

City of Manhattan Beach, California



Comprehensive Annual Financial Report

Year Ended June 30, 2014



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CITY OF MANHATTAN BEACH, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014



Prepared by the Finance Department

Bruce Moe, Finance Director



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CITY OF MANHATTAN BEACH
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION	
Letter of Transmittal.....	i
Directory of City Officials	ix
Organization Chart	x
Certificate of Achievement for Excellence in Financial Reporting.....	xi
FINANCIAL SECTION	
Independent Auditors' Report.....	1
Management's Discussion and Analysis	5
Government-Wide Financial Statements:	
Statement of Net Position	19
Statement of Activities.....	20
Governmental Funds - Fund Financial Statements:	
Balance Sheet.....	23
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	24
Statement of Revenues, Expenditures and Changes in Fund Balances.....	25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	27
Proprietary Funds Financial Statements:	
Statement of Fund Net Position	28
Statement of Revenues, Expenses and Changes in Fund Net Position.....	30
Statement of Cash Flows	32
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Position.....	34
Statement of Changes in Fiduciary Net Position	35
Notes to Financial Statements.....	37

CITY OF MANHATTAN BEACH
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

	<u>Page Number</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund.....	71
Pension Plan	
Supplemental Retirement Plan	
Schedule of Changes in Net Pension Liability and Related Ratios.....	72
Schedule of Employer Contributions	73
Schedule of Investment Returns	74
Single Highest Year Plan	
Schedule of Changes in Net Pension Liability and Related Ratios.....	75
Schedule of Employer Contributions	76
Schedule of Investment Returns	77
Notes to Required Supplementary Information	79
SUPPLEMENTARY SCHEDULES	
Combining Balance Sheet - Nonmajor Governmental Funds	87
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	90
Budgetary Comparison Schedules - Special Revenue Funds:	
Street Lighting and Landscape	93
Gas Tax.....	94
Asset Forfeiture	95
Public Safety Grants	96
Proposition A.....	97
Proposition C.....	98
AB 2766	99
Measure R.....	100
Budgetary Comparison Schedules - Capital Projects Funds:	
Capital Improvement.....	101
Underground Assessment District	102
Combining Statement of Fund Net Position - Nonmajor Enterprise Funds.....	103
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Nonmajor Enterprise Funds.....	104
Combining Statement of Cash Flows - Nonmajor Enterprise Funds.....	105

CITY OF MANHATTAN BEACH
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

	<u>Page Number</u>
SUPPLEMENTARY SCHEDULES (Continued)	
Combining Statement of Fund Net Position - Internal Service Funds.....	108
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds.....	109
Combining Statement of Cash Flows - Internal Service Funds.....	110
Combining Balance Sheet - All Agency Funds	112
Statement of Changes in Assets and Liabilities – All Agency Funds	113
STATISTICAL SECTION	
Financial Trends	
Net Position by Component.....	118
Changes in Net Position.....	120
Program Revenues by Function/Program.....	125
Fund Balances, Governmental Funds.....	126
Revenue Capacity	
Change in Fund Balances, Governmental Funds	130
Taxes & Assessment Revenues by Source, Governmental Funds and Assessment	133
Assessed Value and Estimated Actual Value of Taxable Property.....	134
Direct and Overlapping Debt Property Tax Rates.....	137
Principal Property Tax Payers Based on Net Values.....	138
Property Tax Levies and Collections.....	141
Taxable Sales by Category	142
Direct and Overlapping Sales Tax Rates	144
Principal Sales Tax Remitters	145
Debt Capacity	
Ratios of Outstanding Debt by Type	148
Direct and Overlapping Governmental Activities Debt.....	151
Legal Debt Margin Information.....	152
Pledged-Revenue Coverage.....	154
Demographic and Economic Information	
Demographic and Economic Statistics.....	158
Principal Employers.....	159
Full-time Authorized City Employees By Function/Program	161
Schedule of Insurance in Force	162
Operating Indicators by Function/Program	164
Capital Asset Statistics by Function/Program	165
Demographic Statistical Data.....	166
Bond Disclosure Section	167



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January 20, 2015

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, 2014. 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, which met with the auditor and discussed the results in December 2014.

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 unmodified opinion and that the City of Manhattan Beach's financial statements for the fiscal year ended June 30, 2014, 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.

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 the South Bay region of Los Angeles County. The current population¹ is 35,619. 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	

¹ State of California Department of Finance, January 2014

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 2.7% unemployment rate, compared to Los Angeles County at 7.9% and the State of California at 7.2%².

² State of California Employment Development Department, December 19, 2014

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 2014-2015), the forecast concluded that unassigned General Fund balances will remain in a range from an estimated \$17.4 million at the end of FY 2014-2015 to \$16.0 million in FY 2018-2019. 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) for 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 2014-2015 budget document, available on line at www.citymb.info. It will be updated for the FY 2015-2016 budget to reflect FY 2013-2014 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 working with the County on the construction of a new library in the civic center. 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 12,500 square feet to approximately 22,000 square feet. The Grand Opening is expected in April 2015.

Manhattan Village Mall Enhancement Project

On December 2, 2014, the City Council approved the Mall Expansion Project with additional conditions. The approval allows construction of Phases 1 and 2, and defers Phase 3 (Fry's corner) for future public review and input. Phase 1 totals 50,000 square feet with restaurant and retail uses. Phase 2, totals 60,000 square feet and includes the consolidation and expansion of the Macy's property. Upon completion, the shopping center will total approximately 686,500 square feet. As a next step, the City will be working closely with the developer and property owners on a schedule for construction of the project.

Sepulveda Bridge Widening Project

The Sepulveda Bridge is located on Sepulveda Boulevard (State Route 1) between Rosecrans Avenue and 33rd Street. The existing bridge currently has 3 northbound and 3 southbound lanes in

each direction and serves an average of 71,000 vehicles per day. Sepulveda Boulevard immediately north and south of the bridge has 3 southbound and 4 northbound lanes. The proposed project will widen the east side of the bridge to provide a fourth northbound lane to remove the existing bottleneck at the bridge. Sepulveda Boulevard, including the bridge, is owned and maintained by Caltrans. Due to the local significance of the roadway, the City entered into an agreement with Caltrans in February 2009 to widen the bridge as a joint project with the City taking the lead and Caltrans serving in a supporting role. Since then, the City has secured project funding. The total budgeted project cost is \$21.6 million, \$17.4 funded by grants. Once approved by the City Council, construction is expected to start in October, 2015.

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 2014 to 2013, the total fund balance increased by \$1,309,575. General Fund revenues exceeded expenditures by \$2,113,773. Other Financing Sources (transfers-in, transfers-out and sale of capital assets) netted out to a negative \$804,198, largely due to the transfer of funds from the General Fund to the CIP Fund (\$763,073) to support future capital improvement projects. At the end of fiscal year 2014, the total General Fund balance equaled \$20.9 million, with an unassigned fund balance of \$18.3 million. Within the unassigned fund balance, City Council has established earmarks for financial policies and economic uncertainties of \$15.8 million, which is available for use at City Council's discretion.

General Fund transfers included:

- \$763,073 to the CIP Fund for general infrastructure improvements
- \$243,324 to the Street Lighting Fund to relieve a deficit fund balance
- \$200,458 of excess reserves from the County Lot Fund to the General Fund in line with the contract with the County of Los Angeles.

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 2014

Revenue Category	2013 Actual	2014 Actual	Increase/ (Decrease)	%
Property Tax	\$21,626,173	\$23,353,743	\$1,727,570	8.0%
Other Taxes (Sales, Hotel, Business License, etc.)	18,037,100	18,380,743	\$343,643	1.9%
Licenses and Permits (Building, Construction, Film Permits)	1,499,285	1,730,108	\$230,823	15.4%
Fines (Parking Citations, Vehicle Code Fines)	2,466,837	2,437,700	(\$29,137)	(1.2%)
Use of Money and Property (Interest, Rents and Ground Leases)	2,538,827	2,959,996	\$421,169	16.6%
Received From Other Agencies (Vehicle License Fees, Grants)	395,087	477,386	\$82,299	20.8%
Service Charges (Plan Check Fees, P&R Class, Ambulance Fees)	5,575,335	6,574,905	\$999,570	17.9%
Interfund Charges (Admin Service Charge)	2,913,324	2,913,324	-	-
Miscellaneous*	910,280	485,722	(\$424,558)	(46.6%)
Total	\$55,962,248	\$59,313,627	\$3,351,379	6.0%

*Includes proceeds from the sale of capital assets of \$1,741

Sales tax was nearly flat with budgetary estimates but down \$165,923 (1.8%) from the prior year's actual receipts. Business License Tax exceeded budget by \$90,273 (3%) and the prior year by 1%. Plan Check fees exceeded budget by \$380,838 (35%) and the prior year by 35% due to increased activity levels, resulting in a year-over-year revenue increase of \$385,311. Building Permits were up 12% from budgetary estimates, and up 18% from the prior year to \$1,031,410. Real Estate Transfer Tax revenue of \$642,718 exceeded prior year by 9% and budget by 3% due to increased real estate market activity. On an overall basis, total General Fund revenues (including sale of property) totaled \$59.3 million, up nearly \$3.4 million or 6% ahead of last year and exceeded budget estimates by \$2.6 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 2014, CIP Fund total revenues were \$1.5 million (plus one-time proceeds from sale of property of \$.7 million) and expenditures were \$1.9 million. It should be noted that on-going projected revenues less debt service result in a steady state excess of only \$.7 million, and future General Fund transfers and/or grants will be required to finance larger scale future projects.

At June 30, 2014, the total balance of the CIP Fund is \$9.7 million. Of this balance, \$9.6 million is committed for planned infrastructure projects. Committed funds for defined major capital projects at year end include:

- \$2.2 million for Downtown Streetscape projects
- \$1.7 million for the Strand stairs project
- \$1.3 million for Safe Routes to School Grant programs
- \$200,000 for Non-motorized crosswalks and bike lanes

- \$121,879 for the City Yard fuel island cover
- \$100,000 for the Parks Master Plan

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 \$7,084,879 compared to \$6,170,437 the prior year. Operating revenues increased by \$1,352,827 (9.1%), while operating expenses (labor, materials, services, etc.) rose by \$438,385 (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 rate structure became effective in January 2010 and provided for annual increases each January through 2014. The most recent increase in water rates, which is the last scheduled under the existing authorization, became effective halfway through the fiscal year, and contributed to the results which will be used to fund planned capital improvements to the utility's infrastructure, estimated at \$36.5 million over the next five years.

The Waste Water Fund net operating income for FY 2013-2014 was \$1,595,661 versus \$1,436,254 in FY 2012-2013 - a net increase of \$159,407, or 11.1%. Operating revenue increased \$232,917 (6.8%) while operating expenses increased \$73,510 (3.7%). This improvement is primarily due to new waste water rates implemented along with the water rates in January 2014. Similar to the water utility, the new rates are being utilized to fund needed capital improvements to the waste water system.

The Refuse Fund balance for fiscal year ending June 30, 2013 is being restated with this audit report. The purpose of the restatement is to recognize the street sweeping refunds issued from prior year revenues. The restatement reduced the opening fund balance by \$618,708 (the amount of refunds processed through June 30, 2014) resulting in an adjusted opening balance of \$451,477. The new net position (fund balance) in the Refuse Fund as of June 30, 2014 is \$541,605, a change of \$90,128.

The Storm Water Fund net operating loss in FY 2013-2014 was \$420,831 compared to the FY 2012-2013 loss of \$57,093. The increase is primarily due to street sweeping costs from the Refuse Fund. The amount of street sweeping cost was \$295,000. The combination of fixed assessments (which have been constant for 19 years) and rising costs currently requires a General Fund subsidy of administrative overhead, and ultimately will require cash subsidies (as budgeted in FY 2014-2015). 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.

The Street Lighting Fund continues to run deficits each year. For FY 2013-2014, expenditures exceeded revenues by \$243,324. As in the case of Storm Water Fund, assessments have been constant for 19 years. 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.

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, 2014, 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 under-grounding assessment districts. This fund accounts for assessment collections and the related debt service payments. The cash held as of June 30, 2014, will be used to pay bondholders in FY 2014-2015.

CURRENT TRENDS AND EVENTS

The local economy continues to improve from the last economic recession. The City's biggest General Fund revenue source, property tax, grew by 8% from the prior year driven by the housing recovery. This trend is expected to continue in FY 2014-2015.


Retail sales activity is improving as well, and with it, sales tax revenues, which were up from the prior year by 6.9%. Transient Occupancy Tax also grew; increasing 10.5% compared to the prior year during which construction at one of the major hotels limited room sales. The general improvement in the economy, tourism and travel is expected to continue in the coming year (LAX passenger volume is expected to grow significantly due to increases in international travel). Building related fees, such as building permits and plan check fees, continued gains from the prior year and have recovered along with the improved housing market.

As a service organization, labor accounts for the majority of costs - approximately 70% in the General Fund. Labor agreements with the four existing bargaining units (Police Officers, Police Management, Fire and Teamsters) are effective until December 2015. New agreements will be negotiated during FY 2014-2015.


Manhattan Beach has maintained a 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, 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.



Mark Danaj, City Manager



Bruce Moe, Finance Director

ELECTED OFFICIALS & EXECUTIVE STAFF

ELECTED OFFICIALS

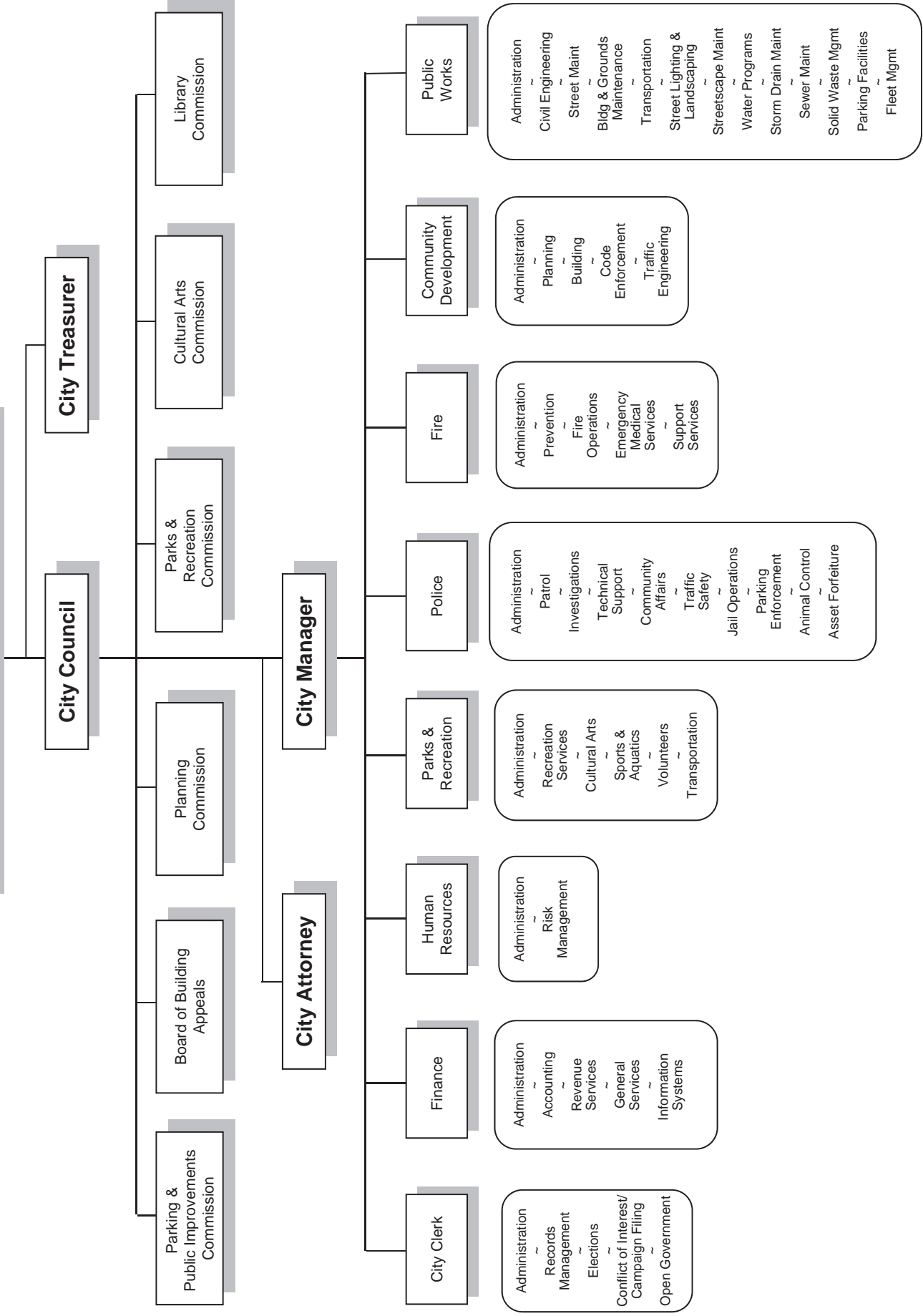
TERM ENDS

Mayor	Wayne Powell	March 2017
Mayor Pro-Tem	Mark Burton	March 2017
City Councilmembers	Tony D'Errico	March 2017
	David J. Lesser	March 2015
	Amy Thomas Howorth	March 2015
City Treasurer	Tim Lilligren	March 2017

EXECUTIVE STAFF

City Manager	Mark Danaj
Assistant City Manager	Nadine Nader
City Clerk	Liza Tamura
City Attorney	Quinn M. Barrow
Director of Finance	Bruce Moe
Director of Human Resources	Cathy Hanson
Director of Parks & Recreation	Mark Leyman
Chief of Police	Eve R. Irvine
Fire Chief	Robert Espinosa
Director of Community Development	Marisa Lundstedt
Director of Public Works	Tony Olmos

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, 2013

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 July 30, 2014



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, 2014, 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.

Auditor's 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the information on the City's Pension Trust Fund(s) as listed in the table of contents 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.

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.



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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2015 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, Soll & Lughard, LLP

Brea, California
January 9, 2015



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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, 2014. 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, 2014, the City's total net position citywide (including all governmental and business type activities) totaled \$208,497,405, an increase from the prior fiscal year of \$12,134,915, or 6.2%. This is the result of a change in net position of \$12,753,623 less the prior period restatement of net position of (\$618,708), as described in Note 9a.
 - Governmental net position for the fiscal year increased \$3,699,019 or 2.6%.
 - Business-type activity net position increased by \$8,435,896 or 15%. This is the result of a change in net position of \$9,054,604 less the prior period restatement of the Refuse Fund net position of \$618,708.
- Unrestricted net position, which may be used to meet the government's on-going obligations within certain parameters and requirements, totaled \$61,236,712. This is an increase of \$8,424,240 or 16.0% from FY 2012-2013 levels. Net income from utilities (water and wastewater) as well as revenues exceeding expenditures in the General fund contributed to this increase.
- Citywide capital assets (land, work in progress, completed) net of depreciation increased by \$952,216. Governmental net capital assets increased by \$1,080,288; capital additions of \$5,365,698 were offset by accumulated depreciation of \$3,657,125 less the net book value of disposals of \$628,285. The net book value of disposals is attributable to the sale of residential property. Business-type net capital assets decreased by \$128,072; additions were \$891,449 and increase in accumulated depreciation was \$1,019,521 (See Note 4).
- The City's bond debt decreased by \$2,360,000 during FY 2013-2014. This decrease is attributable to the scheduled principal pay down of issued bonds by both governmental activities (\$1,830,000) and business-type activities (\$530,000). Capital lease obligations decreased from \$903,841 in fiscal year 2013 to \$719,342 in fiscal year 2014 due to scheduled principal lease payments on a fire truck and sewer truck (See Note 5).
- Long-term liability and workers compensation insurance claim reserves increased by \$970,219. Growth in liability claims activity resulted in a reserve increase of \$45,622, in addition to an increase in workers compensation reserves of \$924,597 (See Note 5).

Fund Financial Basis – Governmental Funds

- As of June 30, 2014, the General Fund balance was \$20,898,335. Fund revenues exceeded expenditures by \$2,113,773.
- Governmental Funds (General, Capital Improvement and Special Revenue) revenue totaled \$64,547,022, an increase of \$2,963,577 (4.8%) from the prior year. An improving economic climate contributed to higher tax revenue, as well as permits and service revenues.
- Governmental Fund expenditures totaled \$62,380,711, up \$2,890,361 (4.9%) from FY 2012-2013. This rise was driven by increased operational expenditures in the General Fund, primarily public safety and recreation offset by decreases in Special Revenue Fund and Capital Improvement Funds. The decrease in Capital Improvement Fund expenditures is attributable to a decrease in debt service due to extraordinary bond refunding in fiscal 2013.

- General Fund transfers-out totaled \$1,006,397. This included transfers to the Capital Improvement Project (CIP) Fund of \$763,073 and the Street Lighting Fund of \$243,324. General Fund transfers-in equaled \$200,458 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 19 to 21 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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. In effect, the budgetary governmental 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 23 to 27 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 87 to 113 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 37 to 70 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 7 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) serves as an indicator of a government's financial position. In the case of the City of Manhattan Beach, net position totaled \$208,497,405 at June 30, 2014.

By far, the largest portion of the City's net position (65%) 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 (roads, buildings, and infrastructure) in the provision of services to citizens.

City of Manhattan Beach Net Position

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013*	2014	2013*
Current Assets	\$59,685,389	\$56,480,103	\$31,925,078	\$24,678,591	\$91,610,467	\$81,158,694
Total Capital Assets Net of Depreciation	118,552,178	117,471,890	46,926,076	47,054,148	165,478,254	164,526,038
Other Non-Current Assets	3,396,919	4,801,033	346,620	389,946	3,743,539	5,190,979
Total Assets	\$181,634,486	\$178,753,026	\$79,197,774	\$72,122,685	\$260,832,260	\$250,875,711
Deferred Outflow of Resources	\$563,285	\$595,473	-	-	\$563,285	\$595,473
Current Liabilities	\$14,592,038	\$14,866,917	\$2,476,913	\$3,894,959	\$17,068,951	\$18,761,876
Non-Current Liabilities	23,721,749	24,296,617	12,107,440	12,668,909	35,829,189	36,965,526
Total Liabilities	\$38,313,787	\$39,163,534	\$14,584,353	\$16,563,868	\$52,898,140	\$55,727,402
Net Investment in Capital Assets	\$100,924,816	\$98,930,447	\$34,342,910	\$33,902,701	\$135,267,726	\$132,833,148
Restricted	11,244,801	10,196,356	748,166	520,514	11,992,967	10,716,870
Unrestricted	31,714,367	31,058,162	29,522,345	21,135,602	61,236,712	52,193,764
Total Net Position	\$143,883,984	\$140,184,965	\$64,613,421	\$55,558,817	\$208,497,405	\$195,743,782

*Includes restatement of Business-type Current Liabilities in FY 2013.

For comparison purposes, fiscal 2013 Business Type Activities net position has been restated to reflect restatement of net position at end of year. 2013 Current liabilities have been increased by \$618,708 and Unrestricted Net Position reduced by \$618,708. This is necessary to ensure that comparisons are consistent with the change in net position indicated in Statement of Activities

Net position of the City's *Governmental* activities amounted to \$143.9 million, an increase from the prior year of \$3,699,019. Of the \$143.9 million, \$100.9 million is net investment in capital assets such as land, buildings, machinery, infrastructure, equipment and other improvements; \$11.2 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 (\$31.7 million) is available to the City. A subset of this amount equal to \$28 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 \$64.6 million. This represents an increase from FY 2012-2013 of \$9,054,604 million, which includes a restatement of current liabilities in FY 2013 (See Note 9a). \$34.3 million is net investment in capital assets (land, buildings, machinery, equipment, etc.), while \$215,656 is restricted for debt service and \$532,510 is restricted for business improvement district use. \$29.5 million represents available working capital and was primarily generated by the Water Fund.

