

CITY OF MANHATTAN BEACH, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015



Prepared by the Finance Department

Bruce Moe, Finance Director

CITY OF MANHATTAN BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MANHATTAN BEACH
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION	
Letter of Transmittal	
Directory of City Officials	
Organization Chart.....	
Certificate of Achievement for Excellence in Financial Reporting.....	
FINANCIAL SECTION	
Independent Auditors' Report.....	
Management's Discussion and Analysis	
Government-Wide Financial Statements:	
Statement of Net Position	
Statement of Activities.....	
Governmental Funds - Fund Financial Statements:	
Balance Sheet.....	
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	
Statement of Revenues, Expenditures and Changes in Fund Balances.....	
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	
Proprietary Funds Financial Statements:	
Statement of Fund Net Position	
Statement of Revenues, Expenses and Changes in Fund Net Position	
Statement of Cash Flows	
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Position.....	
Statement of Changes in Fiduciary Net Position	
Notes to Financial Statements.....	

CITY OF MANHATTAN BEACH
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

	<u>Page Number</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund.....	
Pension Plan	
Miscellaneous Plan	
Schedule of Changes in Net Pension Liability and Related Ratios.....	
Schedule of Plan Contributions	
Safety Police Plan and Safety Fire Plan	
Schedule of Proportionate Share of Net Pension Liability.....	
Schedule of Plan Contributions	
Supplemental Retirement Plan	
Schedule of Changes in Net Pension Liability and Related Ratios.....	
Schedule of Employer Contributions	
Schedule of Investment Returns	
Single Highest Year Plan	
Schedule of Changes in Net Pension Liability and Related Ratios.....	
Schedule of Employer Contributions	
Schedule of Investment Returns	
Notes to Required Supplementary Information	
SUPPLEMENTARY SCHEDULES	
Combining Balance Sheet - Nonmajor Governmental Funds	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	
Budgetary Comparison Schedules - Special Revenue Funds:	
Street Lighting and Landscape	
Gas Tax.....	
Asset Forfeiture	
Public Safety Grants	
Proposition A.....	
Proposition C.....	
AB 2766.....	
Measure R.....	
Budgetary Comparison Schedules - Capital Projects Funds:	
Capital Improvement	
Underground Assessment District.....	

CITY OF MANHATTAN BEACH
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

	<u>Page Number</u>
SUPPLEMENTARY SCHEDULES (Continued)	
Combining Statement of Fund Net Position - Nonmajor Enterprise Funds	
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Nonmajor Enterprise Funds	
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	
Combining Statement of Fund Net Position - Internal Service Funds	
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds	
Combining Statement of Cash Flows - Internal Service Funds	
Combining Balance Sheet - All Agency Funds	
Statement of Changes in Assets and Liabilities – All Agency Funds	
Combining Statement of Net Position – All Pension Trust Funds	
Combining Statement of Changes in Net Position	
STATISTICAL SECTION	
Financial Trends	
Net Position by Component	
Changes in Net Position	
Program Revenues by Function/Program	
Fund Balances, Governmental Funds	
Revenue Capacity	
Change in Fund Balances, Governmental Funds	
Taxes & Assessment Revenues by Source, Governmental Funds and Assessment	
Assessed Value and Estimated Actual Value of Taxable Property	
Direct and Overlapping Debt Property Tax Rates	
Principal Property Tax Payers Based on Net Values	
Property Tax Levies and Collections	
Taxable Sales by Category	
Direct and Overlapping Sales Tax Rates	
Principal Sales Tax Remitters	

CITY OF MANHATTAN BEACH
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

	<u>Page Number</u>
STATISTICAL SECTION (Continued)	
Debt Capacity	
Ratios of Outstanding Debt by Type	
Direct and Overlapping Governmental Activities Debt	
Legal Debt Margin Information	
Pledged-Revenue Coverage	
Demographic and Economic Information	
Demographic and Economic Statistics	
Principal Employers	
Full-time Authorized City Employees By Function/Program	
Schedule of Insurance in Force	
Operating Indicators by Function/Program	
Capital Asset Statistics by Function/Program	
Demographic Statistical Data	
Bond Disclosure Section	

DRAFT

CITY OF MANHATTAN BEACH

STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 57,814,689	\$ 38,138,549	\$ 95,953,238
Receivables:			
Accounts	741,902	1,424,992	2,166,894
Taxes	3,023,699	-	3,023,699
Notes and loans	1,707,361	-	1,707,361
Accrued interest	173,774	-	173,774
Prepaid costs	147,270	42,089	189,359
Due from other governments	1,076,724	-	1,076,724
Due from OPEB Trust Fund	149,485	-	149,485
Inventories	97,555	213,494	311,049
Total Current Assets	64,932,459	39,819,124	104,751,583
Restricted assets:			
Cash with fiscal agent	583,431	204,856	788,287
Prepaid other post-employment benefits	1,397,658	90,253	1,487,911
Capital assets not being depreciated	40,762,463	9,393,061	50,155,524
Capital assets, net of depreciation	77,128,018	38,222,642	115,350,660
Total Noncurrent Assets	119,871,570	47,910,812	167,782,382
Total Assets	184,804,029	87,729,936	272,533,965
Deferred Outflows of Resources:			
Deferred charge on refunding	531,097	-	531,097
Deferred pension related items	5,129,915	122,803	5,252,718
Total Deferred Outflows of Resources	5,661,012	122,803	5,783,815
Liabilities:			
Accounts payable	2,674,889	1,663,579	4,338,468
Accrued liabilities	2,369,672	-	2,369,672
Accrued interest	159,981	204,856	364,837
Unearned revenue	879,432	-	879,432
Deposits payable	890,438	96,265	986,703
Long-term liabilities due within one year:			
Leases Payable	190,595	-	190,595
Bonds Payable	725,000	570,000	1,295,000
Accrued workers comp/liability claims and judgments	7,958,220	-	7,958,220
Accrued employee benefits	568,641	12,639	581,280
Total Current Liabilities	16,416,868	2,547,339	18,964,207
Noncurrent liabilities:			
Long term liabilities due in more than one year			
Leases payable	341,225	-	341,225
Bonds payable	16,004,945	11,434,887	27,439,832
Net pension liability	42,979,331	1,068,126	44,047,457
Accrued workers comp/liability claims and judgments	4,148,281	-	4,148,281
Accrued employee benefits	2,629,833	58,451	2,688,284
Total Noncurrent Liabilities	66,103,615	12,561,464	78,665,079
Total Liabilities	82,520,483	15,108,803	97,629,286
Deferred Inflows of Resources:			
Deferred pension related items	14,111,904	375,735	14,487,639
Total Deferred Inflows of Resources	14,111,904	375,735	14,487,639
Net Position:			
Net investment in capital assets	101,159,813	35,610,816	136,770,629
Restricted for:			
Public safety	1,000,434	-	1,000,434
Public works	4,613,796	-	4,613,796
Capital projects	4,572,761	-	4,572,761
Debt service	32,566	204,856	237,422
Business improvement districts	-	546,317	546,317
Unrestricted	(17,546,716)	36,006,212	18,459,496
Total Net Position	\$ 93,832,654	\$ 72,368,201	\$ 166,200,855

