present value comparison is the best means of comparison. The present value savings of these bonds using arbitrage yield of 2.77376% is \$1,647,160



### Marine Avenue Sports Fields Certificates of Participation

In fiscal year 2000-2001, the City entered into a Sale/Leaseback transaction with the Beach Cities Health District (BCHD), resulting from the City's purchase of seven acres of property located at the corner of Marine and Aviation (within the City of Manhattan Beach) from TRW (now Northrop Grumman). The City subsequently sold the property to BCHD with an exclusive agreement to lease back six of the seven acres. In fiscal year 2001-2002, the City issued variable rate Certificates of Participation in the amount of \$9.535 million to effect a full internal financing of the Sports Fields. The proceeds were used to pay in full all principal and interest obligations under the aforementioned lease with BCHD.

In October 2012, the City entered into a new letter of credit agreement with Union Bank, replacing the previous letter of credit agreement with Bank of America, and retained Loop Capital Markets as remarketing agent for the Marine Certificates of Participation, also replacing Bank of America (Merrill Lynch) in that role.

### South Bay Regional Public Communications Authority (RCC) Certificates of Participation

On January 16, 2001, the City entered into an operating agreement with the South Bay Regional Public Communications Authority (RCC). The operating agreement provided a funding mechanism for the authority to upgrade the 911 emergency telephone and radio dispatch center. As one of the participating cities, the City issued \$2.18 million in certificates of participation to assist in financing of the upgrade.

In October 2012, these bonds were redeemed using General Fund cash.

---

## **Delinquencies of Underground Assessment District Bonds for Fiscal Year 2012-2013**

*As of June 30, 2013*

| <b>PARCEL</b>                       | <b>TAX LEVIED</b> | <b>TAX PAID</b> | <b>Delinquencies</b> |
|-------------------------------------|-------------------|-----------------|----------------------|
| <b>Agency 20482 (District 05-2)</b> |                   |                 |                      |
| 4169003019                          | 3,162.18          | 1,581.09        | 1,581.09             |
| 4169008004                          | 2,788.64          | 1,394.32        | 1,394.32             |
| 4169008005                          | 2,415.09          | 1,207.54        | 1,207.55             |
| <b>Agency 20482 Total</b>           |                   |                 | <b>4,182.96</b>      |
| <b>Agency 20483 (District 05-6)</b> |                   |                 |                      |
| 4178013081                          | 1,342.44          | 671.22          | 671.22               |
| 4178013077                          | 1,342.44          | -               | 1,342.44             |
| <b>Agency 20483 Total</b>           |                   |                 | <b>2,013.66</b>      |
| <b>Agency 20492 (District 04-1)</b> |                   |                 |                      |
| 4175026031                          | 644.61            | 290.07          | 354.54               |
| 4175026033                          | 2,082.27          | -               | 2,082.27             |
| 4175030003                          | 1,041.14          | 988.05          | 53.09                |
| 4176024010                          | 842.87            | 755.70          | 87.17                |
| 4175030015                          | 1,041.14          | 520.57          | 520.57               |
| 4176024007                          | 842.87            | -               | 842.87               |
| 4176026005                          | 842.87            | 421.43          | 421.44               |
| <b>Agency 20492 Total</b>           |                   |                 | <b>4,361.95</b>      |
| <b>Agency 20493 (District 04-3)</b> |                   |                 |                      |
| 4175024007                          | 648.70            | 616.26          | 32.44                |
| 4176024027                          | 401.84            | 401.29          | 0.55                 |
| <b>Agency 20493 Total</b>           |                   |                 | <b>32.99</b>         |
| <b>Agency 20494 (District 04-5)</b> |                   |                 |                      |
| None                                |                   |                 |                      |
| <b>Agency 20494 Total</b>           |                   |                 | <b>-</b>             |
| <b>TOTAL DELIQUENCIES</b>           |                   |                 | <b>\$10,591.56</b>   |

## Update of Financial Tables (Not Otherwise Contained in the Audited Financial Statements)

As required by the offering statements for the Metlox and Water/Wastewater Refunding and Police and Fire Facility Refunding Certificates of Participation.

### **Table 12 – Variable Rate Bonds Credit Enhancement**

As of June 30, 2013

| <b>Bond</b>        | <b>Outstanding Principal</b> | <b>Letter of Credit Provider</b> | <b>Scheduled Expiration of Letters of Credit</b> |
|--------------------|------------------------------|----------------------------------|--|
| Marine Avenue COPs | \$7,235,000                  | Union Bank, N.A.                 | October 16, 2015                                 |

### **Table 13 – Investment Portfolio Summary**

As of June 30, 2013

| <b>Type of Investment</b>  | <b>Market Value</b> |
|----------------------------|---------------------|
| Cash                       | \$1,737,215         |
| Local Government Fund      | 35,786,415          |
| US Treasury & Agency Notes | 24,391,900          |
| Medium-Term Notes          | 8,161,640           |
| Certificates of Deposit    | 5,638,460           |
| Funds Held by Fiscal Agent | 2,896,640           |
| Petty Cash                 | 5,123               |
| <b>Total</b>               | <b>\$78,617,393</b> |

### **Table 14 – Unrepresented Unit and Employee Associations**

As of June 30, 2013

| <b>Employee Unit</b>                          | <b>No. Full-Time Employees*</b> | <b>Percent of Workforce</b> |
|---|---------------------------------|-----------------------------|
| Manhattan Beach Fire Association              | 26                              | 9.9%                        |
| Manhattan Beach Police Officers' Association  | 57                              | 21.8%                       |
| Manhattan Beach Police Management Association | 7                               | 2.7%                        |
| Miscellaneous Unit - Teamsters Local 911      | 116                             | 44.3%                       |
| Management/Confidential (not represented)     | 56                              | 21.4%                       |
| <b>Total</b>                                  | <b>262</b>                      | <b>100.0%</b>               |

### **Additional Information**

#### *Fitch Ratings*

As a result of the City's refunding of Metlox and Police/Fire Facility certificates of participation, in which the City selected only Standard and Poor's to rate the new issues, Fitch Ratings has withdrawn their AAA General Obligation (GO) rating for the City of Manhattan Beach. This reflects the fact that there are now no City debt issues that Fitch is monitoring, and Fitch no longer has a purpose for opining on the City's GO debt.

The City maintains triple-A general obligation ratings from both Moody's and Standard and Poor's.