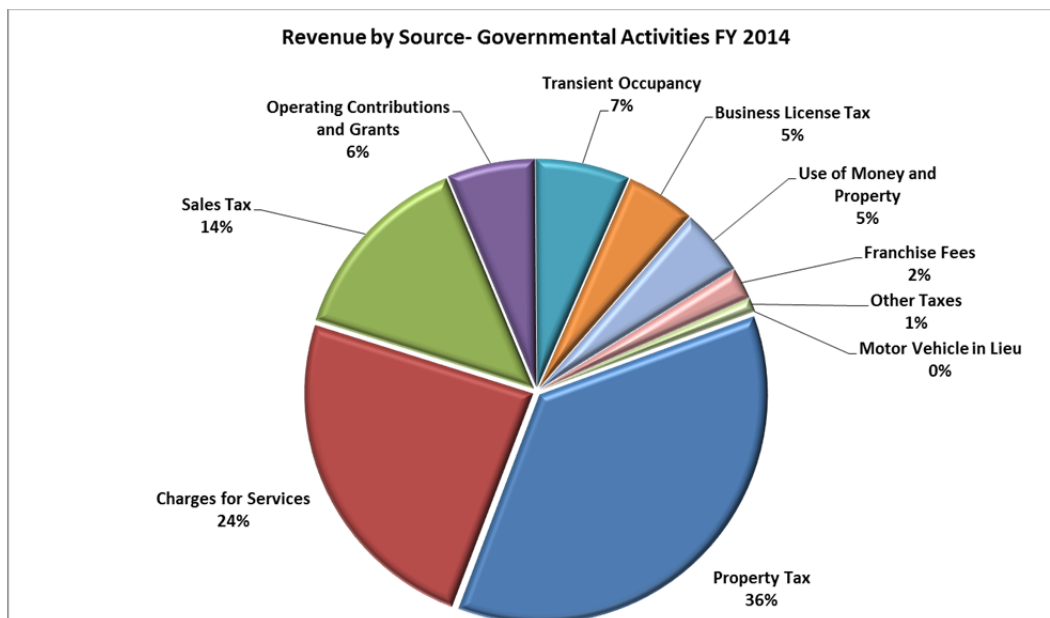
The City's total change in net position amounts to an increase of \$12,753,623. This change is primarily due to utility (water and wastewater) net income as well as revenues exceeding expenditures in the General Fund. The following is the condensed Statement of Activities and Change in Net Position for the fiscal years ending June 30, 2014 and June 30, 2013:

City of Manhattan Beach Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program Revenues:						
Charges for Services	\$15,467,337	\$15,970,540	\$27,974,114	\$26,600,680	\$43,441,451	\$42,571,220
Operating Contributions and Grants	1,638,522	1,847,316	19,880	69,937	1,658,402	1,917,253
Capital Contributions and Grants	2,314,830	2,032,724	-	500,000	2,314,830	2,532,724
General Revenues:						
Property Taxes	23,353,743	21,626,173	-	-	23,353,743	21,626,173
Other Taxes	18,435,115	18,319,187	-	-	18,435,115	18,319,187
Motor Vehicle in Lieu	15,631	18,887	-	-	15,631	18,887
Use of Money and Property	3,035,388	2,633,125	151,923	56,266	3,187,311	2,689,391
Other	-	-	43,388	19,521	43,388	19,521
Total Revenues	\$64,260,566	\$62,447,952	\$28,189,305	\$27,246,404	\$92,449,871	\$89,694,356
Expenses:						
General Government	\$11,102,480	\$8,659,381	\$ -	\$ -	\$11,102,480	\$8,659,381
Public Safety	34,955,520	33,374,733	-	-	34,955,520	33,374,733
Public Works	7,256,983	8,044,071	-	-	7,256,983	8,044,071
Culture & Recreation	7,062,072	5,798,599	-	-	7,062,072	5,798,599
Interest on Long-Term Debt	384,950	791,358	-	-	384,950	791,358
Water, Waste, Storm	-	-	12,070,045	11,285,510	12,070,045	11,285,510
Refuse	-	-	3,900,588	4,167,310	3,900,588	4,167,310
Parking	-	-	2,963,610	3,385,556	2,963,610	3,385,556
Total Expenses	\$60,762,005	\$56,668,142	\$18,934,243	\$18,838,376	\$79,696,248	\$75,506,518
Revenues Over Expenses	3,498,561	5,779,810	9,255,062	8,408,028	12,753,623	14,187,838
Transfers In (Out)	200,458	200,583	(200,458)	(200,583)	-	-
Increase (Decrease) in Net Position	\$3,699,019	\$5,980,393	\$9,054,604	\$8,207,445	\$12,753,623	\$14,187,838
Net Position - Beginning	\$140,184,965	\$134,204,572	\$56,177,525	\$47,970,080	\$196,362,490	\$182,174,652
Restatement of Net Position	-	-	(\$618,708)	-	(618,708)	-
Net Position - June 30 (Year End)	\$143,883,984	\$140,184,965	\$64,613,421	\$56,177,525	\$208,497,405	\$196,362,490

Changes in Net Position - Governmental Activities

The City's governmental activities in FY 2013-2014 increased net position by \$3,699,019 (2.6%) from FY 2012-2013. Total governmental activities revenue of \$64,260,566 excluding transfers-in of \$200,458 is broken out as follows:



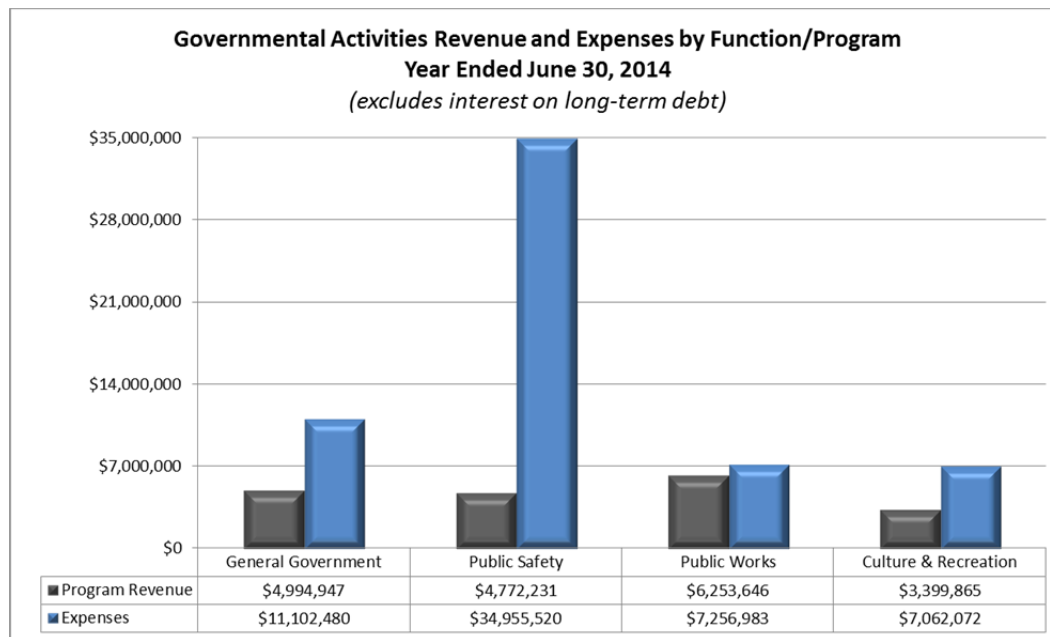
Functional expenses (excluding interest on debt) for the years ending June 30, 2014 and 2013 were as follows:

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
General Government	11,102,480	8,659,381	(6,107,533)	(4,113,270)
Public Safety	34,955,520	33,374,733	(30,183,289)	(27,918,574)
Public Works	7,256,983	8,044,071	(3,662,207)	(2,173,676)
Culture and Recreation	7,062,072	5,798,599	(1,003,337)	(1,820,684)
Total	\$60,377,055	\$55,876,784	(\$40,956,366)	(\$36,026,204)

*Excludes interest on long-term debt.

The total cost of services increased from the prior year by \$4,500,271 (8.1%), while the net cost of services increased by \$4,930,162 (13.7%) from the prior year. Total cost of services for Public Safety increased by \$1,580,787, Culture and Recreation increased \$1,263,473. General Government increased by \$2,443,099 while Public Works decreased by \$787,088.

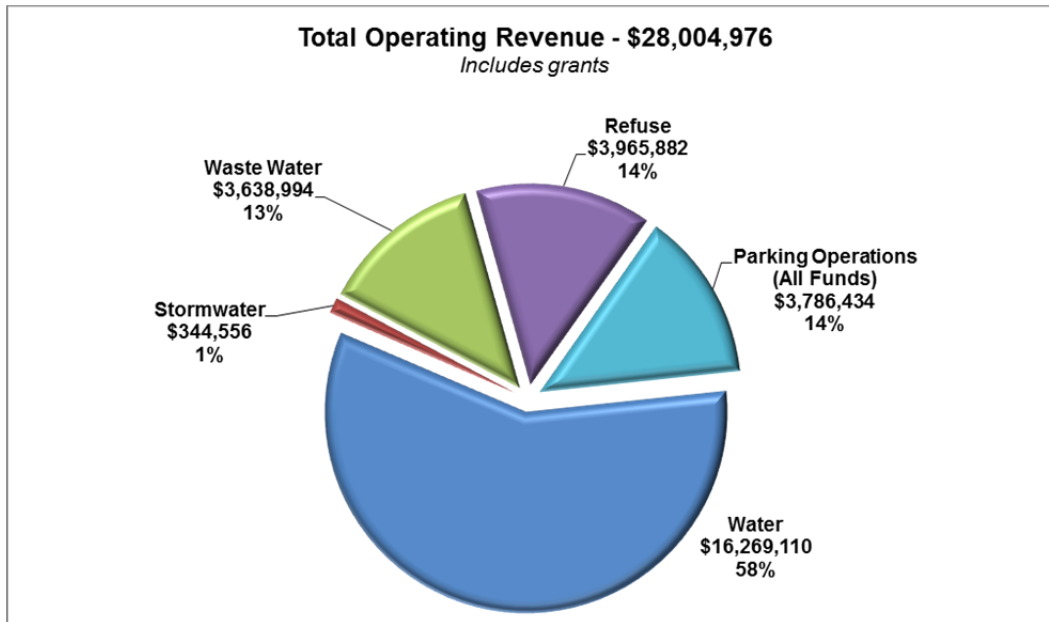
The following chart illustrates governmental revenues and expenses by function for the year ended June 30, 2014.



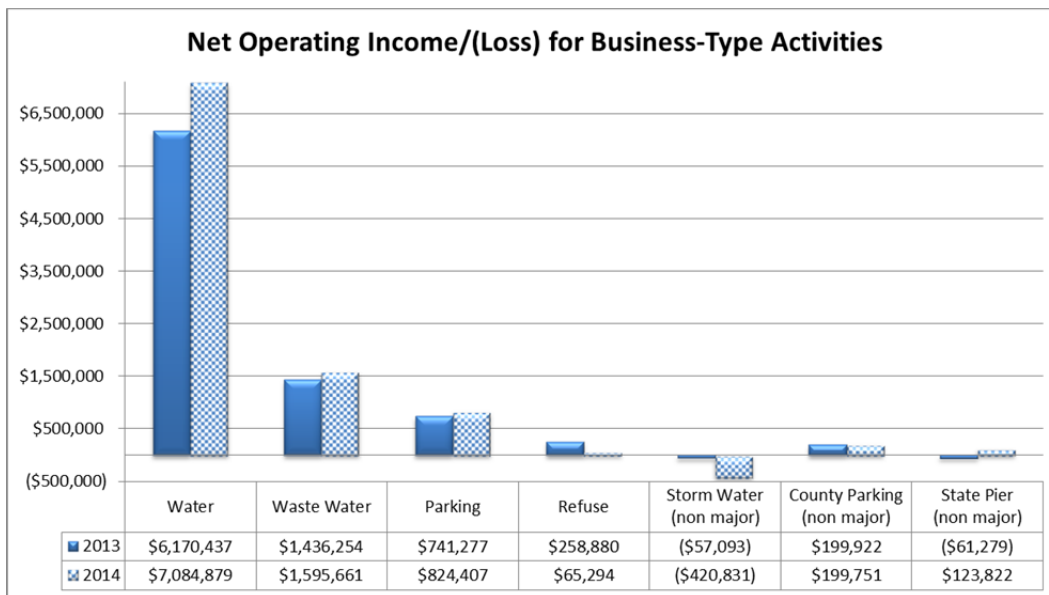
Change in Net Position - Business Type Activities

In fiscal year 2013-2014, total revenues for the City's business-type activities amounted to \$28,189,305. Program revenues totaled \$27,993,994, while general revenues (primarily interest) totaled \$195,311. Expenses totaled \$18,934,243 of which operating expenses equaled \$18,531,993, and non-operating expenses (primarily debt interest expense) totaled \$402,250. Total income from operations was \$9,472,983, while net income before transfers was \$9,255,062. After net transfers-out totaling \$200,458, and restatement of opening position, net position increased by \$9,054,604.

Operating Revenues by Source - Business Type Activities FY 2014



Operating Income varied across the business-type activities in FY 2014. 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 2014 fiscal year, the City's governmental funds ending fund balances totaled \$40.9 million, an increase of \$3.1 million (8.1) in comparison with the prior year.

Approximately \$18.3 million (45%) of the Governmental Funds total constitutes unassigned fund balance. The remainder of the fund balance (\$22.6 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, long term notes receivable, 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 \$18.3 million unassigned governmental fund balance noted above, \$15.8 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 2013-2014 fiscal year, unassigned fund balance of the General Fund was \$18.3 million, while total fund balance was \$20.9 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 3.8 months of total General Fund expenditures, while total fund balance represents 4.4 months of General Fund expenditures.

During the year, General Fund revenues (including proceeds from sale of capital assets) exceeded expenditures by \$2,115,514. The non-spendable portion of fund balance increased by \$1,268,000 from \$432,000 to \$1,700,000 due to an increase in notes receivable.

Net transfer activity in this fund totaled negative \$805,939 and included the following transfers:

- \$763,073 was transferred to the CIP Fund for general infrastructure improvements
- \$243,324 was transferred to the Street Lighting Fund to relieve a deficit fund balance
- \$200,458 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 3 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 2014, total fund balance of the Capital Improvement Fund was \$9,781,627. Of the total fund balance, \$164,481 includes restricted funds for debt service, and \$9,617,146 committed to capital projects.

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

- \$2,240,000 for Downtown Streetscape improvements
- \$1,740,174 for the Strand Stairs project
- \$1,196,941 for Safe Routes to School program grants

During Fiscal Year 2013-2014, the Capital Improvement Project Fund balance increased by \$1,136,407 (13.1%) due primarily to a General Fund transfer of \$763,073 and extraordinary proceeds from the sale of residential property of \$691,871. Revenues were offset by capital expenditures of \$1.05 million and debt service of \$818,000.

Revenues to the Capital Improvement Fund totaled \$1,542,934. Certain dedicated revenues described below amounted to \$1,487,657 in FY 2013-2014. 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, generating \$626,635 in revenue for the year, which is \$58,211 (10.2%) above prior year levels. The increase was due to an improved economic climate resulting in higher levels of travel and tourism.

Parking Meter Rates: Fifty cents of the \$1.25 per hour on-street parking meter rates is dedicated to capital improvements. This source generated revenue of \$732,286 this fiscal year, up \$48,715 or 7.1% from the prior year levels.

Parking Citation Rates: Most parking citations include four dollars dedicated to the CIP fund. For FY 2013-2014, revenue of \$128,736 was realized; an increase of \$6,708 (5.5%) from the prior year.

In addition to these dedicated revenues, there was an extraordinary revenue of \$691,871 from the sale of residential property and a private party contribution of \$19,973 towards basketball court reconstruction.

Capital Improvement Fund expenditures equaled \$1,861,471 which included:

- \$813,762 for debt service
- \$711,395 to install a synthetic turf field at Marine Avenue Park
- \$124,645 for design work for the Strand Stairs project
- \$104,574 to resurface tennis and basketball courts
- \$95,440 for City facilities assessments.

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 2013-2014, expenditures exceeded revenues by \$243,324. Because there is no fund balance to draw upon, the General Fund contributed \$243,324 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 \$64,613,421. \$29.5 million of the total is unrestricted. The remaining balance is net investment in capital assets (\$34.3 million), restricted for business improvement district funds (\$0.5 million), and debt service (\$0.2 million).

Overall, enterprise funds combined net income was \$9,255,062 before transfers. Net position increased for all enterprise funds by \$9,054,604. This includes an operating transfer-out of \$200,458 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 \$7,084,879, an improvement from the prior year which had net operating income of \$6,170,437. Revenue from sales increased by 9.1%, while operating expenses (labor, materials, services, etc.) rose by 5.0%. 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 provided for annual increases each January through 2014. The most recent increase in water rates, contributed to the results which will be used to fund planned capital improvements to the utility's infrastructure, estimated at \$36.5 million over the next five years.
- The Waste Water fund net operating income for FY 2013-2014 was \$1,595,661 versus \$1,436,254 in FY 2012-2013 – a net increase of \$159,407, or 11.1%. Revenue from sales increased \$233,485 (6.9%) while operating expenses increased \$73,510 (3.7%). 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 \$65,294 in FY 2013-2014, a decrease of \$193,586 from the prior year. Operating expenses decreased by \$266,722 (6.4%) and operating revenues decreased by \$460,308 (10.4%). These expense and revenue decreases are attributable to the elimination of the street sweeping charge and the transfer of street sweeping expenses to the Stormwater Fund. In FY 2013-2014, the City voluntarily commenced issuing refunds for past street sweeping charges collected on utility bills. The amount of these refunds was \$618,708. Consequently it was necessary to restate the net position at the beginning of fiscal 2013-2014. Refunds occurring in subsequent fiscal years will also necessitate a restatement of beginning net position.
- The Stormwater Fund net operating loss in FY 2013-2014 totaled \$420,831, a further loss from the FY 2012-2013 net loss of \$57,093. The increased incremental cost due to the street sweeping contract is \$295,000 annually. 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 \$3.0 million with net position total of \$7.9 million. Total net position increased by \$285,145 (3.7%).

In the Insurance Fund, net position decreased by 50.6% or \$499,173 to \$487,407. FY 2013-2014 workers compensation and liability claims expense totaled \$ 5.2 million, compared to \$3.77 million in FY 2012-2013, \$4.96 million in FY 2011-12, \$3.59 million in FY 2010-11, \$1.69 million in FY 2009-10, and \$2.98 million in FY 2008-09. 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 \$693,084 to \$6.9 million, reflecting departmental charge-outs (revenues to the fund) for vehicles in advance of purchases. Capital purchases totaled \$2.1 million in FY 2013-2014 versus \$2.8 million in FY 2012-2013, 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 \$59,514,085 including transfers in and outperformed the final budget by \$2,761,866. Tax revenues exceeded budget by \$1,559,471. Charges for Services were over budget by \$832,790, while Licenses and Permits came in \$131,203 over budget. Fines and Forfeitures underperformed the final budget by \$239,800 mainly due to parking citation revenue.

Appropriations

The final amended budget reflects a net increase of \$1,427,195 over the adopted appropriations.

Significant budget adjustments included:

- \$1,700,000 for the City Manager's home loan
- (\$966,613) for debt service due to enterprise refunding bonds, offset by charges to those enterprise funds
- \$220,269 for open purchase orders from the prior year

Capital Asset and Debt Administration

Capital Assets: Government wide, the City's investment in capital assets (net of accumulated depreciation) as of June 30, 2014 is \$165,478,254. This is an increase from the prior year of \$952,216 or 0.6%. 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	
	2014	2013	2014	2013	2014	2013
Land	\$33,634,565	\$34,072,066	\$1,757,434	\$1,757,434	\$35,391,999	\$35,829,500
Buildings	34,648,903	35,602,490	15,638,089	15,638,089	50,286,992	51,240,579
Machinery & Equipment	1,800,093	1,183,126	238,153	489,922	2,038,246	1,673,048
Vehicles	5,651,206	4,342,773	-	-	5,651,206	4,342,773
Infrastructure	36,130,818	37,780,743	23,412,587	22,358,052	59,543,405	60,138,795
Invested in Joint Venture (RCC)	1,758,759	1,838,931	-	-	1,758,759	1,838,931
Work in Progress	4,927,834	2,651,761	5,879,813	6,810,651	10,807,647	9,462,412
Total	\$118,552,178	\$117,471,890	\$46,926,076	\$47,054,148	\$165,478,254	\$164,526,038

Governmental

During Fiscal Year 2013-2014, governmental capital expenditures included:

- \$1,429,931 streets/roadways renovation and improvements
- \$841,276 recreation facilities and grounds
- \$2,127,456 vehicle purchases
- \$897,684 machinery and equipment.

Business-type

During the fiscal year, Business-type capitalized expenditures totaled \$891,449. Major items were: \$145,444 in water system improvements; \$336,657 in wastewater improvements; \$39,746 in Storm Water system projects; and \$369,602 in new parking meter technology. These increases were offset by depreciation of \$1,019,521, resulting in a net decrease in assets of \$128,072.

Please refer to Note 4 for additional information on the City's capital assets.

Long-Term Liabilities: Total long-term liabilities citywide (excluding unamortized bond premiums) equal \$43,545,835, a decrease of \$1,152,575 from fiscal 2012-2013. Governmental liabilities decreased by \$638,989 (2.0%) while business type liabilities decreased by \$513,586 (4.0%). The following table is a condensation of footnote 5.

City of Manhattan Beach Outstanding Liabilities (Excluding Bond Premium)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Marine Avenue COPs	\$6,980,000	\$7,235,000	\$ -	\$ -	\$6,980,000	\$7,235,000
Capital Equipment Lease	719,342	903,841	-	-	719,342	903,841
Police & Fire Facility Refunding COPs	10,030,000	10,510,000	-	-	10,030,000	-
Accrued Employee Leave & Benefits	3,079,992	2,675,483	79,670	63,256	3,159,662	2,738,739
Supplemental Leave	5,389	4,607	-	-	5,389	4,607
Water and Wastewater COPs	-	-	-	-	-	-
Water and Wastewater Refunding COPs	-	-	2,520,000	2,680,000	2,520,000	2,680,000
Metlox Parking COPs	-	-	-	-	-	-
Metlox Parking Refunding COPs	-	-	9,480,000	9,850,000	9,480,000	9,850,000
Pension Obligation Bonds	765,000	1,860,000	-	-	765,000	1,860,000
Bond Premium	-	-	-	-	-	-
Insurance Claim Reserves	9,886,442	8,916,223	-	-	9,886,442	8,916,223
Total Long Term Liabilities	\$31,466,165	\$32,105,154	\$12,079,670	\$12,593,256	\$43,545,835	\$34,188,410
Current portion of Long Term (due within one year)	8,205,721	8,296,203	555,396	545,794	8,761,117	8,841,997
Long Term Liabilities - Non Current	\$23,260,444	\$23,808,951	\$11,524,274	\$12,047,462	\$34,784,718	\$25,346,413

Governmental

Principal obligations for existing long-term bonded debt were reduced in accordance with existing debt service schedules.

Business Type

Business type principal obligations for existing long-term bonded debt were reduced in accordance with existing debt service schedules. For the details regarding components of long term liabilities including debt service schedules, please refer to Note 5.

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 2013-2014) is \$504,498,896.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council adopted the FY 2014-15 General Fund operating budget in June 2014. The original budget estimates General Fund revenues at \$59,846,949 and expenditures of \$60,701,205, resulting in a use of fund balance of \$854,256. The imbalance is due to the planned use of accumulated funds (\$854,256) to support the Information System Master Plan (ISMP).

The City's major General Fund revenue sources continue to improve after the lasting effects of the Great Recession. Property tax, the single biggest General Fund revenue source, which dramatically slowed with the housing market, is expected to increase in FY 2014-2015 by 2.4% over FY 2013-2014 actual receipts. Building-related activity is expected to generate additional building permit and plan check revenues. Sales tax is projected to remain flat from FY 2013-2014 as the economy and retail sales environment continue to recover; however, Transient Occupancy Taxes are expected to increase 2.9% in FY 2014-2015.

As a service organization, labor accounts for most of our costs - approximately 70% in the General Fund. Labor agreements with four bargaining units (Police Officers, Police Management, Fire and Teamsters) expire in December 2015. New agreements will be negotiated during FY 2014-2015.

The City continues its focus on capital improvements. \$107.0 million (including carryover projects) is planned over the next five years for utility, street and facility projects. \$55.2 million of that amount is for water, wastewater, and stormwater projects exclusive of mandated improvement projects under the federal National Pollution Discharge Elimination System (NPDES). An additional \$20.4 million has been budgeted for street and roadway needs, \$10.7 for general facilities (including parking facilities), and \$20.9 for the Sepulveda Bridge project. 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.

CITY OF MANHATTAN BEACH

STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 53,090,796	\$ 30,492,389	\$ 83,583,185
Receivables:			
Accounts	785,491	1,449,571	2,235,062
Taxes	2,878,062	-	2,878,062
Notes and loans	1,752,043	-	1,752,043
Accrued interest	236,218	-	236,218
Internal balances	219,200	(219,200)	-
Prepaid costs	47,198	1,440	48,638
Due from other governments	568,256	-	568,256
Inventories	108,125	200,878	309,003
Total Current Assets	59,685,389	31,925,078	91,610,467
Restricted assets:			
Cash with fiscal agent	1,368,772	215,656	1,584,428
Prepaid other post-employment benefits	2,028,147	130,964	2,159,111
Capital assets not being depreciated	38,562,399	7,637,247	46,199,646
Capital assets, net of depreciation	79,989,779	39,288,829	119,278,608
Total Noncurrent Assets	121,949,097	47,272,696	169,221,793
Total Assets	181,634,486	79,197,774	260,832,260
Deferred Outflows of Resources:			
Deferred charge on refunding	563,285	-	563,285
Total Deferred Outflows of Resources	563,285	-	563,285
Liabilities:			
Accounts payable	2,369,147	1,606,696	3,975,843
Accrued liabilities	2,169,076	-	2,169,076
Accrued interest	183,648	215,656	399,304
Unearned revenue	899,453	-	899,453
Deposits payable	764,993	99,165	864,158
Long-term liabilities due within one year:			
Leases Payable	187,522	-	187,522
Bonds Payable	1,480,000	540,000	2,020,000
Accrued workers comp/liability claims and judgments	6,039,782	-	6,039,782
Accrued employee benefits	498,417	15,396	513,813
Total Current Liabilities	14,592,038	2,476,913	17,068,951
Noncurrent liabilities:			
Long term liabilities due in more than one year			
Leases payable	531,820	-	531,820
Bonds payable	16,756,305	12,043,166	28,799,471
Accrued workers comp/liability claims and judgments	3,846,660	-	3,846,660
Accrued employee benefits	2,586,964	64,274	2,651,238
Total Noncurrent Liabilities	23,721,749	12,107,440	35,829,189
Total Liabilities	38,313,787	14,584,353	52,898,140
Net Position:			
Net investment in capital assets	100,924,816	34,342,910	135,267,726
Restricted for:			
Public safety	1,084,541	-	1,084,541
Public works	4,546,040	-	4,546,040
Capital projects	4,636,332	-	4,636,332
Debt service	977,888	215,656	1,193,544
Business improvement districts	-	532,510	532,510
Unrestricted	31,714,367	29,522,345	61,236,712
Total Net Position	\$ 143,883,984	\$ 64,613,421	\$ 208,497,405

CITY OF MANHATTAN BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 11,102,480	\$ 4,950,743	\$ 44,204	\$ -
Public safety	34,955,520	4,154,836	617,395	-
Culture and recreation	7,062,072	2,798,673	601,192	-
Public works	7,256,983	3,563,085	375,731	2,314,830
Interest on long-term debt	384,950	-	-	-
Total Governmental Activities	60,762,005	15,467,337	1,638,522	2,314,830
Business-Type Activities:				
Water	9,235,903	16,275,584	-	-
Stormwater	765,387	344,556	-	-
Wastewater	2,068,755	3,626,144	-	-
Refuse	3,900,588	3,965,882	19,880	-
Parking	1,933,707	2,412,816	-	-
County Parking Lot	573,658	773,409	-	-
State Pier and Parking Lot	456,245	575,723	-	-
Total Business-Type Activities	18,934,243	27,974,114	19,880	-
Total Primary Government	\$ 79,696,248	\$ 43,441,451	\$ 1,658,402	\$ 2,314,830

General Revenues:

Taxes:

- Property taxes, levied for general purpose
- Transient occupancy taxes
- Sales taxes
- Franchise taxes
- Business licenses taxes
- Real estate transfer taxes
- Motor vehicle in lieu - unrestricted
- Use of money and property
- Other

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Year

Restatement of Net Position

Net Position at End of Year

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (6,107,533)	\$ -	\$ (6,107,533)
(30,183,289)	-	(30,183,289)
(3,662,207)	-	(3,662,207)
(1,003,337)	-	(1,003,337)
(384,950)	-	(384,950)
(41,341,316)	-	(41,341,316)
-	7,039,681	7,039,681
-	(420,831)	(420,831)
-	1,557,389	1,557,389
-	85,174	85,174
-	479,109	479,109
-	199,751	199,751
-	119,478	119,478
-	9,059,751	9,059,751
(41,341,316)	9,059,751	(32,281,565)
23,353,743	-	23,353,743
4,289,009	-	4,289,009
8,921,346	-	8,921,346
1,441,769	-	1,441,769
3,140,273	-	3,140,273
642,718	-	642,718
15,631	-	15,631
3,035,388	151,923	3,187,311
-	43,388	43,388
200,458	(200,458)	-
45,040,335	(5,147)	45,035,188
3,699,019	9,054,604	12,753,623
140,184,965	56,177,525	196,362,490
-	(618,708)	(618,708)
\$ 143,883,984	\$ 64,613,421	\$ 208,497,405