CITY OF MANHATTAN BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 12,276,294	\$ 5,814,648	\$ 88,031	\$ -
Public safety	37,098,767	4,309,976	647,485	-
Culture and recreation	7,677,972	3,031,345	626,466	-
Public works	9,029,921	4,074,858	377,473	2,724,621
Interest on long-term debt	428,406	-	-	-
Total Governmental Activities	66,595,884	17,233,817	1,739,455	2,724,621
Business-Type Activities:				
Water	9,133,069	16,101,667	-	-
Stormwater	778,084	353,616	-	-
Wastewater	1,679,545	3,562,456	-	-
Refuse	4,011,830	4,063,886	10,020	-
Parking	2,075,112	2,518,665	-	-
County Parking Lot	534,671	784,145	-	-
State Pier and Parking Lot	550,260	596,936	-	-
Total Business-Type Activities	18,762,571	27,981,371	10,020	-
Total Primary Government	\$ 85,358,455	\$ 45,215,188	\$ 1,749,475	\$ 2,724,621

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
\$ (6,373,615)	\$ -	\$ (6,373,615)
(32,141,306)	-	(32,141,306)
(4,020,161)	-	(4,020,161)
(1,852,969)	-	(1,852,969)
(428,406)	-	(428,406)
(44,897,991)	-	(44,897,991)
-	6,968,598	6,968,598
-	(424,468)	(424,468)
-	1,882,911	1,882,911
-	62,076	62,076
-	443,553	443,553
-	249,474	249,474
-	46,676	46,676
-	9,228,820	9,228,820
(44,897,991)	9,228,820	(35,669,171)
24,435,184	-	24,435,184
4,809,421	-	4,809,421
9,268,657	-	9,268,657
1,539,453	-	1,539,453
3,376,113	-	3,376,113
720,826	-	720,826
15,099	-	15,099
3,184,502	273,944	3,458,446
10,839	74,643	85,482
250,324	(250,324)	-
47,710,861	98,263	47,809,224
2,812,870	9,327,083	12,140,053
143,883,984	64,613,421	208,497,405
(52,864,200)	(1,572,303)	(54,436,503)
\$ 93,832,654	\$ 72,368,201	\$ 166,200,955

CITY OF MANHATTAN BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<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	\$ 23,340,690	\$ 10,233,950	\$ 10,462,307	\$ 44,036,947
Receivables:				
Accounts	680,767	-	61,135	741,902
Taxes	2,958,175	65,524	-	3,023,699
Notes and loans	1,649,129	58,232	-	1,707,361
Accrued interest	173,774	-	-	173,774
Prepaid costs	46,080	-	-	46,080
Due from other funds	22,488	-	-	22,488
Due from other governments	178,258	-	898,466	1,076,724
Due from OPEB Trust Fund	149,485	-	-	149,485
Restricted assets:				
Cash and investments with fiscal agents	32,566	159,981	390,884	583,431
Total Assets	\$ 29,231,412	\$ 10,517,687	\$ 11,812,792	\$ 51,561,891
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,519,472	\$ 90,993	\$ 741,907	\$ 2,352,372
Accrued liabilities	2,369,672	159,981	-	2,529,653
Unearned revenues	879,432	-	-	879,432
Deposits payable	888,697	-	1,741	890,438
Due to other funds	-	-	22,488	22,488
Total Liabilities	5,657,273	250,974	766,136	6,674,383
Deferred Inflows of Resources:				
Unavailable revenues	809,389	-	882,153	1,691,542
Total Deferred Inflows of Resources	809,389	-	882,153	1,691,542
Fund Balances:				
Nonspendable:				
Prepaid costs	46,080	-	-	46,080
Notes and loans	1,649,129	58,232	-	1,707,361
Restricted for:				
Public safety	-	-	1,000,434	1,000,434
Public works	-	-	4,613,796	4,613,796
Capital Projects	-	-	4,572,761	4,572,761
Debt service	32,566	-	-	32,566
Committed to:				
Capital Projects	-	10,208,481	-	10,208,481
Unassigned	21,036,975	-	(22,488)	21,014,487
Total Fund Balances	22,764,750	10,266,713	10,164,503	43,195,966
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 29,231,412	\$ 10,517,687	\$ 11,812,792	\$ 51,561,891

CITY OF MANHATTAN BEACH

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Fund balances of governmental funds		\$ 43,195,966
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.		112,351,142
Governmental funds report all pension contributions as expenditures. However, the net pension liability has a measurement date of June 30, 2014, and pension contributions subsequent to the measurement date are reclassified as deferred pension contributions.		4,977,916
Governmental funds report all other post-retirement benefit obligations (OPEB) 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.		1,338,892
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.		531,097
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
COPS payable	\$ (16,295,000)	
Compensated Absences	(3,198,474)	
Unamortized bond premiums/discounts	<u>(434,945)</u>	(19,928,419)
Governmental funds report all pension contributions as expenditures, however, in the statement of net position, the excess of the plan proportionate share of the total pension liability over the proportionate share of the plan fiduciary net position is reported as a net pension liability.		(41,657,845)
The difference between the proportionate share of the projected and actual earnings on the pension plan investments is reported as deferred inflows of resources and amortized over the remaining service life.		(13,647,045)
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.		1,691,542
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.		<u>4,979,408</u>
Net Position of governmental activities		<u>\$ 93,832,654</u>