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CITY OF MANHATTAN BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General</u>	<u>Capital Projects Fund Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Pooled cash and investments	\$ 20,366,333	\$ 9,653,240	\$ 9,977,880	\$ 39,997,453
Receivables:				
Accounts	765,703	-	19,788	785,491
Taxes	2,819,774	58,288	-	2,878,062
Notes and loans	1,700,000	52,043	-	1,752,043
Accrued interest	236,218	-	-	236,218
Prepaid costs	46,823	-	375	47,198
Due from other funds	22,488	-	-	22,488
Due from other governments	206,359	99,808	262,089	568,256
Advances to other funds	-	219,200	-	219,200
Restricted assets:				
Cash and investments with fiscal agents	813,407	164,481	390,884	1,368,772
Total Assets	\$ 26,977,105	\$ 10,247,060	\$ 10,651,016	\$ 47,875,181
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,561,963	\$ 201,144	\$ 214,784	\$ 1,977,891
Accrued liabilities	2,154,722	164,481	32,753	2,351,956
Unearned revenues	899,453	-	-	899,453
Deposits payable	763,252	-	1,741	764,993
Due to other funds	-	-	22,488	22,488
Total Liabilities	5,379,390	365,625	271,766	6,016,781
Deferred Inflows of Resources:				
Unavailable revenues	699,380	99,808	134,825	934,013
Total Deferred Inflows of Resources	699,380	99,808	134,825	934,013
Fund Balances:				
Nonspendable:				
Prepaid costs	46,823	-	-	46,823
Notes and loans	1,700,000	-	-	1,700,000
Restricted for:				
Public safety	-	-	1,084,541	1,084,541
Public works	-	-	4,546,040	4,546,040
Capital Projects	-	-	4,636,332	4,636,332
Debt service	813,407	164,481	-	977,888
Committed to:				
Capital Projects	-	9,617,146	-	9,617,146
Unassigned	18,338,105	-	(22,488)	18,315,617
Total Fund Balances	20,898,335	9,781,627	10,244,425	40,924,387
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 26,977,105	\$ 10,247,060	\$ 10,651,016	\$ 47,875,181

CITY OF MANHATTAN BEACH

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Fund balances of governmental funds \$ 40,924,387

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. 112,900,972

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

COPS payable	\$(17,010,000)	
Pension obligation bonds payable	(765,000)	
Supplemental leave allowance	(5,389)	
Compensated Absences	(3,079,992)	
Unamortized bond premiums/discounts	<u>(461,305)</u>	(21,321,686)

For bond refundings, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred charge on refunding in the Statement of Net Position. 563,285

Governmental funds report all other post-retirement benefit obligations as expenditures, however, in the Statement of Net Position, excess contributions over the annual required contribution (ARC) are reported as prepaid other post-employment benefit obligations. 1,942,872

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. 934,013

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. 7,940,141

Net Position of governmental activities \$ 143,883,984

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Capital Projects Fund Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes and assessments	\$ 41,734,486	\$ 626,635	\$ 1,852,226	\$ 44,213,347
Licenses and permits	1,730,108	29,072	-	1,759,180
Intergovernmental	477,386	2,310	1,704,294	2,183,990
Charges for services	9,488,229	732,286	33,025	10,253,540
Use of money and property	2,959,996	3,921	84,832	3,048,749
Fines and forfeitures	2,437,700	128,736	-	2,566,436
Miscellaneous Revenues	483,981	19,974	17,825	521,780
Total Revenues	59,311,886	1,542,934	3,692,202	64,547,022
Expenditures:				
Current:				
General government	10,467,524	-	-	10,467,524
Public safety	33,425,442	-	100,386	33,525,828
Culture and recreation	5,964,556	1,552	865,460	6,831,568
Public works	5,878,089	-	649,448	6,527,537
Capital outlay	67,141	1,046,157	1,705,833	2,819,131
Debt service:				
Principal retirement	1,350,000	480,000	-	1,830,000
Interest and fiscal charges	45,361	333,762	-	379,123
Total Expenditures	57,198,113	1,861,471	3,321,127	62,380,711
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,113,773	(318,537)	371,075	2,166,311
Other Financing Sources (Uses):				
Transfers in	200,458	763,073	296,796	1,260,327
Transfers out	(1,006,397)	-	(53,472)	(1,059,869)
Proceeds from sale of capital asset	1,741	691,871	-	693,612
Total Other Financing Sources (Uses)	(804,198)	1,454,944	243,324	894,070
Net Change in Fund Balances	1,309,575	1,136,407	614,399	3,060,381
Fund Balances, Beginning of Year	19,588,760	8,645,220	9,630,026	37,864,006
Fund Balances, End of Year	\$ 20,898,335	\$ 9,781,627	\$ 10,244,425	\$ 40,924,387



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CITY OF MANHATTAN BEACH

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds \$ 3,060,381

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

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

Cost of assets capitalized	\$ 3,238,242	
Depreciation expense	(2,924,099)	
Disposal of capital assets	<u>(542,288)</u>	(228,145)

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. 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	735,000	
Pension obligation bonds	1,095,000	
Amortization of bond premiums - Police Fire Facility bonds refunding	26,361	
Amortization of deferred charges on refunding	<u>(32,188)</u>	1,824,173

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. (405,290)

Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the statement of activities only the ARC is an expense. (564,150)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. (273,095)

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. 285,145

Change in net position of governmental activities \$ 3,699,019

CITY OF MANHATTAN BEACH

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Parking</u>
Assets:			
Current:			
Cash and investments	19,469,553	4,342,432	2,525,452
Receivables:			
Accounts	911,586	246,668	2,213
Prepaid costs	1,440	-	-
Inventories	200,878	-	-
Total Current Assets	20,583,457	4,589,100	2,527,665
Noncurrent:			
Prepaid other post-employment benefits	83,754	19,796	7,310
Restricted:			
Cash with fiscal agent	30,144	14,831	170,681
Capital assets - net of accumulated depreciation	18,297,205	7,036,898	17,687,660
Total Noncurrent Assets	18,411,103	7,071,525	17,865,651
Total Assets	\$ 38,994,560	\$ 11,660,625	\$ 20,393,316
Liabilities and Net Position:			
Liabilities:			
Current:			
Accounts payable	\$ 718,050	\$ 37,995	\$ 89,063
Accrued interest	30,144	14,831	170,681
Deposits payable	2,110	-	97,055
Accrued compensated absences	15,396	-	-
Workers' compensation claims	-	-	-
Accrued claims and judgments	-	-	-
Bonds, notes, and capital leases	110,591	54,409	375,000
Total Current Liabilities	876,291	107,235	731,799
Noncurrent:			
Advances from other funds	-	-	219,200
Accrued compensated absences	64,274	-	-
Workers' compensation claims	-	-	-
Accrued claims and judgments	-	-	-
Bonds, notes, and capital leases	1,689,860	831,379	9,521,927
Total Noncurrent Liabilities	1,754,134	831,379	9,741,127
Total Liabilities	2,630,425	938,614	10,472,926
Net Position:			
Net investment in capital assets	16,496,754	6,151,110	7,790,733
Restricted for debt service	30,144	14,831	170,681
Restricted for business improvement district	-	-	532,510
Unrestricted	19,837,237	4,556,070	1,426,466
Total Net Position	36,364,135	10,722,011	9,920,390
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 38,994,560	\$ 11,660,625	\$ 20,393,316

CITY OF MANHATTAN BEACH

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		Governmental Activities - Internal Services Funds
	Other Enterprise Funds	Totals	
Assets:			
Current:			
Cash and investments	\$ 4,154,952	\$ 30,492,389	\$ 13,093,343
Receivables:			
Accounts	289,104	1,449,571	-
Prepaid costs	-	1,440	-
Inventories	-	200,878	108,125
Total Current Assets	4,444,056	32,144,278	13,201,468
Noncurrent:			
Prepaid other post-employment benefits	20,104	130,964	85,275
Restricted:			
Cash with fiscal agent	-	215,656	-
Capital assets - net of accumulated depreciation	3,904,313	46,926,076	5,651,206
Total Noncurrent Assets	3,924,417	47,272,696	5,736,481
Total Assets	\$ 8,368,473	\$ 79,416,974	\$ 18,937,949
Liabilities and Net Position:			
Liabilities:			
Current:			
Accounts payable	\$ 761,588	\$ 1,606,696	\$ 391,256
Accrued interest	-	215,656	-
Deposits payable	-	99,165	-
Accrued compensated absences	-	15,396	-
Workers' compensation claims	-	-	5,346,087
Accrued claims and judgments	-	-	693,695
Bonds, notes, and capital leases	-	540,000	187,522
Total Current Liabilities	761,588	2,476,913	6,619,328
Noncurrent:			
Advances from other funds	-	219,200	-
Accrued compensated absences	-	64,274	-
Workers' compensation claims	-	-	3,366,609
Accrued claims and judgments	-	-	480,051
Bonds, notes, and capital leases	-	12,043,166	531,820
Total Noncurrent Liabilities	-	12,326,640	4,378,480
Total Liabilities	761,588	14,803,553	10,997,808
Net Position:			
Net investment in capital assets	3,904,313	34,342,910	4,931,864
Restricted for debt service	-	215,656	-
Restricted for business improvement district	-	532,510	-
Unrestricted	3,702,572	29,522,345	3,008,277
Total Net Position	7,606,885	64,613,421	7,940,141
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 8,368,473	\$ 79,416,974	\$ 18,937,949

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Parking</u>
Operating Revenues:			
Sales and service charges	\$ 16,263,058	\$ 3,626,144	\$ 2,412,816
Miscellaneous	6,052	12,850	20,142
Total Operating Revenues	<u>16,269,110</u>	<u>3,638,994</u>	<u>2,432,958</u>
Operating Expenses:			
Salaries	668,238	222,662	53,409
Employee benefits	277,173	71,097	21,018
Contract and professional services	4,759,550	125,142	489,895
Materials and services	1,317,741	606,493	518,693
Utilities	370,584	28,893	98,255
Administrative service charges	1,349,517	814,479	175,512
Leases and rents	-	-	-
Claims expense	-	-	-
Depreciation expense	441,428	174,567	251,769
Total Operating Expenses	<u>9,184,231</u>	<u>2,043,333</u>	<u>1,608,551</u>
Operating Income (Loss)	<u>7,084,879</u>	<u>1,595,661</u>	<u>824,407</u>
Nonoperating Revenues (Expenses):			
Interest revenue	91,739	21,081	15,889
Interest expense	(51,672)	(25,422)	(325,156)
Grant revenue	-	-	-
Gain (loss) on disposal of capital assets	12,526	-	-
Total Nonoperating Revenues (Expenses)	<u>52,593</u>	<u>(4,341)</u>	<u>(309,267)</u>
Income (Loss) Before Transfers	7,137,472	1,591,320	515,140
Transfers out	-	-	-
Changes in Net Position	<u>\$ 7,137,472</u>	<u>\$ 1,591,320</u>	<u>\$ 515,140</u>
Net Position:			
Beginning of Fiscal Year, as originally reported	\$ 29,226,663	\$ 9,130,691	\$ 9,405,250
Restatements	-	-	-
Beginning of Fiscal Year, as restated	29,226,663	9,130,691	9,405,250
Changes in Net Position	<u>7,137,472</u>	<u>1,591,320</u>	<u>515,140</u>
End of Fiscal Year	<u>\$ 36,364,135</u>	<u>\$ 10,722,011</u>	<u>\$ 9,920,390</u>

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		Governmental
	Other Enterprise Funds	Totals	Activities- Internal Service Funds
Operating Revenues:			
Sales and service charges	\$ 5,659,570	\$ 27,961,588	\$ 11,053,930
Miscellaneous	4,344	43,388	1,285
Total Operating Revenues	5,663,914	28,004,976	11,055,215
Operating Expenses:			
Salaries	192,490	1,136,799	1,362,398
Employee benefits	70,601	439,889	404,668
Contract and professional services	4,078,002	9,452,589	1,050,141
Materials and services	215,562	2,658,489	1,993,627
Utilities	66,742	564,474	118,326
Administrative service charges	495,348	2,834,856	-
Leases and rents	425,376	425,376	-
Claims expense	-	-	5,172,418
Depreciation expense	151,757	1,019,521	733,026
Total Operating Expenses	5,695,878	18,531,993	10,834,604
Operating Income (Loss)	(31,964)	9,472,983	220,611
Nonoperating Revenues (Expenses):			
Interest revenue	23,214	151,923	-
Interest expense	-	(402,250)	(13,361)
Grant revenue	19,880	19,880	-
Gain (loss) on disposal of capital assets	-	12,526	77,895
Total Nonoperating Revenues (Expenses)	43,094	(217,921)	64,534
Income (Loss) Before Transfers	11,130	9,255,062	285,145
Transfers out	(200,458)	(200,458)	-
Changes in Net Position	\$ (189,328)	\$ 9,054,604	\$ 285,145
Net Position:			
Beginning of Fiscal Year, as originally reported	\$ 8,414,921	\$ 56,177,525	\$ 7,654,996
Restatements	(618,708)	(618,708)	-
Beginning of Fiscal Year, as restated	7,796,213	55,558,817	7,654,996
Changes in Net Position	(189,328)	9,054,604	285,145
End of Fiscal Year	\$ 7,606,885	\$ 64,613,421	\$ 7,940,141

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Parking</u>
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 16,305,883	\$ 3,642,042	\$ 2,428,388
Cash received from/(paid to) interfund service provided	-	-	-
Cash paid to suppliers for goods and services	(8,399,613)	(1,865,980)	(1,453,563)
Cash paid to employees for services	(904,677)	(288,011)	(72,305)
Net Cash Provided (Used) by Operating Activities	<u>7,001,593</u>	<u>1,488,051</u>	<u>902,520</u>
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	-	-	-
Repayment received from other funds	-	-	(250,000)
Grant subsidy	-	-	-
Street sweeping fee refunds	-	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>-</u>	<u>-</u>	<u>(250,000)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(145,445)	(336,657)	(369,601)
Principal paid on capital debt	(107,239)	(52,761)	(370,000)
Interest paid on capital debt	(31,218)	(15,359)	(178,300)
Cash from sale of property	12,526	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(271,376)</u>	<u>(404,777)</u>	<u>(917,901)</u>
Cash Flows from Investing Activities:			
Interest received	91,739	21,081	15,889
Net Cash Provided (Used) by Investing Activities	<u>91,739</u>	<u>21,081</u>	<u>15,889</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,821,956	1,104,355	(249,492)
Cash and Cash Equivalents at Beginning of Year	12,677,741	3,252,908	2,945,625
Cash and Cash Equivalents at End of Year	<u>\$ 19,499,697</u>	<u>\$ 4,357,263</u>	<u>\$ 2,696,133</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 7,084,879	\$ 1,595,661	\$ 824,407
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	441,428	174,567	251,769
(Increase) decrease in accounts receivable	37,098	3,048	2,390
(Increase) decrease in prepaid expense	(1,440)	-	-
(Increase) decrease in inventory	11,018	-	-
(Increase) decrease in prepaid other post-employment benefits	24,320	5,748	2,122
Increase (decrease) in accounts payable	(611,799)	(290,973)	(171,208)
Increase (decrease) in deposits payable	(325)	-	(6,960)
Increase (decrease) in workers' compensation claims	-	-	-
Increase (decrease) in claims and judgments	-	-	-
Increase (decrease) in compensated absences	16,414	-	-
Total Adjustments	<u>(83,286)</u>	<u>(107,610)</u>	<u>78,113</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,001,593</u>	<u>\$ 1,488,051</u>	<u>\$ 902,520</u>

Non-Cash Investing, Capital, and Financing Activities:

There was no non-cash investing, capital and financing activities during the fiscal year.

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal
	Other Enterprise Funds	Totals	Service Funds
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 5,746,639	\$ 28,122,952	\$ 1,285
Cash received from/(paid to) interfund service provided	-	-	11,053,930
Cash paid to suppliers for goods and services	(5,224,359)	(16,943,515)	(7,447,131)
Cash paid to employees for services	(257,255)	(1,522,248)	(1,742,304)
Net Cash Provided (Used) by Operating Activities	265,025	9,657,189	1,865,780
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	(200,458)	(200,458)	-
Repayment received from other funds	-	(250,000)	-
Grant subsidy	19,880	19,880	10,000
Street sweeping fee refunds	(618,708)	(618,708)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	(799,286)	(1,049,286)	10,000
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(39,746)	(891,449)	(2,127,456)
Principal paid on capital debt	-	(530,000)	(184,499)
Interest paid on capital debt	-	(224,877)	(13,361)
Cash from sale of property	-	12,526	163,892
Net Cash Provided (Used) by Capital and Related Financing Activities	(39,746)	(1,633,800)	(2,161,424)
Cash Flows from Investing Activities:			
Interest received	23,214	151,923	-
Net Cash Provided (Used) by Investing Activities	23,214	151,923	-
Net Increase (Decrease) in Cash and Cash Equivalents	(550,793)	7,126,026	(285,644)
Cash and Cash Equivalents at Beginning of Year	4,705,745	23,582,019	13,378,987
Cash and Cash Equivalents at End of Year	\$ 4,154,952	\$ 30,708,045	\$ 13,093,343
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (31,964)	\$ 9,472,983	\$ 220,611
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	151,757	1,019,521	733,026
(Increase) decrease in accounts receivable	82,725	125,261	-
(Increase) decrease in prepaid expense	-	(1,440)	975
(Increase) decrease in inventory	-	11,018	24,762
(Increase) decrease in prepaid other post-employment benefits	5,836	38,026	1,757
Increase (decrease) in accounts payable	56,671	(1,017,309)	(85,570)
Increase (decrease) in deposits payable	-	(7,285)	-
Increase (decrease) in workers' compensation claims	-	-	924,597
Increase (decrease) in claims and judgments	-	-	45,622
Increase (decrease) in compensated absences	-	16,414	-
Total Adjustments	296,989	184,206	1,645,169
Net Cash Provided (Used) by Operating Activities	\$ 265,025	\$ 9,657,189	\$ 1,865,780

Non-Cash Investing, Capital, and Financing Activities:

There was no non-cash investing, capital and financing activities during the fiscal year.

CITY OF MANHATTAN BEACH

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2014

	<u>Agency Funds</u>	<u>Pension Trust Fund</u>
Assets:		
Pooled cash and investments	\$ 1,160,162	\$ 234,492
Receivables:		
Accounts	20,969	146,380
Restricted assets:		
Cash and investments with fiscal agents	<u>972,173</u>	<u>-</u>
Total Assets	<u>\$ 2,153,304</u>	<u>380,872</u>
Liabilities:		
Accounts payable	\$ 10,072	-
Art development fees	297,663	-
Deposits payable	30,456	-
Due to bond holders	<u>1,815,113</u>	<u>-</u>
Total Liabilities	<u>\$ 2,153,304</u>	<u>-</u>
Net Position:		
Held in trust for pension		<u>380,872</u>
Total Net Position		<u>\$ 380,872</u>

CITY OF MANHATTAN BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2014

	<u>Pension Trust Fund</u>
Additions:	
Investment income	\$ 16,728
Refund of contributions	<u>146,380</u>
Total Additions	<u>163,108</u>
Deductions:	
Benefit payments	<u>216,390</u>
Total Deductions	<u>216,390</u>
Changes in Net Position	(53,282)
Net Position - Beginning of the Year	<u>434,154</u>
Net Position - End of the Year	<u>\$ 380,872</u>



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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 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.

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 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.

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)

h. 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.

i. 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.

j. 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 \$5,346,087 and \$3,366,609 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.

k. 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.

l. Supplemental Leave Allowance

In December 1994, an emergency leave bank was established for active management/confidential employees. At June 30, 2014, the total accrued liability for this benefit amounted to \$5,389, 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 5).

m. 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.

n. 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)

o. 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.

p. 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.

q. 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.

r. 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, 2014

Note 2: Cash and Investments

As of June 30, 2014, cash and investments were reported in the accompanying financial statements as follows:

Governmental Funds	\$ 41,366,225
Internal Service	13,093,343
Business-type activities	30,708,045
Agency	2,132,335
Pension Trust	234,492
Total Cash and Investments	<u>\$ 87,534,440</u>

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, 2014, the carrying amount of the City's deposits was \$2,276,913 and the bank balance was \$2,033,364. The \$243,549 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

Note 2: Cash and Investments (Continued)

- 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

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 \$37,700,000 whose pro-rata share of fair value was estimated by the State Treasurer to be \$37,711,263.

e. 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.

f. 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

Note 2: Cash and Investments (Continued)

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.

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, 2014, the book value exceeded the fair value of investments by \$625,334.

g. 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, 2014, the City's investment in medium-term notes consisted of investments with Wells Fargo & Company, Costco Wholesaler Corp., 3M Co., General Electric Capital Corp., Union Bank, Berkshire Hathaway Inc., Wells Fargo Co., Oracle Corp., Pfizer Inc., Citizens Deposit Bank, Commonwealth Bank of Australia, National Australia Bank, 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.

h. 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, 2014, none of the City's deposits or investments was exposed to custodial credit risk.

i. 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, 2014, 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

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2: Cash and Investments (Continued)

are above the 5% of total investments: Federal Home Loan Bank (6.1%), Federal Farm Credit (7.4%), Federal National Mortgage Association (6.1%) and Federal Home Loan Mortgage Corporation (7.3%). 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.

j. 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, 2014, 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	
Pooled Investments:					
Local Government Fund	\$ 37,711,263	\$ -	\$ -	\$ -	\$ 37,711,263
Certificate of Deposit	-	-	3,443,090	4,923,949	8,367,039
US Treasury and agency notes	6,058,780	2,059,800	1,030,950	15,055,689	24,205,219
Medium-term notes	-	2,017,110	4,637,535	5,761,722	12,416,367
	<u>\$ 43,770,043</u>	<u>\$ 4,076,910</u>	<u>\$ 9,111,575</u>	<u>\$ 25,741,360</u>	<u>82,699,888</u>
Investment with Fiscal Agents:					
Utility Undergrounding					1,359,637
Water/Wastewater, Metlox Refunding bonds					215,656
Marine certificates of participation					29,240
Police & Fire certificate of participation refunding bonds					164,481
Police & Fire pension bonds					784,177
					<u>2,553,191</u>
Demand deposits					2,276,913
Other deposits					3,410
Petty cash					1,038
					<u>2,281,361</u>
Grand Total					<u><u>\$ 87,534,440</u></u>

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 3: Interfund Transactions

Due To/From Other Funds

	Due To Other Funds
	<u>Nonmajor Governmental 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

	Advance to Other Funds
	<u>Capital Improvement Fund</u>
<u>Advances From Other Funds</u>	
Parking Fund	<u>\$ 219,200</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 \$469,200. Payment to the Capital Improvement Fund of \$250,000 reduced the advance to \$219,200 as of June 30, 2014.

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, 2014, are presented below:

	Transfers In			Total
	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	
<u>Transfers Out</u>				
General Fund	\$ -	\$ 763,073	\$ 243,324	\$ 1,006,397
Nonmajor Governmental Funds	-	-	53,472	53,472
Nonmajor Proprietary Funds	200,458	-	-	200,458
Total	<u>\$ 200,458</u>	<u>\$ 763,073</u>	<u>\$ 296,796</u>	<u>\$ 1,260,327</u>

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

- The County Parking Lot fund transferred \$200,458 to the General Fund for recreation purposes.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 3: Interfund Transactions (Continued)

- The General Fund transferred \$243,324 to the Street Lighting Fund to relieve a deficit fund balance.
- The General Fund transferred \$763,073 to Capital Improvement Fund for ongoing capital improvement projects.
- The Measure R Fund transferred \$53,472 to the Prop A Fund for the purchase of busses.

Note 4: 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, 2014:

	Beginning Balance July 1, 2013	Increases additions	Decreases (deletions)	Ending Balance June 30, 2014
Governmental Activities:				
Land	\$ 34,072,066	\$ -	\$ (437,501)	\$ 33,634,565
Construction-in-progress				
Streets / Roadways	2,080,616	1,429,931	-	3,510,547
Recreation	557,891	841,276	-	1,399,167
Buildings	13,254	4,866		18,120
Total Capital Assets, Not Being Depreciated	36,723,827	2,276,073	(437,501)	38,562,399
Buildings and Structures	43,412,146	-	(102,500)	43,309,646
Machinery and Equipment	6,321,140	897,684	(25,331)	7,193,493
Vehicles	9,800,360	2,127,456	(987,429)	10,940,387
Infrastructure				
Streets / Roadways	51,210,166	-	-	51,210,166
Parks & Recreation	17,372,263	-	-	17,372,263
Investment in Joint Venture (RCC)	2,888,038	64,485	(117,834)	2,834,689
Total Capital Assets, Being Depreciated	131,004,113	3,089,625	(1,233,094)	132,860,644
Less Accumulated Depreciation:				
Buildings and Structures	(7,809,653)	(863,903)	12,813	(8,660,743)
Machinery and Equipment	(5,138,015)	(280,716)	25,331	(5,393,400)
Vehicles	(5,457,587)	(733,026)	901,432	(5,289,181)
Infrastructure				
Streets / Roadways	(25,857,240)	(1,340,472)	-	(27,197,712)
Parks & Recreation	(4,944,448)	(309,451)	-	(5,253,899)
Investment in Joint Venture (RCC)	(1,049,107)	(129,557)	102,734	(1,075,930)
Total Accumulated Depreciation	(50,256,050)	(3,657,125)	1,042,310	(52,870,865)
Total Capital Assets, Being Depreciated, Net	80,748,063	(567,500)	(190,784)	79,989,779
Governmental Activities Capital Assets, Net	\$ 117,471,890	\$ 1,708,573	\$ (628,285)	\$ 118,552,178

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 4: Capital Assets and Depreciation (Continued)

	Beginning Balance July 1, 2013	Increases additions	Decreases (deletions)	Transfers	Ending Balance June 30, 2014
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	6,810,651	891,449	-	(1,822,287)	5,879,813
Total Capital Assets, Not Being Depreciated	8,568,085	891,449	-	(1,822,287)	7,637,247
Capital assets, being depreciated:					
Buildings and structures - parking	17,186,603	-	-	-	17,186,603
Machinery and equipment - parking	1,137,266	-	-	-	1,137,266
Water	24,640,339	-	-	1,263,081	25,903,420
Storm water	6,871,403	-	-	-	6,871,403
Wastewater	10,680,566	-	-	559,206	11,239,772
Total Capital Assets, Being Depreciated	60,516,177	-	-	1,822,287	62,338,464
Less Accumulated Depreciation:					
Buildings and structures - parking	(1,548,514)	-	-	-	(1,548,514)
Machinery and equipment - parking	(647,344)	(251,769)	-	-	(899,113)
Water	(10,615,473)	(441,428)	-	-	(11,056,901)
Storm water	(3,522,940)	(151,757)	-	-	(3,674,697)
Wastewater	(5,695,843)	(174,567)	-	-	(5,870,410)
Total Accumulated Depreciation	(22,030,114)	(1,019,521)	-	-	(23,049,635)
Total Capital Assets, Being Depreciated, Net	38,486,063	(1,019,521)	-	1,822,287	39,288,829
Business-Type Activities Capital Assets, Net	\$ 47,054,148	\$ (128,072)	\$ -	\$ -	\$ 46,926,076

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

Governmental Activities:	
General government	\$ 124,141
Public safety	1,066,344
Public works	1,413,021
Parks and recreation	320,593
Internal service funds	733,026
Total Depreciation Expense - Governmental Activities	\$ 3,657,125
Business-Type Activities:	
Water	\$ 441,428
Wastewater	174,567
Parking	251,769
Storm water	151,757
Total Depreciation Expense - Business-Type Activities	\$ 1,019,521

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 5: Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due in One Year
Governmental Activities:					
Long-term Debt:					
Marine Ave Park COP	\$ 7,235,000	\$ -	\$ (255,000)	\$ 6,980,000	\$ 265,000
2007 Pension Obligation Bonds	1,860,000	-	(1,095,000)	765,000	765,000
2013 Police and Fire Refunding COP	10,510,000	-	(480,000)	10,030,000	450,000
Lease Purchase Fire and Sewer Truck	903,841	-	(184,499)	719,342	187,522
Other:					
Supplemental Leave Allowance	4,607	782	-	5,389	-
Compensated Absences	2,675,483	2,568,858	(2,164,349)	3,079,992	498,417
Workers Compensation Claims	7,788,099	4,324,362	(3,399,765)	8,712,696	5,346,087
General Liability Claims	1,128,124	1,010,793	(965,171)	1,173,746	693,695
	<u>\$ 32,105,154</u>	<u>\$ 7,904,795</u>	<u>\$ (8,543,784)</u>	31,466,165	<u>\$ 8,205,721</u>
Unamortized premium				461,305	
				<u>\$ 31,927,470</u>	
Business-Type Activities:					
Long-term Debt:					
2012 Metlox and Water/Wastewater Refunding COP	\$ 12,530,000	\$ -	\$ (530,000)	\$ 12,000,000	\$ 540,000
Other long term liabilities:					
Compensated Absences	63,256	68,287	(51,873)	79,670	15,396
	<u>\$ 12,593,256</u>	<u>\$ 68,287</u>	<u>\$ (581,873)</u>	12,079,670	<u>\$ 555,396</u>
Unamortized premium				583,166	
				<u>\$ 12,662,836</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, 2014

Note 5: Long-Term Liabilities (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 265,000	\$ 245,141	\$ 510,141
2016	270,000	235,564	505,564
2017	280,000	225,719	505,719
2018	290,000	215,516	505,516
2019	305,000	204,866	509,866
2020-2024	1,685,000	850,340	2,535,340
2025-2029	2,005,000	520,980	2,525,980
2030-2033	1,880,000	137,651	2,017,651
Total	<u>\$ 6,980,000</u>	<u>\$ 2,635,777</u>	<u>\$ 9,615,777</u>

b. 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 8 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, 2014, were as follows:

Year Ending June 30,	Principal	Interest	Total
2015	<u>\$ 765,000</u>	<u>\$ 19,167</u>	<u>\$ 784,167</u>

c. 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, 2014, includes an unamortized bond premium of \$461,305 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.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 5: Long-Term Liabilities (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	500,000	277,963	777,963
2020-2024	2,725,000	1,155,813	3,880,813
2025-2029	3,240,000	633,819	3,873,819
2030-2032	1,715,000	99,000	1,814,000
Total	<u>\$ 10,030,000</u>	<u>\$ 3,414,197</u>	<u>\$ 13,444,197</u>

d. Fire and Sewer Truck Capital Leases

In fiscal year 2012-2013, 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, 2014, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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>\$ 719,342</u>	<u>\$ 22,838</u>	<u>\$ 742,180</u>

e. 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 \$583,166 at June 30, 2014, 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.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 5: Long-Term Liabilities (Continued)

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

Fiscal Year Ending June 30,	Water			Wastewater		
	Principal	Interest	Total	Principal	Interest	Total
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	130,698	42,393	173,091	64,302	20,857	85,159
2020-2024	737,271	141,657	878,928	362,729	69,693	432,422
2025-2029	341,833	17,158	358,991	168,167	8,442	176,609
Total	\$ 1,689,029	\$ 414,749	\$ 2,103,778	\$ 830,971	\$ 204,051	\$ 1,035,022

Fiscal Year Ending June 30,	Metlox			Total		
	Principal	Interest	Total	Principal	Interest	Total
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	440,000	278,263	718,263	635,000	341,513	976,513
2020-2024	2,450,000	1,156,413	3,606,413	3,550,000	1,367,763	4,917,763
2025-2029	2,950,000	688,312	3,638,312	3,460,000	713,912	4,173,912
2030-2034	2,030,000	147,100	2,177,100	2,030,000	147,100	2,177,100
Total	\$ 9,480,000	\$ 3,542,538	\$ 13,022,538	\$ 12,000,000	\$ 4,161,338	\$ 16,161,338

f. Compensated Absences

At June 30, 2014, the total citywide accrued liability for compensated absences amounted to \$3,165,051 which is comprised of \$2,664,211 and \$500,840 of vested vacation and sick leave, respectively. \$3,085,381 of this compensated leave liability is related to general government services with the remaining \$79,670 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.

g. Workers' Compensation Claims

As of June 30, 2014, 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 \$5,346,087. In addition, reserves of \$3,366,609 have been set aside for incurred but not reported claims. Total reserves are \$8,712,696.

h. General Liability Claims

As of June 30, 2014, 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 \$693,695. In addition, reserves of \$480,051 have been set aside for incurred but not reported claims. Total reserves are \$1,173,746.

Note 6: 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 7: 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.

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.

Note 7: Retirement Plans and Other Post Employment Benefits (Continued)

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 Actuarial Valuation Report as of June 30, 2011, determined the required employer contribution rate for fiscal year 2013-2014 to be 11.014% 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, 2011
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	32 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

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.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 7: Retirement Plans and Other Post Employment Benefits (Continued)

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 Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio		Annual Covered Payroll	Unfunded Liability as % of Payroll
				(AV/AL)	Market Value		
6/30/2011	\$ 71,498,265	\$ 63,418,351	\$ 8,079,914	88.7%	78.9%	\$ 13,463,033	60.0%
6/30/2012	74,098,516	66,623,300	7,475,216	89.9%	75.0%	12,847,411	58.2%
6/30/2013	77,384,979	61,794,318	15,590,661	79.9%	79.9%	12,370,124	126.0%

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, 2014, was as follows:

Three-Year Trend Information for PERS Miscellaneous Plan			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 1,265,396	100%	\$ -
6/30/2013	1,249,505	100%	-
6/30/2014	1,620,020	100%	-

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 standalone 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 standalone 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.

Note 7: Retirement Plans and Other Post Employment Benefits (Continued)

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 5b.

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 Actuarial Valuation Report as of June 30, 2011, determined the required employer contribution rate for fiscal year 2013-2014, as 27.877% and 23.397% for police and fire sworn employees, respectively. These rates reflect the payment of the side fund liability.

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, 2011
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	21 Years – Police; 20 Years – Fire as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market

Actuarial Assumptions:
 Investment Rate of Return 7.50% (net of administrative expenses)

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7: Retirement Plans and Other Post Employment Benefits (Continued)

Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% 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, 2014, was as follows:

<u>Fiscal Year</u>	<u>Annual pension cost</u>	<u>Percent of APC contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	\$ 1,951,952	100.00%	\$ -
6/30/2013	2,127,387	100.00%	-
6/30/2014	2,183,728	100.00%	-

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, 2014, was as follows:

<u>Fiscal Year</u>	<u>Annual pension cost</u>	<u>Percent of APC contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	\$ 995,621	100.00%	\$ -
6/30/2013	1,016,353	100.00%	-
6/30/2014	996,761	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, 2014, the City of Manhattan Beach's annual pension payment was \$4,524,352 for the Police, Fire and Miscellaneous Plans combined, and was equal to the City's required contribution. The City also contributed \$183,622 for the 2013-2014, fiscal year on behalf of the employees. Employee payments by group are as follows: Miscellaneous \$118,618, Fire \$21,228, Police \$42776. The City's payroll for employees covered by the plans for the year ended June 30, 2014, was \$24,863,877. The total payroll for the year was \$30,069,807 and includes compensation not subject to PERS such as overtime and part time personnel enrolled in PARS.

Note 7: Retirement Plans and Other Post Employment Benefits (Continued)

b. City Funded Pension Plans

The City's pension trust fund includes the Supplemental Retirement Plan and the Single Highest Year Plan. The City implemented GASB Statement No. 67. The information for the Supplemental Retirement Plan and the Single Highest Year Plan is presented as required supplementary information.

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 2014, the City paid \$146,380 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 2014, the City contribution paid to PERS was \$109,411. Plan members receiving benefits paid \$590,273.

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 2014. Therefore, the City will be reimbursed for \$255,791 (\$109,411 to PERS and \$146,380 to retirees in City Plan). Benefits per employee are determined according to MOU and PEMHCA requirements.

Note 7: Retirement Plans and Other Post Employment Benefits (Continued)

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.

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, 2013. The next valuation will be as of July 1, 2015.

In the July 1, 2013, 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, 2013, reduced by decrements to an ultimate rate of 5% by 2016, and a fixed population of active participants. The current maximum year-to-year increase is \$100, as stated in Government Code section 22892(c). This amount is assumed to remain unchanged through 2016, then increase 2% per annum in subsequent years. 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, 2014. 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 2013-14, the City conducted an actuarial analysis of these two plans in order to be in conformance with GASB 45. The valuation date was July 1, 2013.

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.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 7: Retirement Plans and Other Post Employment Benefits (Continued)

The updated valuation resulted in a fiscal 2013-2014, projected normal cost of \$376,000 and amortization of unfunded actuarial accrued liability of (\$128,000) resulting in an actuarially required contribution for fiscal 2013-2014, of \$248,000. Actuarial valuations are performed biannually. The next actuarial valuation date will be July 1, 2015, and based on that report, a revised ARC for fiscal 2014-2015, will be determined as well as a projected ARC for fiscal 2014-2015.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation:

Annual required contributions (ARC)	\$ 248,000
Interest on net OPEB	(196,695)
Amortization of OPEB	<u>823,634</u>
Annual OPEB cost	874,939
Less: Annual contributions made	<u>248,000</u>
Increase (decrease) in net OPEB obligation	626,939
Net OPEB obligation (asset) - beginning of year	<u>(2,786,050)</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ (2,159,111)</u></u>

The City's annual OPEB cost, the amount of annual OPEB cost contributed to the plan and the net OPEB obligation (NOO) for fiscal year 2013-2014, and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Contribution	Net OPEB Obligation (Asset)	Percent of OPEB Cost Contributed
6/30/2012	\$ 755,979	\$ 209,000	\$ (3,371,646)	27.65%
6/30/2013	821,596	236,000	(2,786,050)	28.72%
6/30/2014	874,939	248,000	(2,159,111)	28.34%

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.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7: Retirement Plans and Other Post Employment Benefits (Continued)

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, 2014, was \$8,849,000, which reflects a gain of \$536,501 from the prior fiscal year 2012-2013.

Fiscal Year Ending	Type of Valuation	Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
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%	21,871,000	(6.7%)
6/30/2014	Actual	7/1/2013	7,882,000	8,849,000	(967,000)	112.3%	22,191,000	(4.4%)

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, 2014, 100% of contribution is derived from employee deduction.

Total payroll for employees covered by this plan for the year was \$1,495,301. The amount of employee contribution was \$112,148.

Note 8: 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.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 8: Risk Management (Continued)

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.

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, 2014, the amount of these liabilities was \$9,886,442. The amount represents an estimate of \$6,039,782 for reported claims through June 30, 2014, and \$3,846,660 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, 2014, resulted from the following:

Year	Liability Beginning of Year	Current Year Claims and Increases in Estimates	Payments and Decreases In Estimates	Liability End of Year
2013	\$ 9,704,688	\$ 4,894,823	\$ (5,683,288)	\$ 8,916,223
2014	8,916,223	5,335,155	(4,364,936)	9,886,442

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, 2014, which can be obtained from Independent Cities Risk Management Authority, 1100 W. Town and Country Road Suite 1550 Orange, California 92868.

Note 9: Net Position and Fund Balance

a. Net Position Restatement

Beginning net position has been restated by \$(618,708) in the Refuse Fund to refund prior year street sweeping fees. This course of action was undertaken after legal review of the validity of such fees.

b. Fund Balance 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. The deficit will be eliminated as grant reimbursements are received.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

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, 2014, was 22.7%.

Summarized audited financial information for SBRPCA at June 30, 2013*, is presented below:

Statement of Net Position

Assets	
Current assets	\$ 3,104,167
Due from other governments	<u>7,750,578</u>
Total Assets	<u>10,854,745</u>
Liabilities	
Current liabilities	424,686
Noncurrent liabilities	<u>924,214</u>
Total Liabilities	<u>1,348,900</u>
Net Position	<u>\$ 9,505,845</u>

Statement of Activities

Operating Revenues	\$ 9,334,051
Operating Expenses	<u>(9,535,808)</u>
Excess of Expenses Over Revenues	<u>(201,757)</u>
Non operating revenues (expenses)	
Interest earnings	<u>7,524</u>
Non operating revenues (expenses)	<u>7,524</u>
Change in net position	(194,233)
Net Position - June 30, 2012	<u>9,700,078</u>
Net Position - June 30, 2013	<u>\$ 9,505,845</u>

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

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

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

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.

Summarized audited financial information for L.A. IMPACT at June 30, 2013*, is presented below:

Statement of Net Position

<u>Assets</u>	
Current assets	\$ 4,970,546
Noncurrent assets	649,014
Total Assets	<u>5,619,560</u>
<u>Liabilities</u>	
Current liabilities	2,028,504
Noncurrent liabilities	438,551
Total liabilities	<u>2,467,055</u>
Net Position	<u>\$ 3,152,505</u>

Statement of Activities

Revenues	\$ 5,987,700
Expenses	<u>(9,002,434)</u>
Excess of Expenditures Over Revenues	<u>(3,014,734)</u>
Non operating revenues (expenses)	
Investment earnings	5,927
Interest expense	<u>(39,416)</u>
Non operating revenues (expenses)	<u>(33,489)</u>
Change in net position	(3,048,223)
Net Position - June 30, 2011	<u>6,200,728</u>
Net Position - June 30, 2012	<u>\$ 3,152,505</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.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 11: 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, 2014:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Expenditures to date as of June 30, 2014</u>	<u>Remaining Commitments</u>
Sepulveda Bridge Widening Prop C & Safetea Lu 10827, 11830	\$ 1,474,449	\$ 756,861	\$ 717,588
Sepulveda Blvd & 2nd Street Water Main Replacement 12829	1,283,200	-	1,283,200
Dual Left-turn Lanes Marine/Sepulveda 12821	432,799	-	432,799
	<u>\$ 3,190,448</u>	<u>\$ 756,861</u>	<u>\$ 2,433,587</u>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 19,588,760	\$ 19,588,760	\$ 19,588,760	\$ -
Resources (Inflows):				
Taxes and assessments	40,175,015	40,175,015	41,734,486	1,559,471
Licenses and permits	1,598,905	1,598,905	1,730,108	131,203
Intergovernmental	231,500	351,590	477,386	125,796
Charges for services	8,655,439	8,655,439	9,488,229	832,790
Use of money and property	2,712,753	2,712,753	2,959,996	247,243
Fines and forfeitures	2,677,500	2,677,500	2,437,700	(239,800)
Miscellaneous	509,805	509,805	483,981	(25,824)
Transfers in	70,012	70,012	200,458	130,446
Notes and loans issued	966,613	-	-	-
Proceeds from sale of capital asset	1,200	1,200	1,741	541
Amounts Available for Appropriations	77,187,502	76,340,979	79,102,845	2,761,866
Charges to Appropriation (Outflow):				
General government	10,541,712	12,723,034	10,467,524	2,255,510
Public safety	32,841,243	32,976,257	33,425,442	(449,185)
Culture and recreation	6,275,399	6,272,533	5,964,556	307,977
Public works	5,960,656	6,022,049	5,878,089	143,960
Capital outlay	703,575	722,520	67,141	655,379
Debt service:				
Principal retirement	1,880,000	1,350,000	1,350,000	-
Interest and fiscal charges	735,493	298,880	45,361	253,519
Transfers out	988,520	988,520	1,006,397	(17,877)
Total Charges to Appropriations	59,926,598	61,353,793	58,204,510	3,149,283
Budgetary Fund Balance, June 30	\$ 17,260,904	\$ 14,987,186	\$ 20,898,335	\$ 5,911,149

CITY OF MANHATTAN BEACH

**PENSION PLAN - SUPPLEMENTAL RETIREMENT PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (A)**

	<u>2014</u>
Total pension liability:	
Interest	\$ 4,535
Benefit payments, including refunds of member contributions	(20,118)
Experience losses/(gains)	<u>(6,296)</u>
Net change in total pension liability	(21,879)
Total pension liability, beginning of year	<u>133,183</u>
Total pension liability, end of year	<u>111,304</u>
Plan fiduciary net position:	
Net investment income	4,535
Benefit payments, including refunds of member contributions	<u>(20,118)</u>
Net change in plan fiduciary net position	(15,583)
Total fiduciary net position, beginning of year	<u>118,255</u>
Total fiduciary net position, end of year	<u>102,672</u>
Net pension liability (asset), end of year	<u>\$ 8,632</u>
Plan fiduciary net position as a percentage of the total pension liability	92.24%
The Supplement Retirement Plan is dormant.	
Covered-employee payroll	N/A
Net pension liability as a percentage of covered-employee payroll	N/A

(A) GASB Statement No. 67, which requires ten years of history for this schedule, was implemented during fiscal year ended June 30, 2014. Additional years will be added as they become available in the future.

CITY OF MANHATTAN BEACH

PENSION PLAN - SUPPLEMENTAL RETIREMENT PLAN
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (A)

	2014
Employer contributions:	
Actuarial determined contributions	\$ -
Actual contributions	-
	-
Deficiency/(Excess)	\$ -

The Supplement Retirement Plan is dormant.

Actual contributions as a percentage of actuarial determined contributions	N/A
Covered-employee payroll	N/A
Contributions as a percentage of covered-employee payroll	N/A

(A) GASB Statement No. 67, which requires ten years of history for this schedule, was implemented during fiscal year ended June 30, 2014. Additional years will be added as they become available in the future.

CITY OF MANHATTAN BEACH

**PENSION PLAN - SUPPLEMENTAL RETIREMENT PLAN
SCHEDULE OF INVESTMENT RETURNS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (A)**

2014

Annual money-weighted rate of return, net of investment expense

4.40%

(A) GASB Statement No. 67, which requires ten years of history for this schedule, was implemented during fiscal year ended June 30, 2014. Additional years will be added as they become available in the future.

CITY OF MANHATTAN BEACH

**PENSION PLAN - SINGLE HIGHEST YEAR PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (A)**

	<u>2014</u>
Total pension liability:	
Interest	\$ 12,194
Benefit payments, including refunds of member contributions	(49,893)
Experience losses/(gains)	<u>(20,492)</u>
Net change in total pension liability	(58,191)
Total pension liability, beginning of year	<u>373,634</u>
Total pension liability, end of year	<u>315,443</u>
Plan fiduciary net position:	
Net investment income	12,194
Benefit payments, including refunds of member contributions	<u>(49,893)</u>
Net change in plan fiduciary net position	(37,699)
Total fiduciary net position, beginning of year	<u>315,899</u>
Total fiduciary net position, end of year	<u>278,200</u>
Net pension liability (asset), end of year	<u>\$ 37,243</u>
 Plan fiduciary net position as a percentage of the total pension liability	 88.19%
The Single Highest Year Plan is dormant.	
Covered-employee payroll	N/A
Net pension liability as a percentage of covered-employee payroll	N/A

(A) GASB Statement No. 67, which requires ten years of history for this schedule, was implemented during fiscal year ended June 30, 2014. Additional years will be added as they become available in the future.

CITY OF MANHATTAN BEACH

PENSION PLAN - SINGLE HIGHEST YEAR PLAN
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (A)

	2014
Employer contributions:	
Actuarial determined contributions	\$ -
Actual contributions	-
	-
Deficiency/(Excess)	\$ -

The Single Highest Year Plan is dormant.

Actual contributions as a percentage of actuarial determined contributions	N/A
Covered-employee payroll	N/A
Contributions as a percentage of covered-employee payroll	N/A

(A) GASB Statement No. 67, which requires ten years of history for this schedule, was implemented during fiscal year ended June 30, 2014. Additional years will be added as they become available in the future.

CITY OF MANHATTAN BEACH

**PENSION PLAN - SINGLE HIGHEST YEAR PLAN
SCHEDULE OF INVESTMENT RETURNS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (A)**

2014

Annual money-weighted rate of return, net of investment expense

4.40%

(A) GASB Statement No. 67, which requires ten years of history for this schedule, was implemented during fiscal year ended June 30, 2014. Additional years will be added as they become available in the future.



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CITY OF MANHATTAN BEACH

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

Note 1: Budgetary Comparison Information

a. General Budget Policies

The operating budget serves as the annual financial plan for the City and serves as the policy document of the City Council for implementing Council goals and objectives. The budget provides the staff the resources necessary to accomplish City Council determined service levels.

The City Manager annually will prepare and present a proposed operating budget to the City Council no later than the second regular Council meeting in May of each year; and Council will adopt said budget no later than June 30 of each year. Funds may not be expended or encumbered for the following fiscal year until the budget has been adopted by the City Council.

The City's annual budget will be presented by department, with a logical breakdown of programs and proposed expenses. The budget document will also summarize expenditures at the personnel, operating and maintenance, and capital levels.

Where practical, the City's annual budget will include measures of workload, efficiency, and effectiveness.

b. Budgetary Control and Accountability

Budget control is maintained at the departmental level. The City Manager has the authority to approve appropriation transfers between programs or departments. In no case may total expenditures of a particular fund exceed that which is appropriated by the City Council without a budget amendment. Amendments to the budget are approved by the City Council with the exception of the appropriation and transfer of funds from employee leave reserves to a specific department's program budget to cover unplanned customary termination leave expenditures within a given year. Such amendments may be approved by the City Manager.

Budget accountability rests primarily with the operating departments of the City.

For the year ended June 30, 2014, the following funds had expenditures in excess of budget:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Street Lighting & Landscaping			
Public Works	\$ 639,920	\$ 633,438	\$ (6,482)
Prop A			
Culture and Recreation	865,460	729,281	(136,179)

c. Basis of Budgeting

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.

Note 2: Supplemental Retirement Plan

a. Summary of Significant Accounting Policies

Method used to value investments

The City of Manhattan Beach Supplemental Retirement Plan (the Supplemental Plan) investments are reported at fair market value.

Investment Policy

The Supplemental Plan's policy in regard to the allocation and types of invested assets is established and may be amended by the City of Manhattan Beach's City Council. It is the policy of City Council to pursue an investment strategy that reduces risk. As of June 30, 2014, City Council has approved to have 100% of the Supplemental Plan's assets allocated to cash and cash equivalents.

Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on Supplemental Plan investments, net of investment expense, was 4.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

b. Plan Description

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."

This plan is being accounted for in the Pension Fund. 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. 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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
 JUNE 30, 2014

Note 2: Supplemental Retirement Plan (Continued)

The number of participants covered under the plan as of June 30, 2014, was as follows:

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

c. Net Pension Liability

The Supplemental Plan is dormant and no contribution was made during the year. The components of the net pension liability of the Plan at June 30, 2014, were as follows:

Total pension liability	\$ 111,304
Plan fiduciary net pension	<u>102,672</u>
Net pension liability	<u><u>\$ 8,632</u></u>

Plan fiduciary net position as a percentage of the total pension liability	92.24%
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d. Actuarial Assumptions

Valuation date	June 30, 2014
Pre-retirement mortality rates	RP-2000 Mortality Table Projected to 2014
Asset valuation method	Fair Market Value
Discount rate	4.4%

Discount Rate

The discount rate used to measure the total pension liability was 4.4%. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of plan members. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 4.40%, as well as what the Employer's net pension liability would be if it were calculated using a discount rate that is 1% lower (3.40%) or 1% higher (5.40%) than the current rate:

	1% Lower (3.40%)	Current Discount Rate (4.40%)	1% Higher (5.40%)
Net pension liability	\$ 116,015	\$ 111,304	\$ 106,976

Note 3: Single Highest Year Plan

a. Summary of Significant Accounting Policies

Method used to value investments

The City of Manhattan Beach Single Highest Year Plan (the Highest Year Plan) investments are reported at fair market value.

Investment Policy

The Highest Year Plan's policy in regard to the allocation and types of invested assets is established and may be amended by the City of Manhattan Beach's City Council. It is the policy of City Council to pursue an investment strategy that reduces risk. As of June 30, 2014, City Council has approved to have 100% of the Supplemental Plan's assets allocated to cash and cash equivalents.

Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on the Highest Year Plan investments, net of investment expense, was 4.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

b. Plan Description

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 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, 2014, was as follows:

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
 JUNE 30, 2014

Note 3: Single Highest Year Plan (Continued)

c. Net Pension Liability

The Supplemental Plan is dormant and no contribution was made during the year. The components of the net pension liability of the Plan at June 30, 2014, were as follows:

Total pension liability	\$ 315,443
Plan fiduciary net pension	<u>278,200</u>
Net pension liability	<u>\$ 37,243</u>
Plan fiduciary net position as a percentage of the total pension liability	88.19%

d. Actuarial Assumptions

Valuation date	June 30, 2014
Pre-retirement mortality rates	RP-2000 Mortality Table Projected to 2014
Asset valuation method	Fair Market Value
Discount rate	4.4%

Discount Rate

The discount rate used to measure the total pension liability was 4.4%. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of plan members. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 4.40%, as well as what the Employer's net pension liability would be if it were calculated using a discount rate that is 1% lower (3.40%) or 1% higher (5.40%) than the current rate:

	1% Lower (3.40%)	Current Discount Rate (4.40%)	1% Higher (5.40%)
Net pension liability	\$ 330,563	\$ 315,443	\$ 301,639



CITY OF MANHATTAN BEACH

JUNE 30, 2014

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, 2014

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.

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.