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Capital Projects Fund Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes and assessments	\$ 43,728,077	\$ 697,978	\$ 2,175,063	\$ 46,601,118
Licenses and permits	2,174,969	10,902	-	2,185,871
Intergovernmental	1,012,077	88,031	1,395,099	2,495,207
Charges for services	9,625,393	708,567	28,316	10,362,276
Use of money and property	3,090,305	1,969	92,228	3,184,502
Fines and forfeitures	2,506,870	130,668	-	2,637,538
Miscellaneous Revenues	805,740	6,189	22,017	833,946
Total Revenues	62,943,431	1,644,304	3,712,723	68,300,458
Expenditures:				
Current:				
General government	11,763,801	74,703	-	11,838,504
Public safety	34,527,510	102,280	267,873	34,897,663
Culture and recreation	6,645,594	-	703,893	7,349,487
Public works	6,968,789	-	1,057,861	8,026,650
Capital outlay	75,545	206,122	1,994,042	2,275,709
Debt service:				
Principal retirement	1,030,000	450,000	-	1,480,000
Interest and fiscal charges	86,127	326,113	-	412,240
Total Expenditures	61,097,366	1,159,218	4,023,669	66,280,253
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,846,065	485,086	(310,946)	2,020,205
Other Financing Sources (Uses):				
Transfers in	250,324	-	284,156	534,480
Transfers out	(231,024)	-	(53,132)	(284,156)
Proceeds from sale of capital asset	1,050	-	-	1,050
Total Other Financing Sources (Uses)	20,350	-	231,024	251,374
Net Change in Fund Balances	1,866,415	485,086	(79,922)	2,271,579
Fund Balances, Beginning of Year	20,898,335	9,781,627	10,244,425	40,924,387
Fund Balances, End of Year	\$ 22,764,750	\$ 10,266,713	\$ 10,164,503	\$ 43,195,966

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, 2015**

Net change in fund balances - total governmental funds \$ 2,271,579

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	\$ 2,467,175	
Depreciation expense	<u>(3,017,005)</u>	(549,830)

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	715,000	
Pension obligation bonds	765,000	
Amortization of bond premiums - Police Fire Facility bonds refunding	26,360	
Amortization of deferred charges on refunding	<u>(32,188)</u>	1,474,172

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. (113,093)

Pension obligation 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. 865,191

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. (603,980)

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. 757,529

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities. (1,288,698)

Change in net position of governmental activities \$ 2,812,870

CITY OF MANHATTAN BEACH

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2015

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Parking</u>
Assets:			
Current:			
Cash and investments	25,321,199	6,342,660	2,678,538
Receivables:			
Accounts	865,100	235,494	2,759
Prepaid costs	1,800	-	-
Inventories	213,494	-	-
Total Current Assets	26,401,593	6,578,154	2,681,297
Noncurrent:			
Prepaid other post-employment benefits	57,717	13,642	5,038
Restricted:			
Cash with fiscal agent	27,933	13,742	163,181
Capital assets - net of accumulated depreciation	19,468,946	6,923,055	17,429,762
Total Noncurrent Assets	19,554,596	6,950,439	17,597,981
Total Assets	45,956,189	13,528,593	20,279,278
Deferred Outflows of Resources:			
Deferred pension related items	74,382	25,153	4,333
Total Deferred Outflows of Resources	74,382	25,153	4,333
Total Assets & Deferred Outflows of Resources	\$ 46,030,571	\$ 13,553,746	\$ 20,283,611
Liabilities:			
Current:			
Accounts payable	\$ 666,203	\$ 106,524	\$ 92,160
Accrued interest	27,933	13,742	163,181
Deposits payable	2,110	-	94,155
Accrued compensated absences	12,639	-	-
Workers' compensation claims	-	-	-
Accrued claims and judgments	-	-	-
Bonds, notes, and capital leases	117,293	57,707	395,000
Total Current Liabilities	826,178	177,973	744,496
Noncurrent:			
Net pension liability	615,909	204,265	53,034
Accrued compensated absences	58,451	-	-
Workers' compensation claims	-	-	-
Accrued claims and judgments	-	-	-
Bonds, notes, and capital leases	1,562,878	768,906	9,103,103
Total Noncurrent Liabilities	2,237,238	973,171	9,156,137
Total Liabilities	3,063,416	1,151,144	9,900,633
Deferred Inflows of Resources:			
Deferred pension related items	216,658	71,854	18,656
Total Deferred Inflows of Resources	216,658	71,854	18,656
Net Position:			
Net investment in capital assets	17,788,775	6,096,442	7,931,659
Restricted for debt service	27,933	13,742	163,181
Restricted for business improvement district	-	-	546,317
Unrestricted	24,933,789	6,220,564	1,723,165
Total Net Position	42,750,497	12,330,748	10,364,322
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 46,030,571	\$ 13,553,746	\$ 20,283,611

CITY OF MANHATTAN BEACH

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		Governmental Activities - Internal Services Funds
	Other Enterprise Funds	Totals	
Assets:			
Current:			
Cash and investments	\$ 3,796,152	\$ 38,138,549	\$ 13,777,742
Receivables:			
Accounts	321,639	1,424,992	-
Prepaid costs	40,289	42,089	101,190
Inventories	-	213,494	97,555
Total Current Assets	4,158,080	39,819,124	13,976,487
Noncurrent:			
Prepaid other post-employment benefits	13,856	90,253	58,766
Restricted:			
Cash with fiscal agent	-	204,856	-
Capital assets - net of accumulated depreciation	3,793,940	47,615,703	5,539,339
Total Noncurrent Assets	3,807,796	47,910,812	5,598,105
Total Assets	7,965,876	87,729,936	19,574,592
Deferred Outflows of Resources:			
Deferred pension related items	18,935	122,803	151,999
Total Deferred Outflows of Resources	18,935	122,803	151,999
Total Assets & Deferred Outflows of Resources	\$ 7,984,811	\$ 87,852,739	\$ 19,726,591
Liabilities:			
Current:			
Accounts payable	\$ 798,692	\$ 1,663,579	\$ 322,517
Accrued interest	-	204,856	-
Deposits payable	-	96,265	-
Accrued compensated absences	-	12,639	-
Workers' compensation claims	-	-	6,301,514
Accrued claims and judgments	-	-	1,656,706
Bonds, notes, and capital leases	-	570,000	190,595
Total Current Liabilities	798,692	2,547,339	8,471,332
Noncurrent:			
Net pension liability	194,918	1,068,126	1,321,486
Accrued compensated absences	-	58,451	-
Workers' compensation claims	-	-	3,689,620
Accrued claims and judgments	-	-	458,661
Bonds, notes, and capital leases	-	11,434,887	341,225
Total Noncurrent Liabilities	194,918	12,561,464	5,810,992
Total Liabilities	993,610	15,108,803	14,282,324
Deferred Inflows of Resources:			
Deferred pension related items	68,567	375,735	464,859
Total Deferred Inflows of Resources	68,567	375,735	464,859
Net Position:			
Net investment in capital assets	3,793,940	35,610,816	5,007,519
Restricted for debt service	-	204,856	-
Restricted for business improvement district	-	546,317	-
Unrestricted	3,128,694	36,006,212	(28,111)
Total Net Position	6,922,634	72,368,201	4,979,408
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 7,984,811	\$ 87,852,739	\$ 19,726,591

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Parking</u>
Operating Revenues:			
Sales and service charges	\$ 16,085,677	\$ 3,559,681	\$ 2,518,665
Miscellaneous	14,164	15,373	21,894
Total Operating Revenues	<u>16,099,841</u>	<u>3,575,054</u>	<u>2,540,559</u>
Operating Expenses:			
Salaries	692,787	229,996	38,804
Employee benefits	253,170	76,658	18,798
Contract and professional services	4,673,301	170,795	644,619
Materials and services	1,273,016	155,181	531,427
Utilities	368,970	24,659	95,937
Administrative service charges	1,349,552	814,002	175,623
Leases and rents	-	-	-
Claims expense	-	-	-
Depreciation expense	473,885	184,448	257,898
Total Operating Expenses	<u>9,084,681</u>	<u>1,655,739</u>	<u>1,763,106</u>
Operating Income (Loss)	<u>7,015,160</u>	<u>1,919,315</u>	<u>777,453</u>
Nonoperating Revenues (Expenses):			
Interest revenue	182,891	43,991	19,743
Interest expense	(48,388)	(23,806)	(312,006)
Grant revenue	-	-	25,844
Gain (loss) on disposal of capital assets	15,990	-	-
Total Nonoperating Revenues (Expenses)	<u>150,493</u>	<u>20,185</u>	<u>(266,419)</u>
Income (Loss) Before Transfers	7,165,653	1,939,500	511,034
Transfers out	-	-	-
Changes in Net Position	<u>\$ 7,165,653</u>	<u>\$ 1,939,500</u>	<u>\$ 511,034</u>
Net Position:			
Beginning of Fiscal Year, as originally reported	\$ 36,364,135	\$ 10,722,011	\$ 9,920,390
Restatements	(779,291)	(330,763)	(67,102)
Beginning of Fiscal Year, as restated	35,584,844	10,391,248	9,853,288
Changes in Net Position	7,165,653	1,939,500	511,034
End of Fiscal Year	<u>\$ 42,750,497</u>	<u>\$ 12,330,748</u>	<u>\$ 10,364,322</u>

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
Operating Revenues:			
Sales and service charges	\$ 5,789,233	\$ 27,953,256	\$ 11,194,782
Miscellaneous	9,493	60,924	2,950
Total Operating Revenues	5,798,726	28,014,180	11,197,732
Operating Expenses:			
Salaries	221,753	1,183,340	1,459,100
Employee benefits	63,425	412,051	437,631
Contract and professional services	4,180,528	9,669,243	1,136,160
Materials and services	256,699	2,216,323	1,992,096
Utilities	75,856	565,422	125,817
Administrative service charges	495,348	2,834,525	-
Leases and rents	431,280	431,280	-
Claims expense	-	-	6,563,675
Depreciation expense	149,956	1,066,187	861,106
Total Operating Expenses	5,874,845	18,378,371	12,575,585
Operating Income (Loss)	(76,119)	9,635,809	(1,377,853)
Nonoperating Revenues (Expenses):			
Interest revenue	27,319	273,944	-
Interest expense	-	(384,200)	(10,338)
Grant revenue	10,020	35,864	-
Gain (loss) on disposal of capital assets	-	15,990	99,493
Total Nonoperating Revenues (Expenses)	37,339	(58,402)	89,155
Income (Loss) Before Transfers	(38,780)	9,577,407	(1,288,698)
Transfers out	(250,324)	(250,324)	-
Changes in Net Position	\$ (289,104)	\$ 9,327,083	\$ (1,288,698)
Net Position:			
Beginning of Fiscal Year, as originally reported	\$ 7,606,885	\$ 64,613,421	\$ 7,940,141
Restatements	(395,147)	(1,572,303)	(1,672,035)
Beginning of Fiscal Year, as restated	7,211,738	63,041,118	6,268,106
Changes in Net Position	(289,104)	9,327,083	(1,288,698)
End of Fiscal Year	\$ 6,922,634	\$ 72,368,201	\$ 4,979,408