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, 2014

	Special Revenue Funds			
	Street Lighting and Landscape	Gas Tax	Asset Forfeiture	Public Safety Grants
Assets:				
Pooled cash and investments	\$ 46,428	\$ 3,157,182	\$ 872,745	\$ 205,718
Receivables:				
Accounts	4,513	15,275	-	-
Prepaid costs	-	-	-	-
Due from other governments	-	111,070	16,676	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 50,941	\$ 3,283,527	\$ 889,421	\$ 205,718
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 50,941	\$ 53,524	\$ 156	\$ 10,442
Accrued liabilities	-	32,753	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	50,941	86,277	156	10,442
Deferred Inflows of Resources:				
Unavailable revenues	-	482	-	-
Total Deferred Inflows of Resources	-	482	-	-
Fund Balances:				
Restricted for:				
Public safety	-	-	889,265	195,276
Public works	-	3,196,768	-	-
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	-	3,196,768	889,265	195,276
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 50,941	\$ 3,283,527	\$ 889,421	\$ 205,718

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds			
	Federal and State Grants	Proposition A	Proposition C	AB 2766
Assets:				
Pooled cash and investments	\$ -	\$ 12,731	\$ 4,133,316	\$ 169,976
Receivables:				
Accounts	-	-	-	-
Prepaid costs	-	375	-	-
Due from other governments	22,488	-	100,443	11,412
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 22,488	\$ 13,106	\$ 4,233,759	\$ 181,388
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 13,106	\$ 85,365	\$ -
Accrued liabilities	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	22,488	-	-	-
Total Liabilities	22,488	13,106	85,365	-
Deferred Inflows of Resources:				
Unavailable revenues	22,488	-	100,443	11,412
Total Deferred Inflows of Resources	22,488	-	100,443	11,412
Fund Balances:				
Restricted for:				
Public safety	-	-	-	-
Public works	-	-	-	169,976
Capital Projects	-	-	4,047,951	-
Unassigned	(22,488)	-	-	-
Total Fund Balances	(22,488)	-	4,047,951	169,976
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 22,488	\$ 13,106	\$ 4,233,759	\$ 181,388

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Measure R</u>	<u>Underground Assessment District</u>	
Assets:			
Pooled cash and investments	\$ 1,180,546	\$ 199,238	\$ 9,977,880
Receivables:			
Accounts	-	-	19,788
Prepaid costs	-	-	375
Due from other governments	-	-	262,089
Restricted assets:			
Cash and investments with fiscal agents	-	390,884	390,884
Total Assets	<u>\$ 1,180,546</u>	<u>\$ 590,122</u>	<u>\$ 10,651,016</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 1,250	\$ -	\$ 214,784
Accrued liabilities	-	-	32,753
Deposits payable	-	1,741	1,741
Due to other funds	-	-	22,488
Total Liabilities	<u>1,250</u>	<u>1,741</u>	<u>271,766</u>
Deferred Inflows of Resources:			
Unavailable revenues	-	-	134,825
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>134,825</u>
Fund Balances:			
Restricted for:			
Public safety	-	-	1,084,541
Public works	1,179,296	-	4,546,040
Capital Projects	-	588,381	4,636,332
Unassigned	<u>-</u>	<u>-</u>	<u>(22,488)</u>
Total Fund Balances	<u>1,179,296</u>	<u>588,381</u>	<u>10,244,425</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,180,546</u>	<u>\$ 590,122</u>	<u>\$ 10,651,016</u>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue Funds			
	Street Lighting and Landscape	Gas Tax	Asset Forfeiture	Public Safety Grants
Revenues:				
Taxes	\$ 375,731	\$ 3,617	\$ -	\$ -
Intergovernmental	-	1,219,642	52,020	100,000
Charges for services	20,865	-	-	-
Use of money and property	-	26,820	7,866	1,491
Miscellaneous	-	-	-	-
Total Revenues	396,596	1,250,079	59,886	101,491
Expenditures:				
Current:				
Public safety	-	-	56,814	43,572
Culture and recreation	-	-	-	-
Public works	639,920	-	-	-
Capital outlay	-	1,271,807	31,029	19,210
Total Expenditures	639,920	1,271,807	87,843	62,782
Excess (Deficiency) of Revenues Over (Under) Expenditures	(243,324)	(21,728)	(27,957)	38,709
Other Financing Sources (Uses):				
Transfers in	243,324	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	243,324	-	-	-
Net Change in Fund Balances	-	(21,728)	(27,957)	38,709
Fund Balances, Beginning of Year	-	3,218,496	917,222	156,567
Fund Balances, End of Year	\$ -	\$ 3,196,768	\$ 889,265	\$ 195,276

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue Funds			
	Federal and State Grants	Proposition A	Proposition C	AB 2766
Revenues:				
Taxes	\$ -	\$ 601,192	\$ 499,530	\$ -
Intergovernmental	-	-	300,179	32,453
Charges for services	-	12,160	-	-
Use of money and property	-	1,148	34,496	1,248
Miscellaneous	-	17,825	-	-
Total Revenues	-	632,325	834,205	33,701
Expenditures:				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	865,460	-	-
Public works	-	-	-	9,528
Capital outlay	-	-	358,488	-
Total Expenditures	-	865,460	358,488	9,528
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(233,135)	475,717	24,173
Other Financing Sources (Uses):				
Transfers in	-	53,472	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	53,472	-	-
Net Change in Fund Balances	-	(179,663)	475,717	24,173
Fund Balances, Beginning of Year	(22,488)	179,663	3,572,234	145,803
Fund Balances, End of Year	\$ (22,488)	\$ -	\$ 4,047,951	\$ 169,976

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Measure R	Underground Assessment District	
Revenues:			
Taxes	\$ 372,156	\$ -	\$ 1,852,226
Intergovernmental	-	-	1,704,294
Charges for services	-	-	33,025
Use of money and property	9,974	1,789	84,832
Miscellaneous	-	-	17,825
Total Revenues	382,130	1,789	3,692,202
Expenditures:			
Current:			
Public safety	-	-	100,386
Culture and recreation	-	-	865,460
Public works	-	-	649,448
Capital outlay	25,299	-	1,705,833
Total Expenditures	25,299	-	3,321,127
Excess (Deficiency) of Revenues Over (Under) Expenditures	356,831	1,789	371,075
Other Financing Sources (Uses):			
Transfers in	-	-	296,796
Transfers out	(53,472)	-	(53,472)
Total Other Financing Sources (Uses)	(53,472)	-	243,324
Net Change in Fund Balances	303,359	1,789	614,399
Fund Balances, Beginning of Year	875,937	586,592	9,630,026
Fund Balances, End of Year	\$ 1,179,296	\$ 588,381	\$ 10,244,425

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 STREET LIGHTING AND LANDSCAPE
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Taxes	379,200	379,200	375,731	(3,469)
Charges for services	25,291	25,291	20,865	(4,426)
Transfers in	225,447	225,447	243,324	17,877
Amounts Available for Appropriations	629,938	629,938	639,920	9,982
Charges to Appropriation (Outflow):				
Public works	629,938	633,438	639,920	(6,482)
Total Charges to Appropriations	629,938	633,438	639,920	(6,482)
Budgetary Fund Balance, June 30	\$ -	\$ (3,500)	\$ -	\$ 3,500

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 GAS TAX
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,218,496	\$ 3,218,496	\$ 3,218,496	\$ -
Resources (Inflows):				
Taxes	155,000	155,000	3,617	(151,383)
Intergovernmental	1,097,100	1,544,600	1,219,642	(324,958)
Use of money and property	25,666	25,666	26,820	1,154
Amounts Available for Appropriations	4,496,262	4,943,762	4,468,575	(475,187)
Charges to Appropriation (Outflow):				
Capital outlay	1,115,000	3,663,657	1,271,807	2,391,850
Total Charges to Appropriations	1,115,000	3,663,657	1,271,807	2,391,850
Budgetary Fund Balance, June 30	\$ 3,381,262	\$ 1,280,105	\$ 3,196,768	\$ 1,916,663

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 ASSET FORFEITURE
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 917,222	\$ 917,222	\$ 917,222	\$ -
Resources (Inflows):				
Intergovernmental	-	-	52,020	52,020
Use of money and property	8,053	8,053	7,866	(187)
Amounts Available for Appropriations	925,275	925,275	977,108	51,833
Charges to Appropriation (Outflow):				
Public safety	192,615	146,273	56,814	89,459
Capital outlay	-	55,996	31,029	24,967
Transfers out	-	74,000	-	74,000
Total Charges to Appropriations	192,615	276,269	87,843	188,426
Budgetary Fund Balance, June 30	\$ 732,660	\$ 649,006	\$ 889,265	\$ 240,259

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 PUBLIC SAFETY GRANTS
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 156,567	\$ 156,567	\$ 156,567	\$ -
Resources (Inflows):				
Intergovernmental	-	-	100,000	100,000
Use of money and property	1,300	1,300	1,491	191
Amounts Available for Appropriations	157,867	157,867	258,058	100,191
Charges to Appropriation (Outflow):				
Public safety	-	102,882	43,572	59,310
Capital outlay	-	64,710	19,210	45,500
Total Charges to Appropriations	-	167,592	62,782	104,810
Budgetary Fund Balance, June 30	\$ 157,867	\$ (9,725)	\$ 195,276	\$ 205,001

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION A
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 179,663	\$ 179,663	\$ 179,663	\$ -
Resources (Inflows):				
Taxes	599,798	599,798	601,192	1,394
Charges for services	10,800	10,800	12,160	1,360
Use of money and property	716	716	1,148	432
Miscellaneous	14,000	14,000	17,825	3,825
Transfers in	103,967	103,967	53,472	(50,495)
Amounts Available for Appropriations	908,944	908,944	865,460	(43,484)
Charges to Appropriation (Outflow):				
Culture and recreation	729,281	729,281	865,460	(136,179)
Total Charges to Appropriations	729,281	729,281	865,460	(136,179)
Budgetary Fund Balance, June 30	\$ 179,663	\$ 179,663	\$ -	\$ (179,663)

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION C
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,572,234	\$ 3,572,234	\$ 3,572,234	\$ -
Resources (Inflows):				
Taxes	497,517	497,517	499,530	2,013
Intergovernmental	11,159,325	12,483,380	300,179	(12,183,201)
Use of money and property	28,266	28,266	34,496	6,230
Amounts Available for Appropriations	15,257,342	16,581,397	4,406,439	(12,174,958)
Charges to Appropriation (Outflow):				
Capital outlay	12,785,472	14,824,446	358,488	14,465,958
Total Charges to Appropriations	12,785,472	14,824,446	358,488	14,465,958
Budgetary Fund Balance, June 30	\$ 2,471,870	\$ 1,756,951	\$ 4,047,951	\$ 2,291,000

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE

AB 2766

YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 145,803	\$ 145,803	\$ 145,803	\$ -
Resources (Inflows):				
Intergovernmental	40,000	40,000	32,453	(7,547)
Use of money and property	3,287	3,287	1,248	(2,039)
Amounts Available for Appropriations	189,090	189,090	179,504	(9,586)
Charges to Appropriation (Outflow):				
Public works	8,068	8,068	9,528	(1,460)
Capital outlay	89,000	89,000	-	89,000
Total Charges to Appropriations	97,068	97,068	9,528	87,540
Budgetary Fund Balance, June 30	\$ 92,022	\$ 92,022	\$ 169,976	\$ 77,954

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 MEASURE R
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 875,937	\$ 875,937	\$ 875,937	\$ -
Resources (Inflows):				
Taxes	373,137	373,137	372,156	(981)
Use of money and property	7,608	7,608	9,974	2,366
Amounts Available for Appropriations	1,256,682	1,256,682	1,258,067	1,385
Charges to Appropriation (Outflow):				
Capital outlay	-	50,000	25,299	24,701
Transfers out	103,967	103,967	53,472	50,495
Total Charges to Appropriations	103,967	153,967	78,771	75,196
Budgetary Fund Balance, June 30	\$ 1,152,715	\$ 1,102,715	\$ 1,179,296	\$ 76,581

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 CAPITAL IMPROVEMENT
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 8,645,220	\$ 8,645,220	\$ 8,645,220	\$ -
Resources (Inflows):				
Taxes	586,659	586,659	626,635	39,976
Licenses and permits	10,902	10,902	29,072	18,170
Intergovernmental	-	2,834,851	2,310	(2,832,541)
Charges for services	650,000	650,000	732,286	82,286
Use of money and property	3,000	3,000	3,921	921
Fines and forfeitures	114,470	114,470	128,736	14,266
Miscellaneous	-	20,000	19,974	(26)
Transfers in	763,073	763,073	763,073	-
Proceeds from sale of capital asset	-	-	691,871	691,871
Amounts Available for Appropriations	10,773,324	13,628,175	11,643,098	(1,985,077)
Charges to Appropriation (Outflow):				
Culture and recreation	12,820	14,720	1,552	13,168
Capital outlay	2,000,000	6,912,147	1,046,157	5,865,990
Debt service:				
Principal retirement	11,645,000	480,000	480,000	-
Interest and fiscal charges	594,802	333,764	333,762	2
Total Charges to Appropriations	14,252,622	7,740,631	1,861,471	5,879,160
Budgetary Fund Balance, June 30	\$ (3,479,298)	\$ 5,887,544	\$ 9,781,627	\$ 3,894,083

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 UNDERGROUND ASSESSMENT DISTRICT
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 586,592	\$ 586,592	\$ 586,592	\$ -
Resources (Inflows):				
Use of money and property	1,125	1,125	1,789	664
Amounts Available for Appropriations	587,717	587,717	588,381	664
Budgetary Fund Balance, June 30	\$ 587,717	\$ 587,717	\$ 588,381	\$ 664

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2014

	Business-Type Activities - Enterprise Funds				Totals
	Stormwater	Refuse	County Parking Lot	State Pier and Parking Lot	
Assets:					
Current:					
Cash and investments	\$ 1,031,545	\$ 547,165	\$ 351,735	\$ 2,224,507	\$ 4,154,952
Receivables:					
Accounts	4,446	284,658	-	-	289,104
Total Current Assets	1,035,991	831,823	351,735	2,224,507	4,444,056
Noncurrent:					
Prepaid other post-employment benefits	6,092	9,138	2,437	2,437	20,104
Capital assets - net of accumulated depreciation	3,904,313	-	-	-	3,904,313
Total Noncurrent Assets	3,910,405	9,138	2,437	2,437	3,924,417
Total Assets	\$ 4,946,396	\$ 840,961	\$ 354,172	\$ 2,226,944	\$ 8,368,473
Liabilities and Net Position:					
Liabilities:					
Current:					
Accounts payable	\$ 68,589	\$ 299,356	\$ 351,735	\$ 41,908	\$ 761,588
Total Current Liabilities	68,589	299,356	351,735	41,908	761,588
Total Liabilities	68,589	299,356	351,735	41,908	761,588
Net Position:					
Net investment in capital assets	3,904,313	-	-	-	3,904,313
Unrestricted	973,494	541,605	2,437	2,185,036	3,702,572
Total Net Position	4,877,807	541,605	2,437	2,185,036	7,606,885
Total Liabilities and Net Position	\$ 4,946,396	\$ 840,961	\$ 354,172	\$ 2,226,944	\$ 8,368,473

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NON-MAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds				Totals
	Stormwater	Refuse	County Parking Lot	State Pier and Parking Lot	
Operating Revenues:					
Sales and service charges	\$ 344,556	\$ 3,965,882	\$ 773,409	\$ 575,723	\$ 5,659,570
Miscellaneous	-	-	-	4,344	4,344
Total Operating Revenues	344,556	3,965,882	773,409	580,067	5,663,914
Operating Expenses:					
Salaries	71,936	95,242	12,656	12,656	192,490
Employee benefits	24,635	34,251	5,857	5,858	70,601
Contract and professional services	457,343	3,356,993	62,879	200,787	4,078,002
Materials and services	47,919	54,691	23,296	89,656	215,562
Utilities	11,797	299	5,794	48,852	66,742
Administrative service charges	-	359,112	37,800	98,436	495,348
Leases and rents	-	-	425,376	-	425,376
Depreciation expense	151,757	-	-	-	151,757
Total Operating Expenses	765,387	3,900,588	573,658	456,245	5,695,878
Operating Income (Loss)	(420,831)	65,294	199,751	123,822	(31,964)
Nonoperating Revenues (Expenses):					
Interest revenue	6,077	4,954	-	12,183	23,214
Grant revenue	-	19,880	-	-	19,880
Total Nonoperating Revenues (Expenses)	6,077	24,834	-	12,183	43,094
Income (Loss) Before Transfers	(414,754)	90,128	199,751	136,005	11,130
Transfers out	-	-	(200,458)	-	(200,458)
Changes in Net Position	\$ (414,754)	\$ 90,128	\$ (707)	\$ 136,005	\$ (189,328)
Net Position:					
Beginning of Year, as originally reported	\$ 5,292,561	\$ 1,070,185	\$ 3,144	\$ 2,049,031	\$ 8,414,921
Restatements	-	(618,708)	-	-	(618,708)
Beginning of Fiscal Year, as restated	5,292,561	451,477	3,144	2,049,031	7,796,213
Changes in Net Position	(414,754)	90,128	(707)	136,005	(189,328)
End of Fiscal Year	\$ 4,877,807	\$ 541,605	\$ 2,437	\$ 2,185,036	\$ 7,606,885

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds				Totals
	Stormwater	Refuse	County Parking Lot	State Pier and Parking Lot	
Cash Flows from Operating Activities:					
Cash received from customers and users	\$ 401,238	\$ 3,991,925	\$ 773,409	\$ 580,067	\$ 5,746,639
Cash paid to suppliers for goods and services	(494,501)	(3,806,789)	(478,323)	(444,746)	(5,224,359)
Cash paid to employees for services	(94,802)	(126,840)	(17,806)	(17,807)	(257,255)
Net Cash Provided (Used) by Operating Activities	(188,065)	58,296	277,280	117,514	265,025
Cash Flows from Non-Capital Financing Activities:					
Cash transfers out	-	-	(200,458)	-	(200,458)
Grant Subsidy	-	19,880	-	-	19,880
Street sweeping fee refunds	-	(618,708)	-	-	(618,708)
Net Cash Provided (Used) by Non-Capital Financing Activities	-	(598,828)	(200,458)	-	(799,286)
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(39,746)	-	-	-	(39,746)
Net Cash Provided (Used) by Capital and Related Financing Activities	(39,746)	-	-	-	(39,746)
Cash Flows from Investing Activities:					
Interest received	6,077	4,954	-	12,183	23,214
Net Cash Provided (Used) by Investing Activities	6,077	4,954	-	12,183	23,214
Net Increase (Decrease) in Cash and Cash Equivalents	(221,734)	(535,578)	76,822	129,697	(550,793)
Cash and Cash Equivalents at Beginning of Year	1,253,279	1,082,743	274,913	2,094,810	4,705,745
Cash and Cash Equivalents at End of Year	\$ 1,031,545	\$ 547,165	\$ 351,735	\$ 2,224,507	\$ 4,154,952
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ (420,831)	\$ 65,294	\$ 199,751	\$ 123,822	\$ (31,964)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	151,757	-	-	-	151,757
(Increase) decrease in accounts receivable	56,682	26,043	-	-	82,725
(Increase) decrease in prepaid other post-employment benefits	1,769	2,653	707	707	5,836
Increase (decrease) in accounts payable	22,558	(35,694)	76,822	(7,015)	56,671
Total Adjustments	232,766	(6,998)	77,529	(6,308)	296,989
Net Cash Provided (Used) by Operating Activities	\$ (188,065)	\$ 58,296	\$ 277,280	\$ 117,514	\$ 265,025

Non-Cash Investing, Capital, and Financing Activities:

There was no non-cash investing, capital and financing activities during the fiscal year.



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CITY OF MANHATTAN BEACH

JUNE 30, 2014

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 NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014

	Governmental Activities - Internal Service Funds				Totals
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	
Assets:					
Current:					
Cash and investments	\$ 10,387,576	\$ 485,178	\$ 1,996,465	\$ 224,124	\$ 13,093,343
Inventories	-	-	-	108,125	108,125
Total Current Assets	10,387,576	485,178	1,996,465	332,249	13,201,468
Noncurrent:					
Prepaid other post-employment benefits	12,183	24,364	24,364	24,364	85,275
Capital assets - net of accumulated depreciation	-	-	5,651,206	-	5,651,206
Total Noncurrent Assets	12,183	24,364	5,675,570	24,364	5,736,481
Total Assets	\$ 10,399,759	\$ 509,542	\$ 7,672,035	\$ 356,613	\$ 18,937,949
Liabilities and Net Position:					
Liabilities:					
Current:					
Accounts payable	\$ 25,910	\$ 66,317	\$ 70,691	\$ 228,338	\$ 391,256
Accrued liabilities	-	768	-	-	768
Capital leases	-	-	187,522	-	187,522
Workers' compensation claims	5,346,087	-	-	-	5,346,087
Accrued claims and judgments	693,695	-	-	-	693,695
Total Current Liabilities	6,065,692	67,085	258,213	228,338	6,619,328
Noncurrent:					
Capital leases	-	-	531,820	-	531,820
Workers' compensation claims	3,366,609	-	-	-	3,366,609
Accrued claims and judgments	480,051	-	-	-	480,051
Total Noncurrent Liabilities	3,846,660	-	531,820	-	4,378,480
Total Liabilities	9,912,352	67,085	790,033	228,338	10,997,808
Net Position:					
Net investment in capital assets	-	-	4,931,864	-	4,931,864
Unrestricted	487,407	442,457	1,950,138	128,275	3,008,277
Total Net Position	487,407	442,457	6,882,002	128,275	7,940,141
Total Liabilities and Net Position	\$ 10,399,759	\$ 509,542	\$ 7,672,035	\$ 356,613	\$ 18,937,949

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Funds				
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	Totals
Operating Revenues:					
Sales and service charges	\$ 5,344,610	\$ 1,531,294	\$ 2,430,056	\$ 1,747,970	\$ 11,053,930
Miscellaneous	-	-	515	770	1,285
Total Operating Revenues	5,344,610	1,531,294	2,430,571	1,748,740	11,055,215
Operating Expenses:					
Salaries	149,870	625,241	236,671	350,616	1,362,398
Employee benefits	54,854	156,577	90,022	103,215	404,668
Contract for professional services	18,177	284,523	85,064	662,377	1,050,141
Materials and services	441,155	401,714	657,238	493,520	1,993,627
Utilities	7,309	2,436	-	108,581	118,326
Claims expense	5,172,418	-	-	-	5,172,418
Depreciation expense	-	-	733,026	-	733,026
Total Operating Expenses	5,843,783	1,470,491	1,802,021	1,718,309	10,834,604
Operating Income (Loss)	(499,173)	60,803	628,550	30,431	220,611
Nonoperating Revenues (Expenses):					
Interest expense	-	-	(13,361)	-	(13,361)
Gain (loss) on disposal of capital assets	-	-	77,895	-	77,895
Total Nonoperating Revenues (Expenses)	-	-	64,534	-	64,534
Changes in Net Position	(499,173)	60,803	693,084	30,431	285,145
Net Position:					
Beginning of Year	986,580	381,654	6,188,918	97,844	7,654,996
End of Fiscal Year	\$ 487,407	\$ 442,457	\$ 6,882,002	\$ 128,275	\$ 7,940,141

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Funds				
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	Totals
Cash Flows from Operating Activities:					
Cash received from customers and users	\$ -	\$ -	\$ 515	\$ 770	\$ 1,285
Cash received from/(paid to) interfund service provided	5,344,610	1,531,294	2,430,056	1,747,970	11,053,930
Cash paid to suppliers for goods and services	(4,652,655)	(661,431)	(1,016,487)	(1,116,558)	(7,447,131)
Cash paid to employees for services	(201,187)	(774,743)	(319,618)	(446,756)	(1,742,304)
Net Cash Provided (Used) by Operating Activities	490,768	95,120	1,094,466	185,426	1,865,780
Cash Flows from Non-Capital Financing Activities:					
Grant subsidy	-	-	10,000	-	10,000
Net Cash Provided (Used) by Non-Capital Financing Activities	-	-	10,000	-	10,000
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	-	-	(2,127,456)	-	(2,127,456)
Principal paid on capital debt	-	-	(184,499)	-	(184,499)
Interest paid on capital debt	-	-	(13,361)	-	(13,361)
Proceeds from sales of capital assets	-	-	163,892	-	163,892
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(2,161,424)	-	(2,161,424)
Net Increase (Decrease) in Cash and Cash Equivalents	490,768	95,120	(1,056,958)	185,426	(285,644)
Cash and Cash Equivalents at Beginning of Year	9,896,808	390,058	3,053,423	38,698	13,378,987
Cash and Cash Equivalents at End of Year	\$ 10,387,576	\$ 485,178	\$ 1,996,465	\$ 224,124	\$ 13,093,343
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ (499,173)	\$ 60,803	\$ 628,550	\$ 30,431	\$ 220,611
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	-	-	733,026	-	733,026
(Increase) decrease in prepaid expense	-	-	975	-	975
(Increase) decrease in prepaid other post-employment benefits	3,537	7,075	7,075	7,075	24,762
(Increase) decrease in inventory	-	-	-	1,757	1,757
Increase (decrease) in accounts payable	16,185	27,242	(275,160)	146,163	(85,570)
Increase (decrease) in workers' compensation claims	924,597	-	-	-	924,597
Increase (decrease) in claims and judgments	45,622	-	-	-	45,622
Total Adjustments	989,941	34,317	465,916	154,995	1,645,169
Net Cash Provided (Used) by Operating Activities	\$ 490,768	\$ 95,120	\$ 1,094,466	\$ 185,426	\$ 1,865,780

Non-Cash Investing, Capital, and Financing Activities:

There was no non-cash investing, capital and financing activities during the fiscal year.