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2015

	<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	\$ 16,146,327	\$ 3,586,228	\$ 2,537,113
Cash received from/(paid to) interfund service provided	-	-	-
Cash paid to suppliers for goods and services	(7,729,662)	(1,096,108)	(1,444,509)
Cash paid to employees for services	(949,606)	(380,297)	(55,075)
Net Cash Provided (Used) by Operating Activities	7,467,059	2,109,823	1,037,529
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	-	-	-
Repayment received from other funds	-	-	(219,200)
Grant subsidy	-	-	25,844
Street sweeping fee refunds	-	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	-	-	(193,356)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(1,645,626)	(70,605)	-
Principal paid on capital debt	(110,591)	(54,409)	(375,000)
Interest paid on capital debt	(60,288)	(29,661)	(343,330)
Cash from sale of property	15,990	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,800,515)	(154,675)	(718,330)
Cash Flows from Investing Activities:			
Interest received	182,891	43,991	19,743
Net Cash Provided (Used) by Investing Activities	182,891	43,991	19,743
Net Increase (Decrease) in Cash and Cash Equivalents	5,849,435	1,999,139	145,586
Cash and Cash Equivalents at Beginning of Year	19,499,697	4,357,263	2,696,133
Cash and Cash Equivalents at End of Year	\$ 25,349,132	\$ 6,356,402	\$ 2,841,719
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 7,015,160	\$ 1,919,315	\$ 777,453
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	473,885	184,448	257,898
(Increase) decrease in accounts receivable	46,486	11,174	(546)
(Increase) decrease in prepaid expense	(360)	-	-
(Increase) decrease in inventory	(12,616)	-	-
(Increase) decrease in prepaid other post-employment benefits	26,037	6,154	2,272
Increase (decrease) in accounts payable	(51,847)	68,529	3,097
Increase (decrease) in deposits payable	-	-	(2,900)
Increase (decrease) in net pension liability	(163,382)	(126,498)	(14,068)
Increase (decrease) in deferred pension related items	142,276	46,701	14,323
Increase (decrease) in workers' compensation claims	-	-	-
Increase (decrease) in claims and judgments	-	-	-
Increase (decrease) in compensated absences	(8,580)	-	-
Total Adjustments	451,899	190,508	260,076
Net Cash Provided (Used) by Operating Activities	\$ 7,467,059	\$ 2,109,823	\$ 1,037,529
Non-Cash Investing, Capital, and Financing Activities:			
Bond premium amortization	\$ 9,689	\$ 4,766	\$ 23,824

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 5,766,191	\$ 28,035,859	\$ 2,950
Cash received from/(paid to) interfund service provided	-	-	11,194,782
Cash paid to suppliers for goods and services	(5,442,896)	(15,713,175)	(7,757,815)
Cash paid to employees for services	(281,005)	(1,665,983)	(1,907,912)
Net Cash Provided (Used) by Operating Activities	42,290	10,656,701	1,532,005
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	(250,324)	(250,324)	-
Repayment received from other funds	-	(219,200)	-
Grant subsidy	10,020	35,864	-
Street sweeping fee refunds	(148,522)	(148,522)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	(388,826)	(582,182)	-
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(39,583)	(1,755,814)	(767,814)
Principal paid on capital debt	-	(540,000)	(187,522)
Interest paid on capital debt	-	(433,279)	(10,338)
Cash from sale of property	-	15,990	118,068
Net Cash Provided (Used) by Capital and Related Financing Activities	(39,583)	(2,713,103)	(847,606)
Cash Flows from Investing Activities:			
Interest received	27,319	273,944	-
Net Cash Provided (Used) by Investing Activities	27,319	273,944	-
Net Increase (Decrease) in Cash and Cash Equivalents	(358,800)	7,635,360	684,399
Cash and Cash Equivalents at Beginning of Year	4,154,952	30,708,045	13,093,343
Cash and Cash Equivalents at End of Year	\$ 3,796,152	\$ 38,343,405	\$ 13,777,742
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (76,119)	\$ 9,635,809	\$ (1,377,853)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	149,956	1,066,187	861,106
(Increase) decrease in accounts receivable	(32,535)	24,579	-
(Increase) decrease in prepaid expense	(40,289)	(40,649)	(101,190)
(Increase) decrease in inventory	-	(12,616)	26,509
(Increase) decrease in prepaid other post-employment benefits	6,248	40,711	10,570
Increase (decrease) in accounts payable	37,104	56,883	(69,506)
Increase (decrease) in deposits payable	-	(2,900)	-
Increase (decrease) in net pension liability	(51,707)	(355,655)	(350,550)
Increase (decrease) in deferred pension related items	49,632	252,932	312,860
Increase (decrease) in workers' compensation claims	-	-	1,278,438
Increase (decrease) in claims and judgments	-	-	941,621
Increase (decrease) in compensated absences	-	(8,580)	-
Total Adjustments	118,409	1,020,892	2,909,858
Net Cash Provided (Used) by Operating Activities	\$ 42,290	\$ 10,656,701	\$ 1,532,005
Non-Cash Investing, Capital, and Financing Activities:			
Bond premium amortization	\$ -	\$ 38,279	\$ -

CITY OF MANHATTAN BEACH

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2015

	<u>Agency Funds</u>	<u>Pension Trust Fund</u>
Assets:		
Pooled cash and investments	\$ 1,220,340	\$ 322,937
Receivables:		
Accounts	22,901	-
Due from other governments	-	149,485
Restricted assets:		
Cash and investments with fiscal agents	971,523	-
Total Assets	<u>\$ 2,214,764</u>	<u>472,422</u>
Liabilities:		
Accounts payable	\$ 70,566	-
Art development fees	252,802	-
Deposits payable	57,935	-
Due to City	-	149,485
Due to bond holders	1,833,461	-
Total Liabilities	<u>\$ 2,214,764</u>	<u>149,485</u>
Net Position:		
Held in trust for pension		322,937
Total Net Position		<u>\$ 322,937</u>

DRAFT

CITY OF MANHATTAN BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2015

	<u>Pension Trust Fund</u>
Additions:	
Investment income	\$ 13,456
Refund of contributions	149,485
Total Additions	<u>162,941</u>
Deductions:	
Benefit payments	<u>220,876</u>
Total Deductions	<u>220,876</u>
Changes in Net Position	(57,935)
Net Position - Beginning of the Year	<u>380,872</u>
Net Position - End of the Year	<u>\$ 322,937</u>

DRAFT

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 Financial Position reports 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports deferred outflows of resources for pension contributions made after the actuarial measurement date which will be expensed in the following year and for actuarial adjustments due to the proportionate share of the contributions made to the pension liability which will be amortized over the expected average remaining service life time. The government also reports deferred outflows for charges on debt refunding. 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 Financial Position and the Governmental Fund Balance Sheet report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. The item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: taxes and grant revenues. These amounts are deferred and recognized as an inflow of resources in the period when the amounts become available. In addition, the government has deferred inflows of resources relating to the net pension obligation reported in the government-wide statement of net position and the proprietary funds. These deferred inflows of resources are the result of the net difference between projected and actual earnings on pension plan investments. These amounts are deferred and amortized over a five year period on a straight-line basis.

i. Net Pension Liability

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

j. 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.

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

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.

k. 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.

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 \$7,958,220 and \$4,148,281 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.

l. 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.

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.

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

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

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

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.

s. Effect of New Accounting Standards

During the fiscal year ended June 30, 2015, the City implemented the following Governmental Accounting Standards Board (GASB) standards:

GASB Statement No. 68 – Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27 will improve the decision-usefulness of information in local government employer entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014.

GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a local government employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of GASB Statement No. 71 are effective for financial statements beginning after June 15, 2014.

Note 2: Cash and Investments

As of June 30, 2015, cash and investments were reported in the accompanying financial statements as follows:

Governmental Funds	\$ 44,620,378
Internal Service	13,777,742
Business-type activities	38,343,405
Agency	2,191,863
Pension Trust	322,937
Total Cash and Investments	<u>\$ 99,256,325</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.

Note 2: Cash and Investments (Continued)

a. Deposits

At June 30, 2015, the carrying amount of the City's deposits was \$5,242,638 and the bank balance was \$5,400,004. The \$157,366 difference represents outstanding checks and other reconciling items.

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

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

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

b. Authorized Investments

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

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

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.

Note 2: Cash and Investments (Continued)

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 \$33,950,000 whose pro-rata share of fair value was estimated by the State Treasurer to be \$33,962,764.

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 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, 2015, the book value exceeded the fair value of investments by \$98,537.

Note 2: Cash and Investments (Continued)

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, 2015, the City's investment in medium-term notes consisted of investments with Costco Wholesaler Corp., General Electric Capital Corp., Union Bank, 3M Company, Wells Fargo Co., Berkshire Hathaway Inc., Toyota Motor Credit Corp., Oracle Corp., Chevron Corp., Citizens Deposit Bank, Pfizer Inc., Microsoft Corp., and National Australia Bank Limited. 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, 2015, 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, 2015, the City is in compliance with its investment policy's restrictions.

In accordance with GASB Statement No. 40, if the city has invested more than 5% of its total investments in any one issuer then it is exposed to credit risk. The following issuers are above the 5% of total investments: Federal Home Loan Bank (10.1%), Federal Farm Credit (10.2%) and Federal National Mortgage Association (11.2%). 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.

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**

Note 2: Cash and Investments (Continued)

As of June 30, 2015, 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	\$ 33,962,764	\$ -	\$ -	\$ -	\$ 33,962,764
Certificate of Deposit	1,961,762	737,217	4,928,320	-	7,627,299
US Treasury and agency notes	-	1,016,230	18,095,520	19,154,580	38,266,330
Medium-term notes	1,501,040	3,056,610	6,744,855	1,092,750	12,395,255
	<u>\$ 37,425,566</u>	<u>\$ 4,810,057</u>	<u>\$ 29,768,695</u>	<u>\$ 20,247,330</u>	<u>92,251,648</u>
Investment with Fiscal Agents:					
Utility Undergrounding					1,359,647
Water/Wastewater, Metlox Refunding bonds					204,856
Marine certificates of participation					32,566
Police & Fire certificate of participation refunding bonds					159,981
					<u>1,757,050</u>
Demand deposits					5,242,638
Other deposits					2,760
Petty cash					2,229
					<u>5,247,627</u>
Grand Total					<u>\$ 99,256,325</u>

Note 3: Interfund Transactions

Due To/From Other Funds

	Due To Other Funds
	Nonmajor Governmental Funds
	<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.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 3: Interfund Transactions (Continued)

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, 2015, are presented below:

	Transfers In		Total
	General Fund	Nonmajor Governmental Funds	
Transfers Out			
General Fund	\$ -	\$ 231,024	\$ 231,024
Nonmajor Governmental Funds	-	53,132	53,132
Nonmajor Proprietary Funds	250,324	-	250,324
Total	<u>\$ 250,324</u>	<u>\$ 284,156</u>	<u>\$ 534,480</u>

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

- The County Parking Lot fund transferred \$250,324 to the General Fund for recreation purposes.
- The General Fund transferred \$231,024 to the Street Lighting Fund to relieve a deficit fund balance.
- The Measure R Fund transferred \$53,132 to the Prop A Fund for the purchase of busses.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

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, 2015:

	Beginning Balance July 1, 2014	Increases additions	Decreases (deletions)	Ending Balance June 30, 2015
Governmental Activities				
Land	\$ 33,634,565	\$ -	\$ -	\$ 33,634,565
Construction-in-progress				
Streets / Roadways	3,510,547	1,993,942	-	5,504,489
Recreation	1,399,167	60,300	-	1,459,467
Buildings	18,120	145,822	-	163,942
Total Capital Assets, Not Being Depreciated	38,562,399	2,200,064	-	40,762,463
Buildings and structures	43,309,646	-	-	43,309,646
Machinery and equipment	7,193,493	75,545	(13,639)	7,255,399
Vehicles	10,940,387	767,814	(641,790)	11,066,411
Infrastructure				
Streets / Roadways	51,210,166	-	-	51,210,166
Parks & Recreation	17,372,263	-	-	17,372,263
Investment in Joint Venture (RCC)	2,834,689	191,566	(3,771)	3,022,484
Total Capital Assets, Being Depreciated	132,860,644	1,034,925	(659,200)	133,236,369
Less Accumulated Depreciation:				
Buildings and Structures	(8,660,743)	(863,902)	-	(9,524,645)
Machinery and Equipment	(5,393,400)	(449,512)	13,639	(5,829,273)
Vehicles	(5,289,181)	(861,106)	623,215	(5,527,072)
Infrastructure				
Streets / Roadways	(27,197,712)	(1,274,406)	-	(28,472,118)
Parks & Recreation	(5,253,899)	(319,088)	-	(5,572,987)
Investment in Joint Venture (RCC)	(1,075,930)	(110,097)	3,771	(1,182,256)
Total Accumulated Depreciation	(52,870,865)	(3,878,111)	640,625	(56,108,351)
Total Capital Assets, Being Depreciated, Net	79,989,779	(2,843,186)	(18,575)	77,128,018
Governmental Activities Capital Assets, Net	\$ 118,552,178	\$ (643,122)	\$ (18,575)	\$ 117,890,481

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 4: Capital Assets and Depreciation (Continued)