CITY OF MANHATTAN BEACH

JUNE 30, 2014

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
 JUNE 30, 2014

	<u>Special Assessment Redemption</u>	<u>Special Deposits</u>	<u>Totals</u>
Assets:			
Pooled cash and investments	\$ 825,381	\$ 334,781	\$ 1,160,162
Receivables:			
Accounts	20,969	-	20,969
Restricted assets:			
Cash and investments with fiscal agents	968,763	3,410	972,173
Total Assets	<u>\$ 1,815,113</u>	<u>\$ 338,191</u>	<u>\$ 2,153,304</u>
Liabilities:			
Accounts payable	\$ -	\$ 10,072	\$ 10,072
Art development fees	-	297,663	297,663
Deposits payable	-	30,456	30,456
Due to bond holders	1,815,113	-	1,815,113
Total Liabilities	<u>\$ 1,815,113</u>	<u>\$ 338,191</u>	<u>\$ 2,153,304</u>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2014

	Balance 7/1/2013	Additions	Deductions	Balance 6/30/2014
<u>Special Assessment Redemption</u>				
Assets:				
Pooled cash and investments	\$ 807,288	\$ 1,921,844	\$ 1,903,751	\$ 825,381
Receivables:				
Accounts	18,916	20,969	18,916	20,969
Restricted assets:				
Cash and investments with fiscal agents	968,763	-	-	968,763
Total Assets	\$ 1,794,967	\$ 1,942,813	\$ 1,922,667	\$ 1,815,113
Liabilities:				
Due to bondholders	\$ 1,794,967	\$ 4,793,608	\$ 4,773,462	\$ 1,815,113
Total Liabilities	\$ 1,794,967	\$ 4,793,608	\$ 4,773,462	\$ 1,815,113
<u>Special Deposits</u>				
Assets:				
Pooled cash and investments	\$ 473,489	\$ 237,783	\$ 376,491	\$ 334,781
Restricted assets:				
Cash and investments with fiscal agents	2,252,713	5,908,151	8,157,454	3,410
Total Assets	\$ 2,726,202	\$ 6,145,934	\$ 8,533,945	\$ 338,191
Liabilities:				
Accounts payable	\$ 13,657	\$ 183,305	\$ 186,890	\$ 10,072
401(a) plan deposits	2,249,203	429,144	2,678,347	-
Art development fees	414,158	66,840	183,335	297,663
Other deposits	49,184	170,942	189,670	30,456
Total Liabilities	\$ 2,726,202	\$ 850,231	\$ 3,238,242	\$ 338,191
<u>Totals - All Agency Funds</u>				
Assets:				
Pooled cash and investments	\$ 1,280,777	\$ 2,159,627	\$ 2,280,242	\$ 1,160,162
Receivables:				
Accounts	18,916	20,969	18,916	20,969
Restricted assets:				
Cash and investments with fiscal agents	3,221,476	5,908,151	8,157,454	972,173
Total Assets	\$ 4,521,169	\$ 8,088,747	\$ 10,456,612	\$ 2,153,304
Liabilities:				
Accounts payable	\$ 13,657	\$ 183,305	\$ 186,890	\$ 10,072
401(a) plan deposits	2,249,203	429,144	2,678,347	-
Art development fees	414,158	66,840	183,335	297,663
Deposits payable	49,184	170,942	189,670	30,456
Due to bond holders	1,794,967	4,793,608	4,773,462	1,815,113
Total Liabilities	\$ 4,521,169	\$ 5,643,839	\$ 8,011,704	\$ 2,153,304



Statistical Section (Unaudited)

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

Contents

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.*



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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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities					
Net Investment in capital assets	\$ 70,373,993	\$ 87,848,227	\$ 93,644,407	\$ 94,464,084	\$ 95,603,960
Restricted:					
Debt Service & Restricted Cash	19,119,420	10,676,274	2,801,554	3,255,752	2,062,149
Special Revenue Funds	<u>5,493,705</u>	<u>5,659,610</u>	<u>5,209,486</u>	<u>5,291,992</u>	<u>6,003,666</u>
Total Restricted	24,613,125	16,335,884	8,011,040	8,547,744	8,065,815
Unrestricted	<u>26,283,278</u>	<u>24,859,010</u>	<u>28,892,839</u>	<u>28,048,237</u>	<u>27,972,613</u>
Total governmental activities net position	<u>\$ 121,270,396</u>	<u>\$ 129,043,121</u>	<u>\$ 130,548,286</u>	<u>\$ 131,060,065</u>	<u>\$ 131,642,388</u>
Business-type activities					
Net Investment in capital assets	\$ 17,903,955	\$ 21,672,031	\$ 23,447,692	24,736,571	24,967,604
Restricted:					
Business Improvement district	427,607	461,754	536,856	555,569	598,329
Debt Service & Restricted Cash	<u>3,648,074</u>	<u>1,400,471</u>	<u>1,210,265</u>	<u>1,210,061</u>	<u>1,213,448</u>
Total Restricted	4,075,681	1,862,225	1,747,121	1,765,630	1,811,777
Unrestricted	<u>14,842,196</u>	<u>14,888,040</u>	<u>14,310,331</u>	<u>13,556,500</u>	<u>12,660,558</u>
Total business-type activities net position	<u>\$ 36,821,832</u>	<u>\$ 38,422,296</u>	<u>\$ 39,505,144</u>	<u>\$ 40,058,701</u>	<u>\$ 39,439,939</u>
Primary government					
Net Investment in capital assets	\$ 88,277,948	\$ 109,520,258	\$ 117,092,099	\$ 119,200,655	\$ 120,571,564
Restricted:					
Business Improvement district	427,607	461,754	536,856	555,569	598,329
Debt Service & Restricted Cash	22,767,494	12,076,745	4,011,819	4,465,813	3,275,597
Special Revenue Funds	<u>5,493,705</u>	<u>5,659,610</u>	<u>5,209,486</u>	<u>5,291,992</u>	<u>6,003,666</u>
Total Restricted	28,688,806	18,198,109	9,758,161	10,313,374	9,877,592
Unrestricted	<u>41,125,474</u>	<u>39,747,050</u>	<u>43,203,170</u>	<u>41,604,737</u>	<u>40,633,171</u>
Total primary government net position	<u>\$ 158,092,228</u>	<u>\$ 167,465,417</u>	<u>\$ 170,053,430</u>	<u>\$ 171,118,766</u>	<u>\$ 171,082,327</u>

Fiscal Year Ending				
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 94,713,693	\$ 93,795,303	\$ 93,795,301	\$ 98,930,447	\$ 100,924,816
1,960,662	1,999,346	2,062,187	1,130,434	977,888
<u>6,651,292</u>	<u>7,479,933</u>	<u>9,122,955</u>	<u>9,065,922</u>	<u>10,266,913</u>
8,611,954	9,479,279	11,185,142	10,196,356	11,244,801
<u>29,916,356</u>	<u>31,513,669</u>	<u>29,224,129</u>	<u>31,058,162</u>	<u>31,714,367</u>
<u>\$ 133,242,003</u>	<u>\$ 134,788,251</u>	<u>\$ 134,204,572</u>	<u>\$ 140,184,965</u>	<u>\$ 143,883,984</u>
25,485,791	27,111,091	28,293,829	33,902,701	34,342,910
508,617	517,072	523,928	520,514	532,510
<u>1,221,763</u>	<u>1,208,833</u>	<u>1,210,125</u>	<u>-</u>	<u>215,656</u>
1,730,380	1,725,905	1,734,053	520,514	748,166
<u>12,384,155</u>	<u>13,385,526</u>	<u>17,942,198</u>	<u>21,754,310</u>	<u>29,522,345</u>
<u>\$ 39,600,326</u>	<u>\$ 42,222,522</u>	<u>\$ 47,970,080</u>	<u>\$ 56,177,525</u>	<u>\$ 64,613,421</u>
\$ 120,199,484	\$ 120,906,394	\$ 122,089,130	\$ 132,833,148	\$ 135,267,726
508,617	517,072	523,928	520,514	532,510
3,182,425	3,208,179	3,272,312	1,130,434	1,193,544
<u>6,651,292</u>	<u>7,479,933</u>	<u>9,122,955</u>	<u>9,065,922</u>	<u>10,266,913</u>
10,342,334	11,205,184	12,919,195	10,716,870	11,992,967
<u>42,300,511</u>	<u>44,899,195</u>	<u>47,166,327</u>	<u>52,812,472</u>	<u>61,236,712</u>
<u>\$ 172,842,329</u>	<u>\$ 177,010,773</u>	<u>\$ 182,174,652</u>	<u>\$ 196,362,490</u>	<u>\$ 208,497,405</u>

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

	Fiscal Year Ending				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses					
Governmental activities:					
General government	\$ 7,814,392	\$ 7,070,028	\$ 9,057,584	\$ 9,090,991	\$ 9,528,102
Public Safety	23,756,438	24,270,798	27,134,132	31,752,170	29,889,347
Culture and recreation	4,772,150	4,724,704	5,593,739	6,031,938	5,811,982
Public Works	10,355,400	10,380,032	19,721,241	8,675,214	8,460,078
Interest on long-term debt	574,108	875,519	990,298	1,178,065	954,861
Total governmental activities expenses	<u>47,272,488</u>	<u>47,321,081</u>	<u>62,496,994</u>	<u>56,728,378</u>	<u>54,644,370</u>
Business-type activities:					
Water	6,516,122	6,535,885	7,303,547	7,500,615	7,844,741
Wastewater	338,986	1,143,541	1,268,737	1,279,325	1,938,298
Refuse	3,430,815	3,692,611	3,858,401	3,888,615	4,212,176
Parking	1,476,255	1,623,963	1,973,300	2,392,802	2,082,830
Total business-type activities expenses	<u>12,833,735</u>	<u>13,267,364</u>	<u>14,726,551</u>	<u>15,479,445</u>	<u>16,628,279</u>
Total primary government expenses	<u>\$ 60,106,223</u>	<u>\$ 60,588,445</u>	<u>\$ 77,223,545</u>	<u>\$ 72,207,823</u>	<u>\$ 71,272,649</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General Government	\$ 5,311,693	\$ 5,425,563	\$ 4,535,955	\$ 4,265,277	\$ 3,881,178
Public Safety	2,877,951	2,925,278	3,433,570	4,206,318	4,299,002
Parks and recreation	1,945,432	1,965,118	2,261,707	2,336,374	2,449,945
Public works	1,277,149	1,168,167	2,673,037	2,683,443	2,492,418
Operating grants and contributions	2,571,735	2,767,865	1,933,403	2,250,606	2,078,062
Capital grants and contributions	4,795,086	5,598,244	10,923,007	679,865	1,105,439
Total governmental activities program revenues	<u>18,779,046</u>	<u>19,850,235</u>	<u>25,760,679</u>	<u>16,421,883</u>	<u>16,306,044</u>
Business-type activities:					
Charges for services:					
Water	6,776,437	6,976,473	7,227,008	6,860,563	7,380,055
Stormwater	346,906	345,327	353,929	338,208	347,162
Wastewater	1,325,721	1,310,622	1,333,639	1,275,553	1,317,713
Refuse	3,531,951	3,684,121	3,866,381	3,816,699	4,082,292
Parking	1,672,347	1,781,333	2,108,255	2,066,617	2,094,179
Operating grants and contributions	20,088	19,758	10,861	90,853	458,769
Capital grants and contributions	21,807	-	-	900,000	-
Total business-type activities program revenues	<u>13,695,257</u>	<u>14,117,634</u>	<u>14,900,073</u>	<u>15,348,493</u>	<u>15,680,170</u>
Total primary government program revenues	<u>\$ 32,474,303</u>	<u>\$ 33,967,869</u>	<u>\$ 40,660,752</u>	<u>\$ 31,770,376</u>	<u>\$ 31,986,214</u>

Exhibit A-3

Fiscal Year Ending				
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 10,308,925	\$ 9,464,347	\$ 9,489,937	\$ 8,659,381	\$ 11,102,480
28,879,836	30,686,086	32,190,597	33,374,733	34,955,520
5,853,076	6,018,205	5,761,135	5,798,599	7,062,072
7,906,172	8,338,105	8,369,506	8,044,071	7,256,983
811,710	769,374	820,494	791,358	384,950
53,759,719	55,276,117	56,631,669	56,668,142	60,762,005
8,214,250	8,326,398	8,523,452	8,857,744	9,235,903
1,685,881	1,692,812	1,740,453	2,024,852	2,068,755
4,282,026	4,386,842	4,205,443	4,167,310	3,900,588
2,190,580	2,352,386	2,888,269	3,385,556	2,963,610
16,747,250	17,168,626	18,109,874	18,838,376	18,934,243
\$ 70,506,969	\$ 72,444,743	\$ 74,741,543	\$ 75,506,518	\$ 79,696,248
\$ 4,085,381	\$ 3,883,959	\$ 4,223,405	\$ 4,535,499	\$ 4,950,743
4,576,210	4,765,404	4,783,038	5,172,443	4,154,836
2,577,883	3,029,554	2,805,841	2,470,359	2,798,673
2,512,225	3,440,572	4,134,599	3,792,239	3,563,085
2,224,949	1,322,867	1,183,103	1,847,316	1,638,522
1,399,366	1,504,759	2,554,310	2,032,724	2,314,830
17,376,014	17,947,115	19,684,296	19,850,580	19,420,689
7,887,900	9,557,717	12,578,908	14,916,283	16,275,584
360,926	347,602	352,860	345,821	344,556
1,820,756	2,620,669	3,087,150	3,406,077	3,626,144
4,110,342	4,189,639	4,363,739	4,426,190	3,965,882
2,544,834	3,008,206	3,396,749	3,506,309	3,761,948
-	19,638	33,209	69,937	19,880
57,398	-	-	500,000	-
16,782,156	19,743,471	23,812,615	27,170,617	27,993,994
\$ 34,158,170	\$ 37,690,586	\$ 43,496,911	\$ 47,021,197	\$ 47,414,683

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

	Fiscal Year Ending				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net (Expense)/Revenue					
Governmental activities	\$ (28,493,442)	\$ (27,470,846)	\$ (36,736,315)	\$ (40,306,495)	\$ (38,338,326)
Business-type activities	861,522	850,270	173,522	(130,952)	(948,109)
Total primary government net expense	<u>\$ (27,631,920)</u>	<u>\$ (26,620,576)</u>	<u>\$ (36,562,793)</u>	<u>\$ (40,437,447)</u>	<u>\$ (39,286,435)</u>
General Revenues and Other Changes					
Governmental activities:					
Taxes					
Property taxes	\$ 11,793,140	\$ 15,666,320	\$ 14,748,616	\$ 18,567,451	\$ 19,930,492
Sales taxes	7,903,191	8,072,906	8,104,778	8,230,387	7,436,912
Transient occupancy tax	2,449,326	3,186,359	3,665,741	3,995,411	3,507,775
Motor vehicle in lieu tax	2,472,372	835,709	2,753,900	157,143	105,883
Business license tax	2,316,232	2,501,180	2,464,239	2,747,098	2,767,070
Franchise taxes	903,490	1,149,740	1,200,503	1,168,383	1,185,406
Real estate transfer taxes	1,003,916	1,001,386	788,348	439,104	325,001
Rental income	1,625,068	1,788,242	2,260,408	2,201,037	2,021,352
Investment earnings	707,298	835,352	2,075,875	2,088,549	1,385,481
Other	327,376	410,374	-	1,254,482	145,047
Transfers	143,000	(204,000)	26,000	(30,771)	110,230
Total governmental activities	<u>\$ 31,644,409</u>	<u>\$ 35,243,568</u>	<u>\$ 38,088,408</u>	<u>\$ 40,818,274</u>	<u>\$ 38,920,649</u>
Business-type activities:					
Investment earnings	\$ 450,702	\$ 546,197	\$ 935,323	\$ 874,003	\$ 439,576
Transfers	(143,000)	204,000	(26,000)	30,771	(110,230)
Other	-	-	-	-	-
Total business-type activities	<u>\$ 307,702</u>	<u>\$ 750,197</u>	<u>\$ 909,323</u>	<u>\$ 904,774</u>	<u>\$ 329,346</u>
Total primary government	<u>\$ 31,952,111</u>	<u>\$ 35,993,765</u>	<u>\$ 38,997,731</u>	<u>\$ 41,723,048</u>	<u>\$ 39,249,995</u>
Change in Net Position					
Governmental activities	\$ 3,150,967	\$ 7,772,722	\$ 1,352,093	\$ 511,779	\$ 582,323
Business-type activities	1,169,224	1,600,467	1,082,845	773,822	(618,763)
Total primary government	<u>\$ 4,320,191</u>	<u>\$ 9,373,189</u>	<u>\$ 2,434,938</u>	<u>\$ 1,285,601</u>	<u>\$ (36,440)</u>

Exhibit A-3
Continued

Fiscal Year Ending				
2010	2011	2012	2013	2014
\$ (36,383,705)	\$ (37,329,002)	\$ (36,947,373)	\$ (36,817,562)	\$ (41,341,316)
34,906	2,574,845	5,702,741	8,332,241	9,059,751
<u>\$ (36,348,799)</u>	<u>\$ (34,754,157)</u>	<u>\$ (31,244,632)</u>	<u>\$ (28,485,321)</u>	<u>\$ (32,281,565)</u>
\$ 20,006,558	\$ 19,791,425	\$ 20,408,314	\$ 21,626,173	\$ 23,353,743
7,646,109	8,148,688	8,788,599	9,103,160	8,921,346
3,174,319	3,229,823	3,240,364	3,881,174	4,289,009
108,815	118,296	95,915	18,887	15,631
2,783,641	2,844,066	3,018,177	3,124,644	3,140,273
1,220,171	1,289,443	1,335,815	1,471,197	1,441,769
356,367	473,275	521,274	587,399	642,718
1,925,895	2,029,355	2,087,648	2,406,174	2,554,820
476,463	696,066	603,334	226,951	480,568
150,229	148,451	151,219	151,613	-
134,753	106,362	99,884	200,583	200,458
<u>\$ 37,983,320</u>	<u>\$ 38,875,250</u>	<u>\$ 40,350,543</u>	<u>\$ 42,797,955</u>	<u>\$ 45,040,335</u>
\$ 260,234	\$ 153,713	\$ 144,701	\$ 56,266	\$ 151,923
(134,753)	(106,362)	(99,884)	(200,583)	(200,458)
			19,521	43,388
<u>\$ 125,481</u>	<u>\$ 47,351</u>	<u>\$ 44,817</u>	<u>\$ (124,796)</u>	<u>\$ (5,147)</u>
<u>\$ 38,108,801</u>	<u>\$ 38,922,601</u>	<u>\$ 40,395,360</u>	<u>\$ 42,673,159</u>	<u>\$ 45,035,188</u>
\$ 1,599,615	\$ 1,546,248	\$ 3,403,170	\$ 5,980,393	\$ 3,699,019
160,387	2,622,196	5,747,558	8,207,445	9,054,604
<u>\$ 1,760,002</u>	<u>\$ 4,168,444</u>	<u>\$ 9,150,728</u>	<u>\$ 14,187,838</u>	<u>\$ 12,753,623</u>

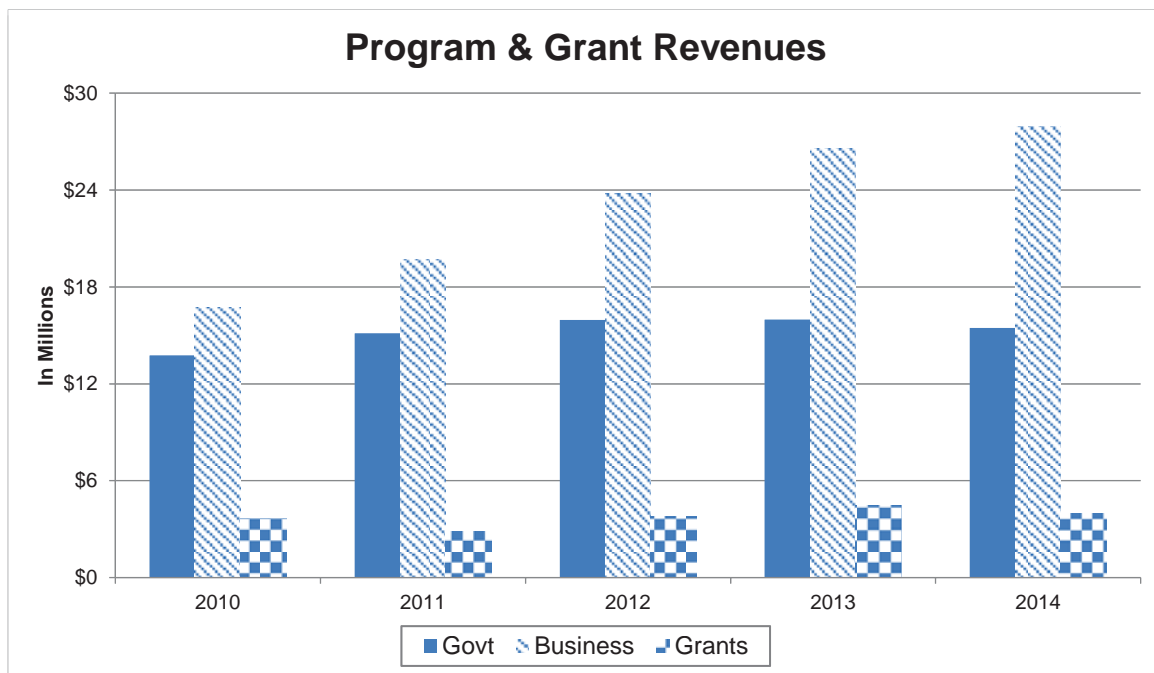


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City of Manhattan Beach
Program Revenues by Function/Program,
Last Five Fiscal Years
(accrual basis of accounting)

Exhibit A-4

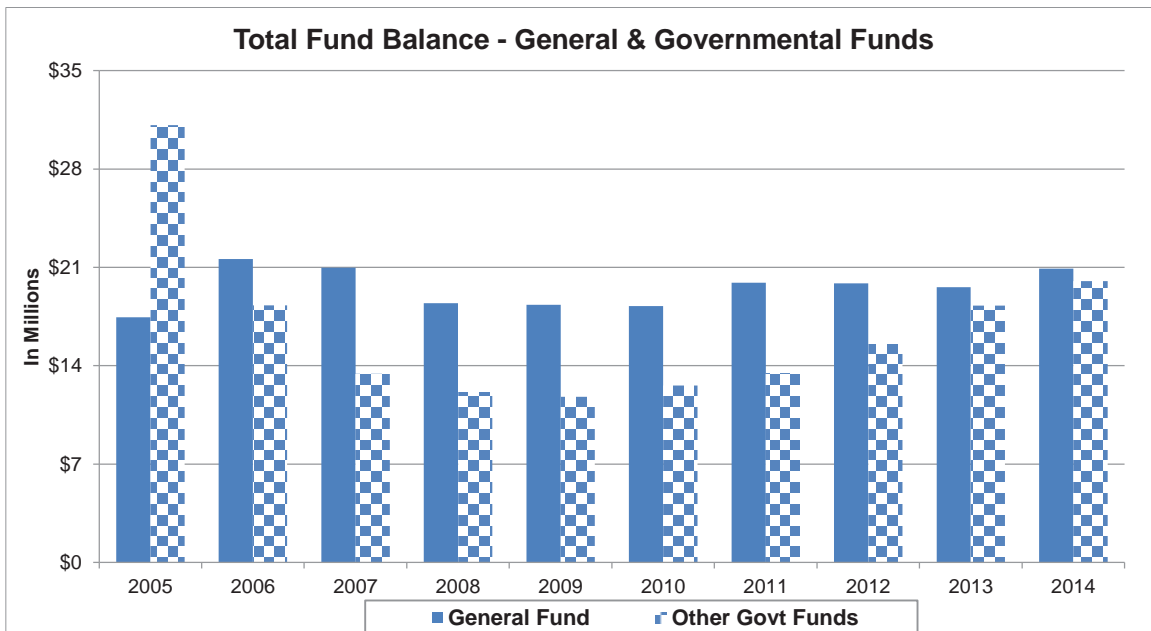
	Fiscal Year				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General Government	\$ 4,085,381	\$ 3,883,959	\$ 4,223,405	\$ 4,535,499	\$ 4,950,743
Public Safety	4,576,210	4,765,404	4,783,038	5,172,443	4,154,836
Culture and recreation	2,577,883	3,029,554	2,805,841	2,470,359	2,798,673
Public works	2,512,225	3,440,572	4,134,599	3,792,239	3,563,085
Operating grants and contributions	2,224,949	1,322,867	1,183,103	1,847,316	1,638,522
Capital grants and contributions	1,399,366	1,504,759	2,554,310	2,032,724	2,314,830
Total governmental activities program revenues	17,376,014	17,947,115	19,684,296	19,850,580	19,420,689
Business-type activities:					
Charges for services:					
Water	7,887,900	9,557,717	12,578,908	14,916,283	16,275,584
Stormwater	360,926	347,602	352,860	345,821	344,556
Wastewater	1,820,756	2,620,669	3,087,150	3,406,077	3,626,144
Refuse	4,110,342	4,189,639	4,363,739	4,426,190	3,965,882
Parking	2,544,834	3,008,206	3,396,749	3,506,309	3,761,948
Operating grants and contributions	-	19,638	33,209	69,937	19,880
Capital grants and contributions	57,398	-	-	500,000	-
Total business-type activities program revenues	16,782,156	19,743,471	23,812,615	27,170,617	27,993,994
Total primary government program revenues	\$ 34,158,170	\$ 37,690,586	\$ 43,496,911	\$ 47,021,197	\$ 47,414,683



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)

	Fiscal Year Ending				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund					
Reserved					
Debt service & restricted cash	\$ 49,300	\$ 404,204	\$ 972,422	\$ 1,355,530	\$ 1,244,971
Encumbrances & other items	1,025,189	646,111	507,096	495,646	373,980
Unreserved	16,365,761	20,528,738	19,499,495	16,585,982	16,710,818
Nonspendable					
Prepaid costs					
Notes and loans					
Advances to other funds					
Restricted					
Debt service & restricted cash					
Unassigned					
Total General fund	17,440,250	21,579,053	20,979,013	18,437,158	18,329,769
All Other Governmental Funds					
Reserved					
Continuing Projects	\$7,795,003	\$9,916,842	\$6,094,070	\$4,642,305	\$4,618,592
Debt service & restricted cash	19,170,120	935,696	817,081	817,076	817,178
Encumbrances & other items	8,148	218,926	9,427	40,925	71,887
Unreserved, reported in:					
Special revenue funds	2,438,704	2,111,598	2,842,097	2,748,609	2,340,055
Capital projects funds	1,715,536	5,115,277	3,657,446	3,878,706	3,934,840
Nonspendable					
Notes and loans					
Advances to other funds					
Restricted					
Public safety					
Parks and recreation					
Public works					
Capital projects					
Debt service					
Committed					
Capital projects					
Unassigned					
Total all other governmental funds	31,127,511	18,298,339	13,420,121	12,127,621	11,782,552
Total all governmental funds	\$ 48,567,761	\$ 39,877,392	\$ 34,399,134	\$ 30,564,779	\$ 30,112,321



Source: City of Manhattan Beach Finance department historical CAFRs

		Fiscal Year Ending							
		<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>			
\$	1,143,587								
	213,938								
	16,888,308								
		\$	19,519	\$	48,989	\$	42,514	\$	46,823
			432,000		432,000		432,000		1,700,000
			-		-		22,488		-
			1,182,271		1,245,112		1,130,434		813,407
			18,270,832		18,134,492		17,961,324		18,338,105
		18,245,833	19,904,622	19,860,593	19,588,760	20,898,335			
	\$6,755,397								
	817,075								
	393,852								
	2,692,575								
	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	\$	1,084,541
			80,284		107,428		179,663		-
			3,324,947		4,558,434		4,826,828		4,546,040
			2,827,688		3,269,531		3,572,234		4,636,332
			817,075		817,075		8,278		164,481
			4,089,866		4,823,535		8,122,690		9,617,146
			(22,488)		(22,488)		(22,488)		(22,488)
		12,584,603	13,480,130	15,550,513	18,275,246	20,026,052			
\$	30,830,436	\$	33,384,752	\$	35,411,106	\$	37,864,006	\$	40,924,387



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Statistical Section

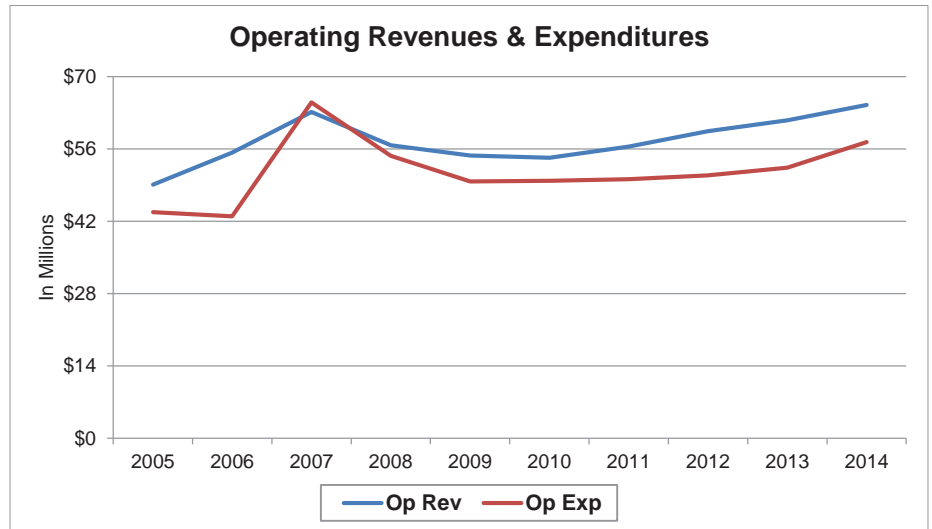
Revenue Capacity

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)