	Beginning Balance July 1, 2014	Increases additions	Decreases (deletions)	Ending Balance June 30, 2015
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	5,879,813	1,755,814	-	7,635,627
Total Capital Assets, Not Being Depreciated	7,637,247	1,755,814	-	9,393,061
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	25,903,420	-	-	25,903,420
Storm water	6,871,403	-	-	6,871,403
Wastewater	11,239,772	-	-	11,239,772
Total Capital Assets, Being Depreciated	62,338,464	-	-	62,338,464
Less Accumulated Depreciation:				
Buildings and structures - parking	(1,548,514)	(185,296)	-	(1,733,810)
Machinery and equipment - parking	(899,113)	(72,602)	-	(971,715)
Water	(11,056,901)	(473,885)	-	(11,530,786)
Storm water	(3,674,697)	(149,956)	-	(3,824,653)
Wastewater	(5,870,410)	(184,448)	-	(6,054,858)
Total Accumulated Depreciation	(23,049,635)	(1,066,187)	-	(24,115,822)
Total Capital Assets, Being Depreciated, Net	39,288,829	(1,066,187)	-	38,222,642
Business-Type Activities Capital Assets, Net	\$ 46,926,076	\$ 689,627	\$ -	\$ 47,615,703

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

Governmental Activities:	
General government	\$ 231,942
Public safety	1,125,179
Public works	1,339,616
Parks and recreation	320,268
Internal service funds	861,106
Total Depreciation Expense - Governmental Activities	\$ 3,878,111
Business-Type Activities:	
Water	\$ 473,885
Wastewater	184,448
Parking	257,898
Storm water	149,956
Total Depreciation Expense - Business-Type Activities	\$ 1,066,187

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 5: Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Due in One Year
Governmental Activities:					
Long-term Debt:					
Marine Ave Park COP	\$ 6,980,000	\$ -	\$ (265,000)	\$ 6,715,000	\$ 270,000
2007 Pension Obligation Bonds	765,000	-	(765,000)	-	-
2013 Police and Fire Refunding COP	10,030,000	-	(450,000)	9,580,000	455,000
Lease Purchase Fire and Sewer Truck	719,342	-	(187,522)	531,820	190,595
Other:					
Supplemental Leave Allowance	5,389	-	(5,389)	-	-
Compensated Absences	3,079,992	2,718,952	(2,600,470)	3,198,474	568,641
Workers Compensation Claims	8,712,696	5,196,732	(3,918,294)	9,991,134	6,301,514
General Liability Claims	1,173,746	1,691,679	(750,058)	2,115,367	1,656,706
Total Governmental	<u>\$ 31,466,165</u>	<u>\$ 9,607,363</u>	<u>\$ (8,941,733)</u>	<u>32,131,795</u>	<u>\$ 9,442,456</u>
Unamortized premium				434,945	
				<u>\$ 32,566,740</u>	
Business-Type Activities:					
Long-term Debt:					
2012 Metlox and Water/Wastewater Refunding COP	\$ 12,000,000	\$ -	\$ (540,000)	\$ 11,460,000	\$ 570,000
Other long term liabilities:					
Compensated Absences	79,670	73,116	(81,696)	71,090	12,639
Total Business Type	<u>\$ 12,593,256</u>	<u>\$ 73,116</u>	<u>\$ (621,696)</u>	<u>11,531,090</u>	<u>\$ 582,639</u>
Unamortized premium				544,887	
				<u>\$ 12,075,977</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. Annual debt service requirements to maturity for the Marine Avenue Certificates of Participation are as follows:

Fiscal Year Ending	Principal	Interest	Total
June 30,			
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	315,000	193,768	508,768
2021-2025	1,745,000	788,943	2,533,943
2026-2030	2,075,000	447,948	2,522,948
2031-2033	1,435,000	78,313	1,513,313
Total	<u>\$ 6,715,000</u>	<u>\$ 2,390,637</u>	<u>\$ 9,105,637</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 5: Long-Term Liabilities (Continued)**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. The bonds mature annually in amounts ranging from \$695,000 to \$1,095,000, bearing interest at 5.011%. The bonds were paid off during fiscal year 2014-15.

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, 2015, 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.

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
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	515,000	262,963	777,963
2021-2025	2,810,000	1,068,313	3,878,313
2026-2030	3,360,000	515,338	3,875,338
2031-2032	995,000	42,019	1,037,019
Total	<u>\$ 9,580,000</u>	<u>\$ 3,085,235</u>	<u>\$ 12,665,235</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.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 5: Long-Term Liabilities (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 190,595	\$ 7,264	\$ 197,859
2017	193,718	4,141	197,859
2018	147,507	1,095	148,602
Total	<u>\$ 531,820</u>	<u>\$ 12,500</u>	<u>\$ 544,320</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 \$544,887 at June 30, 2015, which will be amortized over the life of the issue.

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
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	<u>\$ 1,578,438</u>	<u>\$ 354,460</u>	<u>\$ 1,932,898</u>	<u>\$ 776,562</u>	<u>\$ 174,390</u>	<u>\$ 950,952</u>

Fiscal Year Ending June 30,	Metlox			Total		
	Principal	Interest	Total	Principal	Interest	Total
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	<u>\$ 9,105,000</u>	<u>\$ 3,201,175</u>	<u>\$ 12,306,175</u>	<u>\$ 11,460,000</u>	<u>\$ 3,730,025</u>	<u>\$ 15,190,025</u>

Note 5: Long-Term Liabilities (Continued)

f. Compensated Absences

At June 30, 2015, the total citywide accrued liability for compensated absences amounted to \$3,269,564 which is comprised of \$2,753,121 and \$516,443 of vested vacation and sick leave, respectively. \$3,198,474 of this compensated leave liability is related to general government services with the remaining \$71,090 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, 2015, 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 \$6,601,514. In addition, reserves of \$3,389,620 have been set aside for incurred but not reported claims. Total reserves are \$9,991,134.

h. General Liability Claims

As of June 30, 2015, 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 \$1,656,706. In addition, reserves of \$458,661 have been set aside for incurred but not reported claims. Total reserves are \$2,115,367.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7: Retirement Plans**a. Miscellaneous Plan****General Information about the Pension Plan****Plan Description**

The Miscellaneous Plan of the City of Manhattan Beach is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in their respective June 30, 2013 Annual Actuarial Valuation Reports. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation reports. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Benefit Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The plan provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous Plan	
	Tier I *	PEPRA
Hire date	Prior to or on December 31, 2012	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	minimum 50 yrs	minimum 52 yrs
Monthly benefits, as a % of eligible compensation	2.000% - 2.418%, 50 yrs - 63+ yrs, respectively	1.000% - 2.500%, 52 yrs - 67+ yrs, respectively
Required employee contribution rates	7.000%	6.250%
Required employer contribution rates	11.460%	11.460%

* Closed to new entrants

At June 30, 2014, the following employees were covered by the benefit terms of the plan:

Description	Number of Participants
	Miscellaneous Plan
Active members	193
Transferred members	136
Terminated members	108
Retired members and beneficiaries	203
Total	640

Note 7: Retirement Plans (Continued)

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the employer contributions recognized as part of pension expense for the Miscellaneous Plan was \$1,648,896.