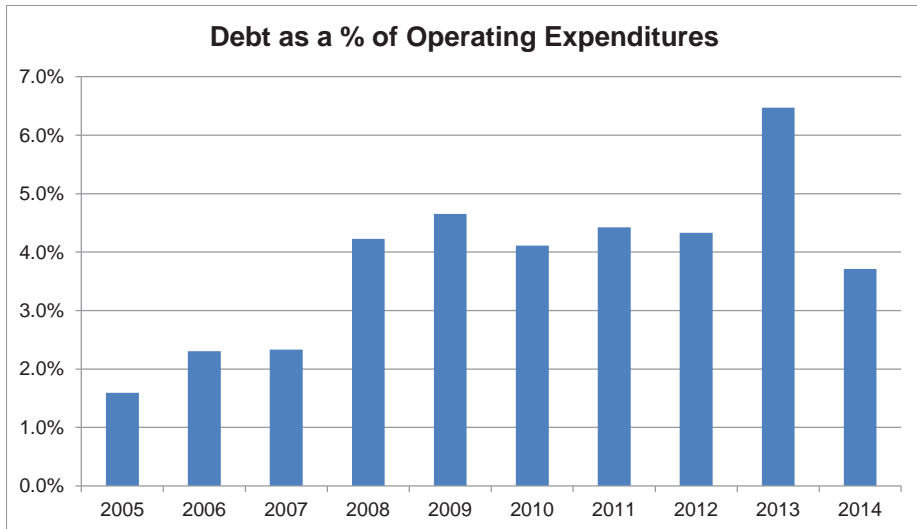
	Fiscal Year Ending				
	2005	2006	2007	2008	2009
Revenues					
Tax and assessments	\$ 26,907,138	\$ 33,026,089	\$ 35,261,246	\$ 36,933,447	\$ 36,839,471
Licenses, fees, and permits	1,560,346	1,810,681	1,686,922	1,463,207	1,200,529
Intergovernmental	4,623,276	2,994,138	3,007,764	2,147,817	2,072,660
Charges for services	7,218,915	7,400,197	7,812,110	8,013,155	8,202,164
Interest and Rents	2,863,553	3,354,041	3,845,001	3,939,191	3,607,997
Fines and forfeitures	1,910,757	1,895,506	2,153,078	2,169,402	2,400,483
Contributions from property owner	3,372,891	3,147,739	8,498,306	-	-
Net change fair value investments	(30,777)	(192,026)	353,642	350,394	(201,163)
Other revenues	705,588	1,863,937	553,241	1,707,735	634,524
Total revenues	49,131,687	55,300,302	63,171,310	56,724,348	54,756,665
Expenditures					
General government	7,120,760	7,452,850	8,646,822	9,808,544	9,215,265
Public Safety	22,735,205	24,020,705	33,302,747	31,354,970	28,727,983
Culture and recreation	4,592,628	4,680,871	5,328,693	6,027,462	5,599,052
Public works	9,303,463	6,819,825	17,737,634	7,500,615	6,207,990
Total operating expenditures	43,752,056	42,974,251	65,015,896	54,691,591	49,750,290
Excess of revenue over expenditures	5,379,631	12,326,051	(1,844,586)	2,032,757	5,006,375
Capital outlay	18,382,798	19,965,439	7,764,994	3,405,258	3,124,353
Debt service					
Interest	524,158	822,862	1,035,878	1,178,066	1,192,716
Principal	185,000	190,000	515,000	1,235,000	1,235,000
Cost of Issuance	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-	-
Total Non Operating expenditures	19,091,956	20,978,301	9,315,872	5,818,324	5,552,069
Excess of revenues over expenditures	(13,712,325)	(8,652,250)	(11,160,458)	(3,785,567)	(545,694)
Other financing sources (Uses)					
Bonds issued	12,980,000	-	6,634,179	-	-
Premium on bonds issues	186,055	-	163,120	-	-
Proceeds from sale of capital assets	-	-	-	-	3,006
Transfers in	11,647,938	841,116	4,179,102	215,047	331,183
Transfers out	(12,554,938)	(1,045,116)	(5,497,006)	(263,835)	(220,953)
Other financing sources	-	-	-	-	-
Other financing uses	-	-	-	-	-
Total other financing sources (uses)	12,259,055	(204,000)	5,479,395	(48,788)	113,236
Prior Period Adjustment	-	165,882	202,807	-	(20,000)
Net change in fund balances	(1,453,270)	(8,690,368)	(5,478,256)	(3,834,355)	(452,458)

Debt - % of Operating Expenditures & Debt	1.6%	2.3%	2.3%	4.2%	4.7%
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Source: City of Manhattan Beach Finance Department Historical CAFRs

Fiscal Year Ending					
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	36,582,239	\$ 37,697,637	\$ 39,389,241	\$ 42,273,666	\$ 44,213,347
	1,200,347	1,289,183	1,418,230	1,513,821	1,759,180
	2,638,044	1,749,382	2,566,478	1,599,821	2,183,990
	8,291,275	9,396,606	9,706,289	9,202,436	10,253,540
	2,344,105	2,723,666	2,692,576	2,633,124	3,048,749
	2,984,868	2,867,072	2,805,559	2,588,865	2,566,436
	-	-	-	-	-
	58,253	(21,680)	(21,265)	(95,900)	30,910
	192,965	751,112	878,475	1,867,612	490,870
	54,292,096	56,452,978	59,435,583	61,583,445	64,547,022
	9,785,663	8,660,865	8,560,273	9,101,953	10,467,524
	28,461,175	29,176,141	30,449,560	30,470,567	33,525,828
	5,699,228	6,192,471	5,552,632	5,680,001	6,831,568
	5,923,828	6,149,939	6,369,092	7,155,292	6,527,537
	49,869,894	50,179,416	50,931,557	52,407,813	57,352,457
	4,422,202	6,273,562	8,504,026	9,175,632	7,194,565
	1,705,513	1,510,341	4,272,496	2,485,027	2,819,131
	811,711	896,096	820,494	640,413	379,123
	1,325,000	1,425,000	1,485,000	2,985,000	1,830,000
	-	-	-	150,944	-
	-	-	-	821,153	-
	3,842,224	3,831,437	6,577,990	7,082,537	5,028,254
	579,978	2,442,125	1,926,036	2,093,095	2,166,311
	-	-	-	-	-
	-	-	-	-	-
	3,384	5,829	434	-	693,612
	424,211	830,712	3,353,075	3,770,569	1,260,327
	(289,458)	(724,350)	(3,253,191)	(3,569,986)	(1,059,869)
	-	-	-	11,010,846	-
	-	-	-	(10,851,624)	-
	138,137	112,191	100,318	359,805	894,070
	718,115	2,554,316	2,026,354	2,452,900	3,060,381
	4.1%	4.4%	4.3%	6.5%	3.7%



Source: City of Manhattan Beach Finance Department Historical CAFRs



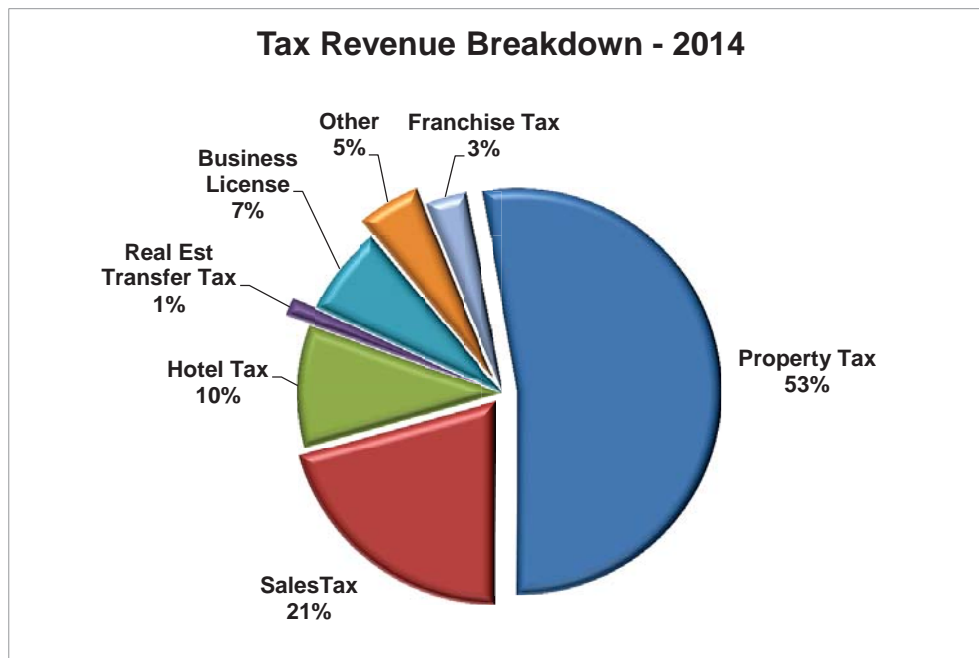
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City of Manhattan Beach
Taxes & Assessment Revenues by Source, Governmental Funds, and Assessment
Last Ten Fiscal Years
(modified accrual basis of accounting)

Exhibit A-7

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales & Use</u>	<u>Hotel</u>	<u>Franchise</u>	<u>Real Est Transfer</u>	<u>Business License</u>	<u>Other Taxes Assessments</u>	<u>Total</u>
2014	\$ 23,353,743	\$ 9,135,806	\$ 4,289,009	\$ 1,441,769	\$ 642,718	\$ 3,140,273	\$ 2,210,029	\$ 44,213,347
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

Change								
2005-2014	100.4%	20.5%	75.1%	59.6%	-6.7%	37.4%	64.2%	64.3%



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

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property
2005	\$ 6,895,415,748	\$ 369,922,480	\$ 260,299,961	\$ 1,017,547,074
2006	7,674,008,480	714,543,660	265,885,057	753,424,800
2007	8,572,299,055	745,453,370	219,928,225	711,825,301
2008	9,427,136,444	796,972,539	224,326,781	737,961,261
2009	10,136,131,042	847,686,744	280,998,547	758,566,064
2010	10,279,360,710	870,969,553	286,618,511	760,569,467
2011	10,310,125,299	857,387,446	272,285,842	798,171,374
2012	10,639,403,753	900,787,632	355,749,068	624,994,067
2013	11,115,348,658	873,633,618	273,166,539	782,689,333
2014	11,778,259,052	922,429,548	275,869,861	810,528,769

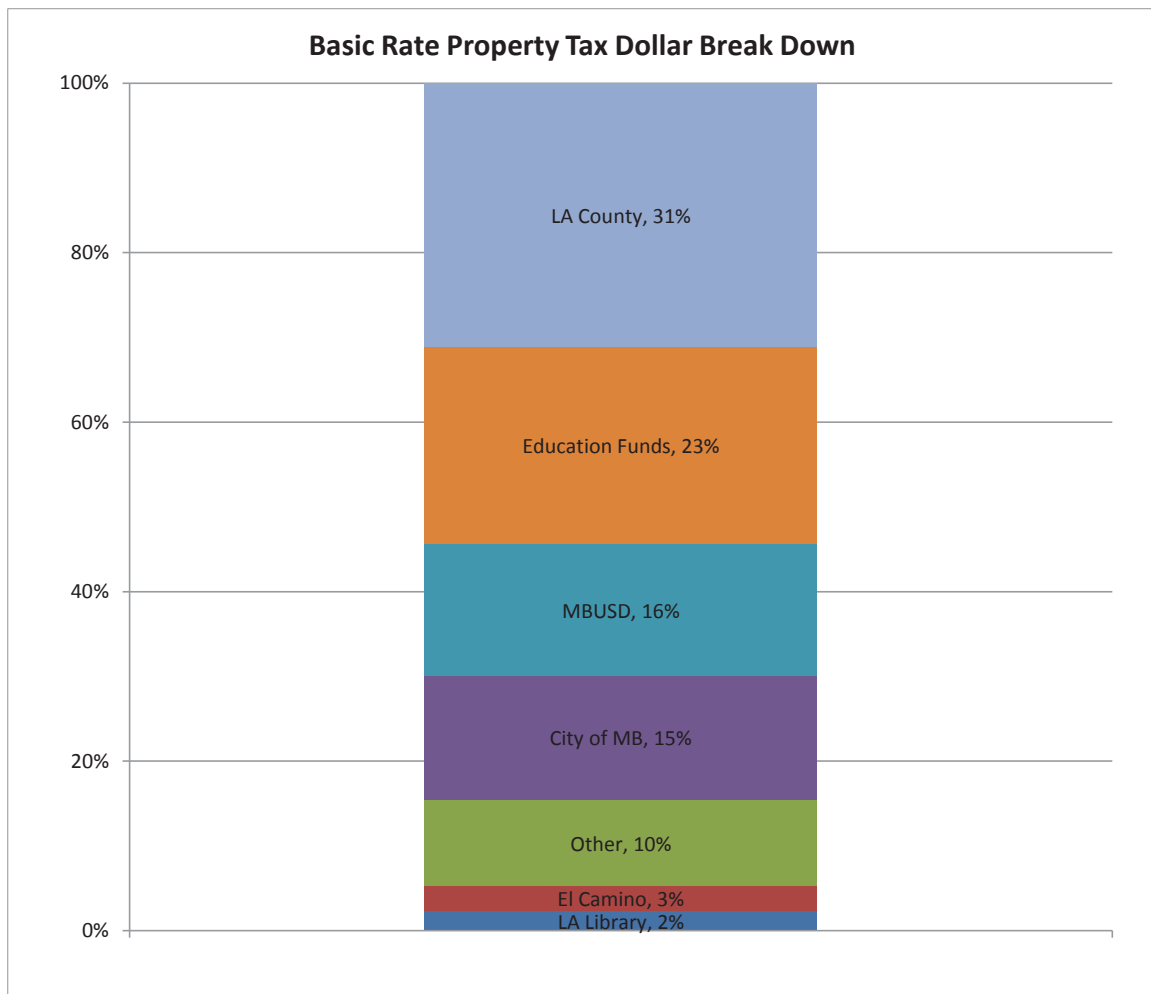
Total Assessed Value	Tax-Exempt Property	Total Direct Tax Rate	Net Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
\$ 8,543,185,263	\$ 305,194,535	0.14283%	\$ 8,216,800,523	103.972%
9,407,861,997	305,194,535	0.15692%	9,080,889,082	103.601%
10,249,505,951	301,140,884	0.15697%	9,925,464,834	103.265%
11,186,397,025	301,140,740	0.15793%	10,861,350,753	102.993%
12,023,382,397	301,140,740	0.15857%	11,697,899,600	102.782%
12,197,518,241	301,140,740	0.15842%	11,871,677,111	102.745%
12,237,969,961	301,140,740	0.15619%	11,913,602,319	102.723%
12,520,934,520	301,140,740	0.15928%	12,190,853,653	102.708%
13,044,838,148	301,114,939	0.15951%	12,713,329,765	102.608%
13,787,087,230	301,114,939	0.16012%	13,453,303,900	102.481%



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**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
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
2014	1.00000%	0.16012%	0.00000	0.16052	0.00350	0.00000	0.16402	1.00000	1.16402



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

<u>Taxpayer</u>	2014	
	<u>Net Value</u>	<u>Percentage of Total City Net Value</u>
Northrop Grumman Systems Corp	\$ 193,256,841	1.44%
Reef America Reit II Corporation BBB	163,938,505	1.22%
CRP MB Studios LLC	138,000,000	1.03%
Host Marriott Corporation Interstate	87,376,549	0.65%
Parstem Realty Company Inc.	68,192,530	0.51%
1230 and 1240 Rosecrans Ave H	59,874,000	0.45%
Sketchers USA Inc.	38,551,832	0.29%
RIMB LLC	34,069,322	0.25%
St. Paul Properties Inc.	31,199,640	0.23%
Kinecta Federal Credit Union	27,666,943	0.21%
Top Ten Total	<u>\$ 842,126,162</u>	<u>6.28%</u>
City Total	<u><u>\$ 13,453,303,900</u></u>	

<u>Taxpayer</u>	2005	
	<u>Net Value</u>	<u>Percentage of Total City Net Value</u>
Northrop Grumman Systems Corp	\$ 207,312,658	2.52%
Shamrock MBS LLC	137,691,009	1.68%
Reef America Reit II Corporation BBB	110,857,296	1.35%
HSOV Manhattan Towers LP	62,702,724	0.76%
Pastem Realty Company Inc.	59,062,019	0.72%
TRW Inc	58,990,179	0.72%
Host Marriott Corporation Interstate	35,280,000	0.43%
Sketchers USA	27,914,291	0.34%
St Paul Properties Inc.	27,022,229	0.33%
Sunstone WB Manhattan Beach LLC	26,614,101	0.32%
	<u>\$ 753,446,506</u>	<u>9.17%</u>
	<u><u>\$ 8,216,800,523</u></u>	

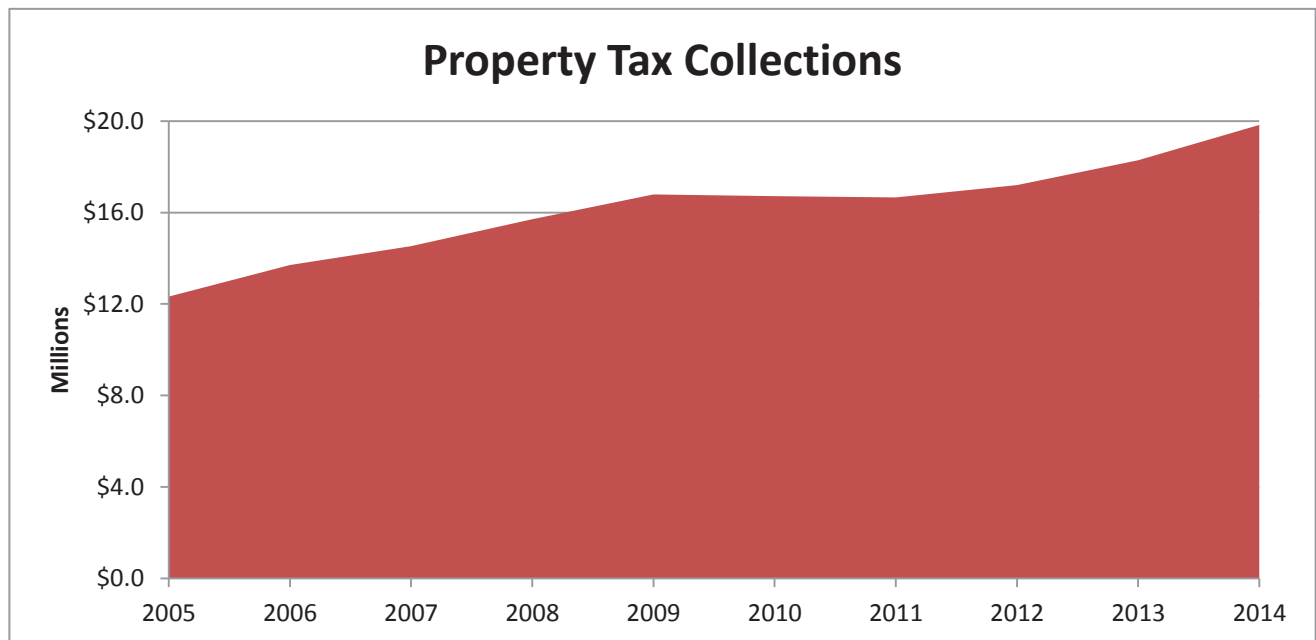


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**City of Manhattan Beach
Property Tax Levies and Collections,
Last Ten Fiscal Years**

Exhibit A-11

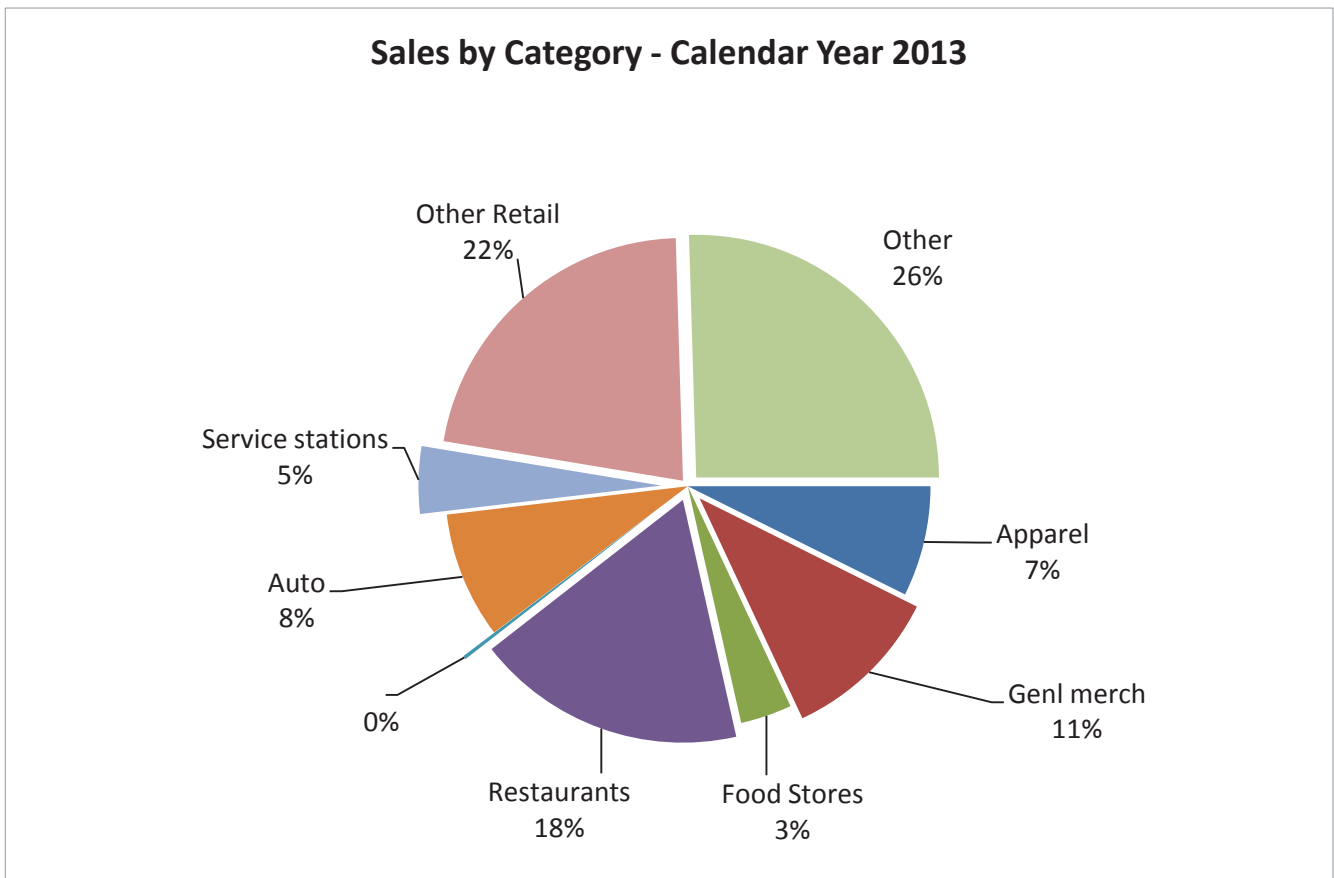
Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Prior Year	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$11,677,784	\$ 11,336,153	97.07%	\$ 923,375	\$ 12,326,299	105.55%
2006	12,944,802	12,527,975	96.78%	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	16,791,063	99.97%
2010	17,041,081	16,054,348	94.21%	661,930	16,716,278	98.09%
2011	16,836,854	16,056,305	95.36%	604,649	16,660,953	98.96%
2012	17,529,077	16,865,345	96.21%	334,117	17,199,461	98.12%
2013	18,294,098	17,716,515	96.84%	569,183	18,285,698	99.95%
2014	19,402,284	19,103,356	98.46%	725,598	19,828,955	102.20%



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)

	Calendar Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Apparel stores	\$ 67,532	\$ 70,601	\$ 74,378	\$ 73,718	\$ 68,636
General merchandise	108,179	109,968	114,822	118,771	112,692
Food stores	30,823	31,164	32,136	31,397	31,997
Eating and drinking establishments	119,712	128,303	137,030	139,470	145,481
Building Materials	3,116	3,129	3,229	2,994	2,592
Auto dealers and supplies	75,344	80,656	76,157	78,313	72,957
Service stations	29,693	34,472	34,577	33,604	37,510
Other retail stores	203,316	211,519	222,461	224,625	218,062
All other outlets	129,227	131,191	126,005	123,882	118,957
Total	<u>\$ 766,942</u>	<u>\$ 801,003</u>	<u>\$ 820,795</u>	<u>\$ 826,774</u>	<u>\$ 808,884</u>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%



Source: State Board of Equalization HDL Coren Cone

Calendar Year				
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 62,367	\$ 66,877	\$ 70,231	\$ 72,530	\$ 73,007
104,753	101,343	103,726	104,339	106,051
32,257	32,006	31,896	32,761	33,995
143,695	148,401	159,249	170,912	178,585
1,975	1,951	2,329	2,256	2,416
63,464	58,077	63,283	78,207	83,619
28,355	29,078	34,707	41,653	44,441
201,180	221,387	222,467	221,561	217,487
<u>104,763</u>	<u>167,418</u>	<u>221,449</u>	<u>246,666</u>	<u>252,837</u>
<u>\$ 742,809</u>	<u>\$ 826,538</u>	<u>\$ 909,337</u>	<u>\$ 970,885</u>	<u>\$ 992,438</u>
1.00%	1.00%	1.00%	1.00%	1.00%

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

Exhibit A-13

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>L.A. County</u>
2014	1.00%	.25%
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%

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

Exhibit A-14

Tax Remitter

2014

Apple Store
Arco
AT&T Mobility
Barnes & Noble
BevMo
Chevron
Circle K
CVS Pharmacy
Dewitt Petroleum
Frys Electronics
Houston's
Macys
Manhattan Beach Marriott
Manhattan Beach Post
Manhattan Beach Toyota Scion
Old Navy
Olive Garden
Pottery Barn
Ralphs
REI
Sephora
Strand House Standbar
Target
Tin Roof Bistro
Trader Joes

2005

Barnes & Noble
Bristol Farms
California Pizza Kitchen
Chase Auto Leasing Corporation
Frys Electronics
Houston's
Islands
Kwik Gas
Macys (2)
Manhattan Beach Marriott
Manhattan Beach Toyota Scion
Mercedes Benz of South Bay
Mobil Oil
Office Depot
Old Navy
Olive Garden
Ralphs
REI
Sav On
Skechers
Target
Trader Joes
TRW Space & Electronics
Williams Sonoma

* Listed Alphabetically



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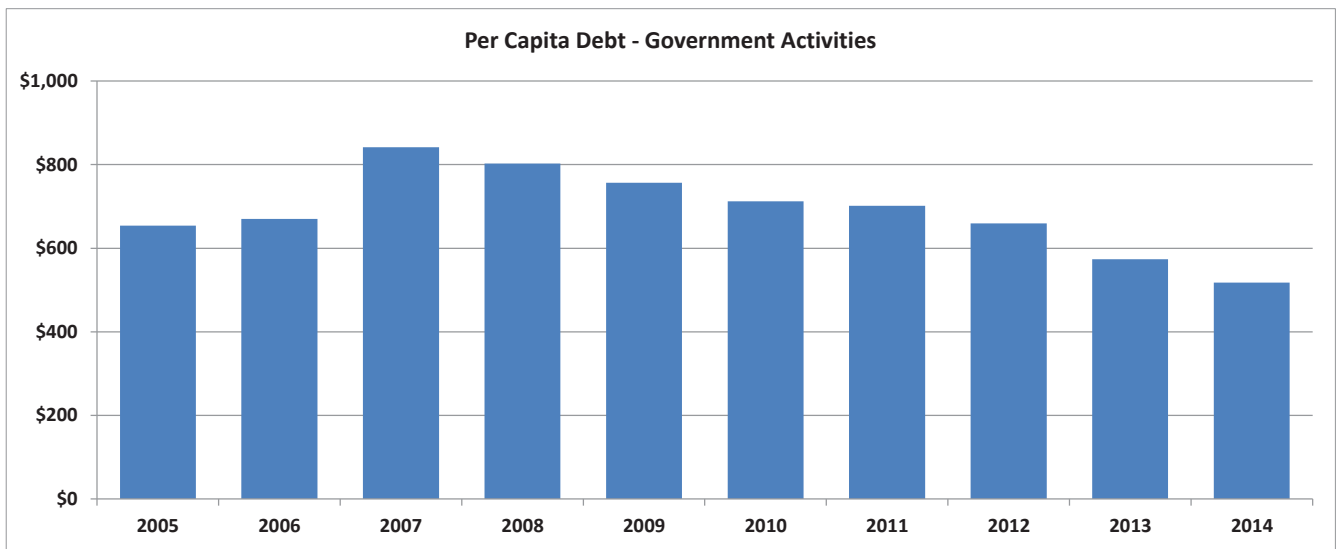
Statistical Section

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.

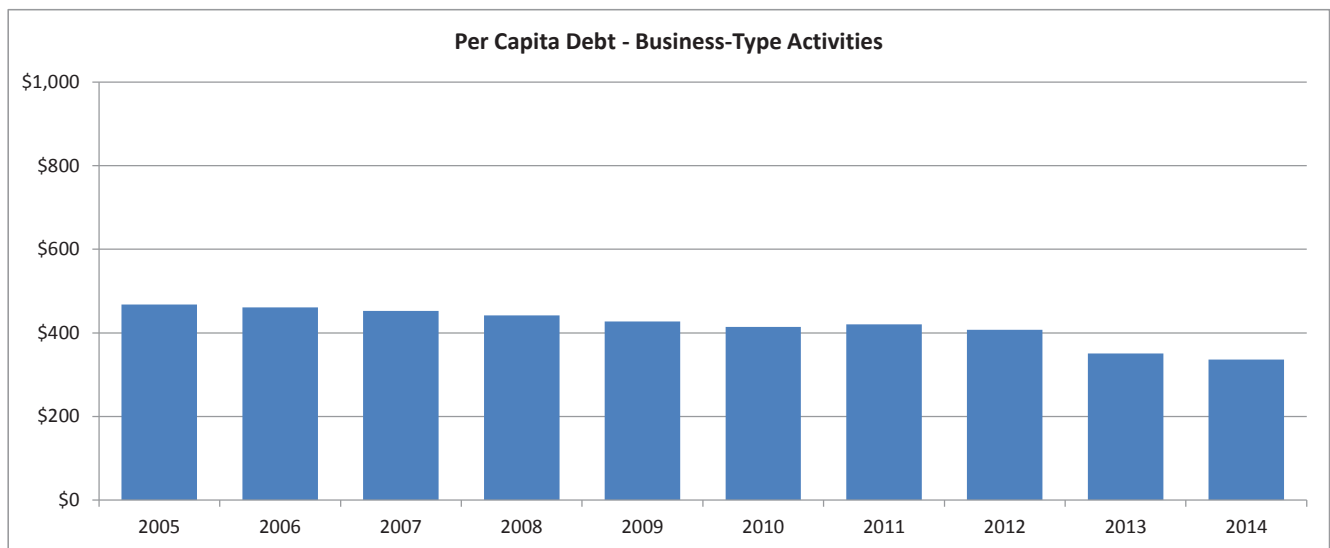
**City of Manhattan Beach
 Ratios of Outstanding Debt by Type,
 Last Ten Fiscal Years**

Fiscal Year	RCC Facility	Pension Obligation Bonds	Governmental Activities				Capital Leases	Total Governmental	Total Per Capita
			Marine Certificates of Participation	Police/Fire Certificates of Participation	Police/Fire Refunding Bonds				
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	
2014	-	765,000	6,980,000	-	10,030,000	719,342	18,494,342	518	



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

Business-type Activities						Total		
Utility Revenue Bonds	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
\$ 4,015,000	\$ 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	1.46%	1,126
3,370,000	11,435,000	-	-	14,805,000	420	39,535,000	1.41%	1,122
3,240,000	11,125,000	-	-	14,365,000	408	37,610,000	1.32%	1,067
-	-	2,680,000	9,850,000	12,530,000	351	33,038,841	1.12%	924
-	-	2,520,000	9,480,000	12,000,000	336	30,494,342	1.04%	854





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City of Manhattan Beach
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2014

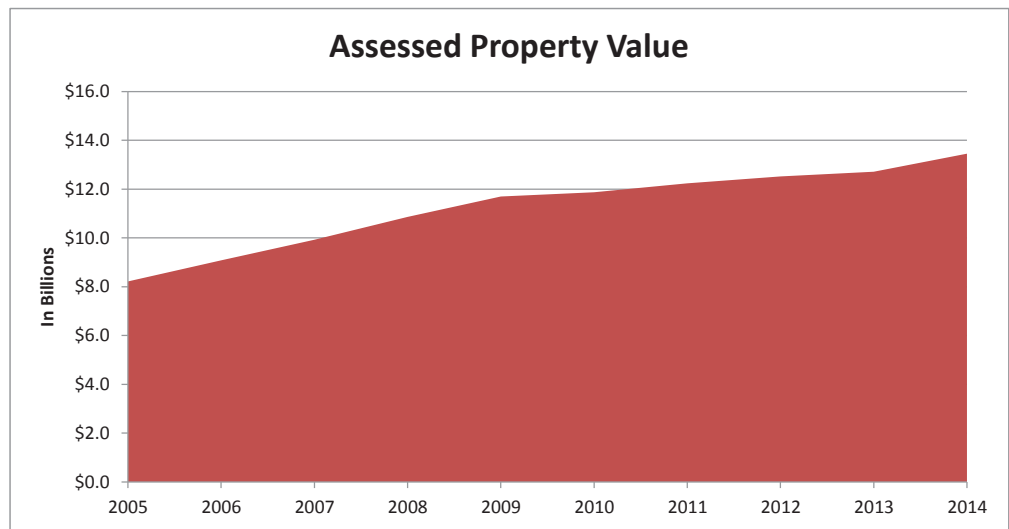
Exhibit A-16

<u>Governmental Unit</u>	<u>Gross Bonded Debt Balance</u>	<u>Percentage Applicable To City</u>	<u>Net Bonded Debt</u>
Direct Debt			
Manhattan Beach UNIF 96 SER A DS	\$5,939,785	100.000%	\$5,939,785
Manhattan Beach UNIF DS 1998 SER B	5,358,685	100.000%	5,358,685
Manhattan Beach USD DS 1999 SER C	2,925,809	100.000%	2,925,809
Manhattan Beach USD DS 2001 SER D	4,628,829	100.000%	4,628,829
Manhattan Beach USD DS 1995 SER E	6,466,026	100.000%	6,466,026
Manhattan Beach USD DS 2000 SER B	3,829,947	100.000%	3,829,947
Manhattan Beach USD DS 2004 REF BDS	1,510,000	100.000%	1,510,000
Manhattan Beach USD DS 2008, 2011 SER C	17,390,467	100.000%	17,390,467
Manhattan Beach USD DS 2008 2012 SER D	10,550,000	100.000%	10,550,000
Manhattan Beach USD DS 2008 2012 SER E	14,395,000	100.000%	14,395,000
Manhattan Beach USD DS 2008 2013 SER F	22,625,000	100.000%	22,625,000
Manhattan Beach USD DS 2013 REF 2000 SER A	11,080,000	100.000%	11,080,000
Total Direct Debt			<u>\$106,699,548</u>
Overlapping Debt			
Metropolitan Water District	64,271,492	1.456%	\$935,885
El Camino CCS DS 2005 REF BONDS	27,113,382	15.718%	4,261,689
El Camino CCS DS 2002 SER 2006B	84,635,000	15.718%	13,302,954
El Camino CCS DS 2002 SER 2012C	180,812,882	15.718%	28,420,221
El Camino CCS DS 2012 REF BONDS	41,490,000	15.718%	6,521,410
Total Overlapping Debt			<u>\$53,442,159</u>
Total Direct and Overlapping Debt			<u>\$ 160,141,707</u>

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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total Assessed Value	\$ 8,216,800,523	\$ 9,080,889,082	\$ 9,925,464,834	\$ 10,861,350,753	\$ 11,697,899,600
Legal debt limit (3.75%)	308,130,020	340,533,341	372,204,931	407,300,653	438,671,235
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 308,130,020</u>	<u>\$ 340,533,341</u>	<u>\$ 372,204,931</u>	<u>\$ 407,300,653</u>	<u>\$ 438,671,235</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%
Assessed Value Growth	8.77%	10.52%	9.30%	9.43%	7.70%

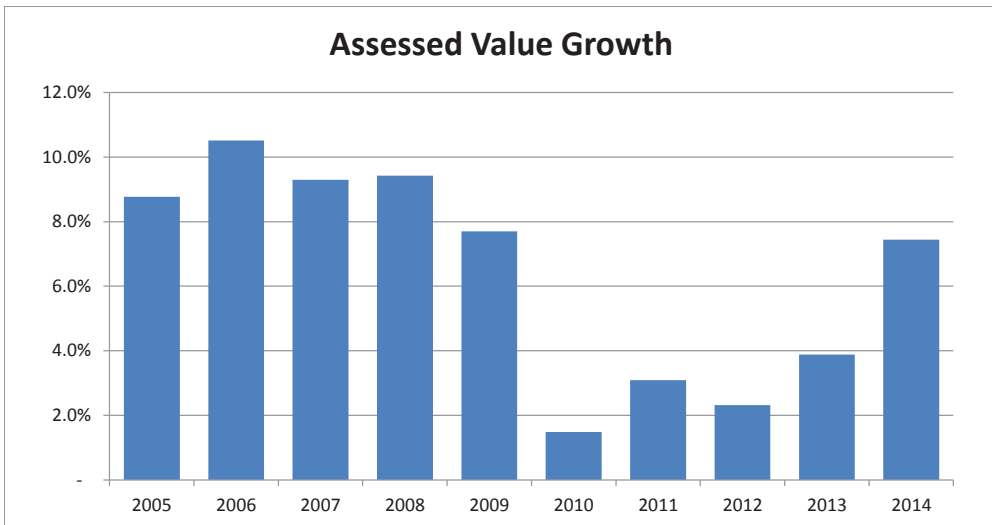


Source: City of Manhattan Beach Finance Department Historical CAFRs

Fiscal Year				
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 11,871,677,111	\$ 12,237,969,961	\$ 12,520,934,520	\$ 12,713,329,765	\$ 13,453,303,900
445,187,892	458,923,874	469,535,045	476,749,866	504,498,896
-	-	-	-	-
<u>\$ 445,187,892</u>	<u>\$ 458,923,874</u>	<u>\$ 469,535,045</u>	<u>\$ 476,749,866</u>	<u>\$ 504,498,896</u>

0.00%	0.00%	0.00%	0.00%	0.00%
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1.49%	3.09%	2.31%	3.88%	7.45%
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Source: City of Manhattan Beach Finance Department Historical CAFRs

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

Water - Wastewater Debt Service Principal and Interest

Fiscal Year	Utility Service Charges	(a) Less: Operating Expenses	Net Available Revenue	Debt Service		Times Coverage
				Principal	Interest	
2005	\$ 8,102,158	\$ 6,957,411	\$ 1,144,747	\$ 90,000	\$ 229,112	3.59
2006	8,287,096	6,993,409	1,293,687	95,000	224,121	4.05
2007	8,560,647	7,864,351	696,296	100,000	218,804	2.18
2008	8,136,116	8,053,961	82,155	105,000	213,205	0.26
2009	8,697,768	9,060,376	(362,608)	110,000	218,235	(1.10)
2010	9,668,966	9,129,202	539,764	115,000	212,345	1.65
2011	12,149,167	9,230,873	2,918,294	120,000	205,769	8.96
2012	15,572,398	9,431,747	6,140,651	130,000	201,090	18.55
2013 (c)	18,322,360	10,105,431	8,216,929	85,000	93,150	46.12
2014	19,908,104	10,611,569	9,296,535	160,000	93,150	36.72

(a) Operating Expense less depreciation expense

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

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

Parking Debt Service Principal and Interest

Parking Fund Revenue	(a) Less: Operating Expenses	Net Available Revenue	Debt Service		Times Coverage
			Principal	Interest	
\$ 964,598	\$ 357,360	\$ 607,238	\$ 255,000	\$ 595,321	0.71
1,149,312	511,760	637,552	260,000	590,171	0.75
1,411,406	693,207	718,199	265,000	584,590	0.85
1,355,513	644,225	711,288	270,000	577,896	0.84
1,735,739	664,415	1,071,324	280,000	585,311	1.24
1,591,919	789,917	802,002	285,000	575,046	0.93
2,094,783	765,202	1,329,581	300,000	564,432	1.54
2,302,557	988,324	1,314,233	310,000	552,580	1.52
2,305,348	1,326,796	978,552	360,000	342,475	1.39
2,432,958	1,356,782	1,076,176	370,000	348,762	1.50



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Statistical Section

Demographic and Economic Information

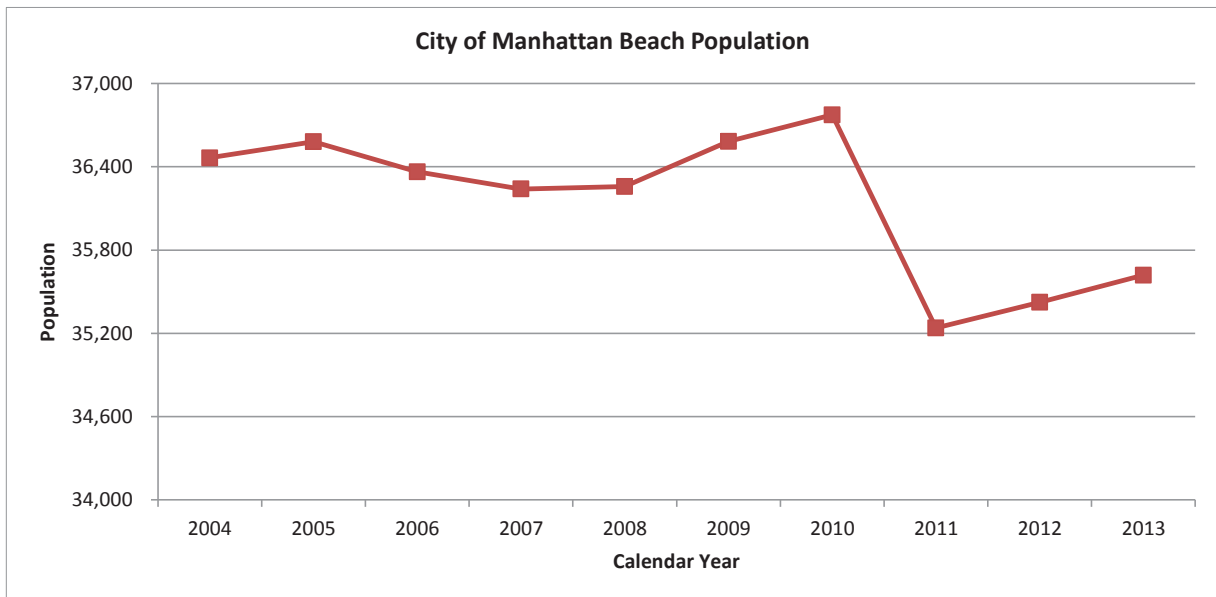
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.

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

Exhibit A-19

Calendar Year	Population	Man Beach Personal Income (in thousands)	Personal Income L.A. County* (in thousands)	Per Capita Personal Income L.A. County*	Per Capita Personal Income Man Beach	Unempl Rate	School Enrollment
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	420,900,000	42,696	79,541	4.4%	6,651
2012	35,423	2,850,383	435,300,000	43,916	80,467	3.2%	6,768
2013	35,619	2,945,228	450,900,000 ^F	45,253 ^F	82,687	2.6%	6,814

Source: HdL Companies, County of Los Angeles Comprehensive Annual Financial Report
* Represents fiscal year ended June 30th.



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

<u>Employer</u>	2014	
	<u>Employees</u>	<u>Percentage of Total Employment</u>
Northrop Grumman	1,876	20.84%
Kinecta Federal Credit Union	550	6.11%
Target Corporation	405	4.50%
Skechers USA Inc.	323	3.59%
City of Manhattan Beach	271	3.01%
Macy's West LLC	268	2.98%
Fry's Electronics Inc.	264	2.93%
Marriott- HMC Interstate	233	2.59%
Skechers USA Inc.	183	2.03%
Ralphs Grocery Co.	167	1.86%
Skechers USA Inc.	148	1.64%
Tecolote Research	134	1.49%
Bristol Farms	129	1.43%
Olive Garden	117	1.30%
Houston's Restaurants Inc.	109	1.21%
24 Hour Fitness	108	1.20%
California Pizza Kitchen	106	1.18%
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%
Total	<u>6,109</u>	<u>67.86%</u>



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**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>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>	<u>2014</u>
General government										
Management services	13	13	13	14	14	14	14	13	12	13
Finance	20	20	21	21	21	20	20	20	20	25
Human Resources	7	7	7	7	7	7	7	6	6	6
Planning & Building	21	21	22	22	22	20	20	19	20	21
Parks and Recreation	16	16	19	19	19	20	20	20	20	21
Police										
Officers	64	64	65	65	65	63	64	62	65	65
Civilians	35	35	35	35	35	35	34	35	36	39.8
Fire										
Firefighters & officers	30	30	30	30	30	30	30	30	30	30
Civilians	1	1	1	1	1	1	1	1	1	1.2
Public works										
Engineering	7	7	7	7	9	8	8	8	8.2	7.25
Water	12	12	13	13	13	13.5	14.25	14.25	11.7	11.2
Wastewater	3	4	4	4	3	3.1	3.35	3.35	3.3	3.2
Other	37	37	37	37	38	36	34.4	34.4	34.8	34.35
Total	<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>	<u>278</u>



Source: City of Manhattan Beach Finance Department

CITY OF MANHATTAN BEACH
SCHEDULE OF INSURANCE IN FORCE

June 30, 2014

<u>TYPE OF COVERAGE</u>	<u>POLICY NUMBER</u>	<u>FROM</u>
Liability		
Self-Insured - MOC	ICRMA 2014-IL	07/01/14
Excess Liability		
Independent Cities Risk Management		
ICRMA (Pool) - MOC	ICRMA 2014-IL	07/01/14
Argonaut - Primary	4628397-02	07/01/14
Starr Indemnity	8090025	07/01/14
Scor Re	F151479	07/01/14
Building & Property (All City excluding EQ/FL to public safety building)		
London - Primary	JA01482D	07/01/14
Other Carriers	Various	07/01/14
Building & Property Public Safety Building EQ/FL		
Various Carriers - Public Safety Bldg	Various	07/01/14
Princeton E&S	B2A3IM0001407-04	
Everest Indemnity Ins. Co.	8400001908-141	
Ins Co of the West	XCH2163426 07	
Workers' Comp.		
Self-Insured	-	07/01/14
Excess Workers' Comp.		
ICRMA (Pool) - MOC	ICRMA2014-1WC	07/01/14
Safety National	SP4051256	07/01/14
Employee Dishonesty (Crime), Replaces Public Officials		
	02-420-55-40	07/01/12
Inland Marine - Fine Arts	QT-660-6932N209-TIL-14	07/02/14
Special Events (Earth Day & Bike & Skateboard Safety Events)	AR6360147	04/18/14
Cyber Risk	G23685188-001	7/1/2014

CITY OF MANHATTAN BEACH
SCHEDULE OF INSURANCE IN FORCE

June 30, 2014

<u>TO</u>	<u>LIMITS OF COVERAGE</u>	<u>ANNUAL PREMIUM</u>
07/01/15	\$500,000 per occurrence	601,987
07/01/15	\$4,500,000 excess of \$500,000	Included in above
07/01/15	\$5,000,000 excess of \$5,000,000	Included in above
07/01/15	\$10,000,000 excess of \$10,000,000	Included in above
07/01/15	\$10,000,000 excess of \$20,000,000	Included in above
07/01/15	\$25,000,000 Primary	\$368,324
07/01/15	\$125,000,000 excess of \$25,000,000 Primary Earthquake & Flood shared proportionally	Included in above
07/01/15	\$30,726,721	Included in above
	\$10,000,000 p/o \$15MM	Included in above
	\$5,000,000 p/o \$15MM	Included in above
	\$15,725,721 xs. \$15MM - 2nd Layer	Included in above
07/01/15	\$750,000 per occurrence	\$296,501
07/01/15	\$5M xs \$750,000	Included in above
07/01/15	Statutory xs \$5M Retention	Included in above
06/30/13	1,000,000	\$2,507
07/02/15	\$250,000	\$3,000
01/01/15	\$1,000,000 per occurrence 2,000,000 annual aggregate	\$993.88
7/1/2015	\$1,000,000	\$6,049

**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>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>	<u>2014</u>
General government										
Building permits issued	3,269	3,829	3,477	1,142	1,077	1,254	1,318	1,484	1,339	1,673
Building inspections conducted	16,564	18,170	18,021	14,634	11,401	9,544	9,676	10,298	11,165	13,370
Police										
Arrests	1,081	1,179	1,359	1,247	1,242	1,224	1,007	1,387	1,173	1,367
Parking citations	54,091	54,214	57,807	57,356	71,810	72,789	70,001	68,080	63,624	61,651
Traffic citations	5,340	5,774	6,461	6,726	6,674	9,513	8,591	9,605	6,890	6,339
Fire (a)										
Emergency responses	2,719	2,469	2,831	2,958	3,158	3,036	3,100	3,254	3,176	3,379
Fires extinguished	98	75	103	126	124	94	98	94	95	76
Inspections	923	900	975	995	1,155	1,300	973	1,650	933	1,078
Refuse collection										
Refuse collected (tons per day)	73.7	77.8	63.0	58.7	58.09	62.33	60.27	47.78	43.55	42.05
Recyclables collected (tons per day)	34.6	28.6	61.0	52.2	39.22	42.44	44.07	45.18	48.16	50.19
Other public works										
Street resurfacing (miles)	2.3	0.4	1.2	1.2	3.6	8.5	6.6	3.9	-	1.0
Parks and recreation										
Athletic field permits issued	4,083	3,460	2,949	4,464	4,246	4,501	4,887	5,901	7,002	7,779
Community center admissions*	125,554	166,910	150,041	153,628	143,441	134,144	147,630	41,374	89,134	107,632
Water										
Water main breaks	7	5	10	2	-	-	4	3	4	6
Average daily consumption (thousands of gallons)	6,223	6,203	6,020	6,018	4,819	5,096	4,900	4,920	5,123	4,929
Peak daily consumption (thousands of gallons)	7,300	N/A	7,265	7,168	5,783	7,644	7,350	6,712	6,989	7,169
Transportation										
Total route miles	31,936	31,849	32,940	46,749	43,406	51,736	65,517	43,461	38,995	41,680
Passengers	9,654	9,142	9,785	11,911	12,842	14,945	18,831	18,899	16,039	17,059

(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>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>	<u>2014</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	23	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	108	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	18
Soccer/football fields	15	15	15	15	15	15	15	15	15	19
Community centers	2	2	2	2	2	2	2	2	2	3
Water										
Water mains (miles)	-	106	106	106	106	106	106	106	106	106
Fire hydrants	-	667	669	670	671	775	774	774	774	774
Storage capacity (1000s Gallons)	-	9,830	9,830	9,830	9,830	9,830	9,800	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	82.0
Storm sewers (miles)	-	16.0	16.0	16.0	16.0	16.0	25.0	25.0	25.0	25.0
Transportation—minibuses	4	4	4	4	4	4	4	4	4	4

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

Population distribution by ethnic group (one race):

	<u>Number of 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	2,077	6%
	<u>35,135</u>	<u>100%</u>

Household Type:

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

Population distribution by age group:

	<u>Number of 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	4,457	13%
	<u>35,135</u>	<u>100%</u>

Population distribution by gender:

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

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)
- Pension Obligation Bonds
- Marine 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 2013-2014

Pension Obligation Bonds

In March 2007 the City issued Pension Obligation Bonds to payoff unfunded pension liabilities due to the sworn Police and Fire retirement plans. These unfunded liabilities were scheduled to be amortized over a remaining period of 7 years at an interest rate of 7.75%. By issuing bonds the City realized a present value savings of \$433,156.

After the July 1, 2014 payment, the bonds will be paid back in full.

Delinquencies of Underground Assessment District Bonds for Fiscal Year 2013-2014

As of June 30, 2014

PARCEL	TAX LEVIED	TAX PAID	Delinquencies
Agency 20482 (District 05-2)			
4169003011	3,137.03	1,568.51	1,568.52
4169012018	2,395.88	1,197.94	1,197.94
Agency 20482 Total			2,766.46
Agency 20483 (District 05-6)			
4178013060	1,349.59	674.79	674.80
4178009014	1,822.58	-	1,822.58
4178013081	1,349.59	-	1,349.59
4178013084	1,349.59	674.79	674.80
4179030045	1,822.58	911.29	911.29
Agency 20483 Total			5,433.06
Agency 20492 (District 04-1)			
4175029011	858.88	815.80	43.08
4176024007	858.88	-	858.88
Agency 20492 Total			901.96
Agency 20493 (District 04-3)			
4175024007	673.14	-	673.14
4176021008	545.06	272.53	272.53
Agency 20493 Total			945.67
Agency 20494 (District 04-5)			
None			
Agency 20494 Total			-
TOTAL DELIQUENCIES			\$10,047.15

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, 2014

Bond	Outstanding Principal	Letter of Credit Provider	Scheduled Expiration of Letters of Credit
None for FY 2013-2014			

Table 13 – Investment Portfolio Summary

As of June 30, 2014

Type of Investment	Market Value
Cash	\$ 2,276,912
Local Government Fund	37,700,000
US Treasury & Agency Notes	24,204,530
Medium-Term Notes	12,205,610
Certificates of Deposit	8,577,796
Funds Held by Fiscal Agent	2,553,192
Petty Cash	2,372
Total	\$ 87,520,412

Table 14 – Unrepresented Unit and Employee Associations

As of June 30, 2014

Employee Unit	No. Full-Time Employees *	Percent of Workforce
Manhattan Beach Fire Association	25	9.9%
Manhattan Beach Police Officers' Association	53	21.0%
Manhattan Beach Police Management Association	7	2.8%
Miscellaneous Unit - Teamsters Local 911	115	45.6%
Management/Confidential (not represented)	52	20.7%
Total	252	100.0%

** Excludes elected officials.*

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 withdrew 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.



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