Net Pension Liability

The City's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Miscellaneous Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

Note 7: Retirement Plans (Continued)

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate.

Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS determined this difference was deemed immaterial to the Agent Multiple-Employer Defined Benefit Pension Plan. More information can be found on the CalPERS website.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statement No. 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7: Retirement Plans (Continued)

single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability/(Assets) (c)=(a)-(b)
Balance at: 6/30/2013 (Valuation Date) (1)	\$ 81,003,568	\$ 61,897,924	\$ 19,105,644
Changes Recognized for the Measurement Period:			
Service Cost	1,897,933	-	1,897,933
Interest on the Total Pension Liability	6,036,548	-	6,036,548
Contribution from the Employer	-	1,512,406	(1,512,406)
Contributions from Employees	-	911,689	(911,689)
Net Investment Income (2)	-	10,722,182	(10,722,182)
Benefit Payments including Refunds of Employee Contributions	(2,930,477)	(2,930,477)	-
Net Changes During 2013-14	5,004,004	10,215,800	(5,211,796)
Balance at: 6/30/2014 (Measurement Date) (1)	\$ 86,007,572	\$ 72,113,724	\$ 13,893,848

(1) The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. This may differ from the plan assets reported in the funding actuarial valuation report.

(2) Net of administrative expenses.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015
Note 7: Retirement Plans (Continued)**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.5%)	Discount Rate +1% (8.5%)
Plan's Net Pension Liability/(Assets)	\$ 25,486,361	\$ 13,893,848	\$ 4,297,111

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2013), the net pension liability was \$19,105,644. For the measurement period ending June 30, 2014 (the measurement date), the City incurred a pension expense/(income) of \$1,188,052 for the Plan.

Note that no adjustments have been made for contributions subsequent to the measurement date. Adequate treatment of any contributions made after the measurement date is the responsibility of the employer.

As of June 30, 2015, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,648,896	\$ -
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(4,887,442)
Total	\$ 1,648,896	\$ (4,887,442)

Note 7: Retirement Plans (Continued)

\$1,648,896 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period ended June 30:	Deferred Outflows/(Inflows) of Resources
2015	\$ (1,221,861)
2016	(1,221,861)
2017	(1,221,861)
2018	(1,221,859)

b. Safety Police Plan and Safety Fire Plan

General Information about the Pension Plan

Plan Description

All qualified permanent and probationary safety employees are eligible to participate in the City of Manhattan Beach's Safety Police Plan or Safety Fire Plan, both cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 7: Retirement Plans (Continued)

The plan provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Safety Police Plan	
	Tier I *	PEPRA
Hire date	Prior to or on December 31,2012	On or after January 1, 2013
Benefit formula	3.0% @ 50	2.0% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	minimum 50 yrs	minimum 50 yrs
Monthly benefits, as a % of eligible compensation	3.000%, 50+ yrs	1.426% - 2.000%, respectively 50 yrs - 57+ yrs,
Required employee contribution rates	9.000%	12.250%
Required employer contribution rates	29.556%	12.250%

* Closed to new entrants

	Safety Fire Plan	
	Tier I *	PEPRA
Hire date	Prior to or on December 31,2012	On or after January 1, 2013
Benefit formula	3.0% @ 55	2.0% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	minimum 50 yrs	minimum 50 yrs
Monthly benefits, as a % of eligible compensation	2.400% - 3.000%, respectively 50 yrs - 55+ yrs,	1.426% - 2.000%, respectively 50 yrs - 57+ yrs,
Required employee contribution rates	9.000%	12.250%
Required employer contribution rates	23.948%	12.250%

* Closed to new entrants

Employees Covered

At June 30, 2014, the following employees were covered by the benefit terms of the Plan:

Description	Number of members	
	Safety Police Plan	Safety Fire Plan
Active members	62	30
Transferred members	15	4
Terminated members	10	3
Retired members and beneficiaries	107	50
Total	194	87

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 7: Retirement Plans (Continued)**Contribution Description**

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the employer contributions recognized as part of pension expense were \$2,318,334 for the Safety Police Plan and 1,118,825 for the safety Fire Plan.

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

The City of Manhattan Beach reported net a pension liability at June 30, 2015 of \$20,001,885 for its proportionate shares of the Safety Police Plan and \$10,047,944 for its proportionate shares of the Safety Fire Plan.

The City's net pension liability for the safety plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for the safety plan as of June 30, 2013 and 2014, was as follows:

	Plan Net Pension Liability/(Asset)	
	Safety Police Plan	Safety Fire Plan
Balance at: 6/30/2013	\$ 26,485,767	\$ 13,305,140
Balance at: 6/30/2014	20,001,855	10,047,944
Net Changes during 2013-14	<u>\$ (6,483,912)</u>	<u>\$ (3,257,196)</u>

For the year ended June 30, 2015, the City recognized pension expense of \$1,922,653 and \$970,345 for the Safety Police Plan and the Safety Fire Plan respectively. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 7: Retirement Plans (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,437,159	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(9,073,027)
Adjustment due to difference in proportions	166,663	(527,170)
Total	\$ 3,603,822	\$ (9,600,197)

\$3,437,159 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30:	Deferred Outflows/(Inflows) of Resources
2016	\$ (2,347,463)
2017	(2,347,463)
2018	(2,359,369)
2019	(2,379,239)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Note 7: Retirement Plans (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. The Experience Study report can be obtained at CalPERS' website.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% is applied to all plans in the Public Employees Retirement Fund.

The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS determined this difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015
Note 7: Retirement Plans (Continued)

benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

(3) An expected inflation of 2.5% used for this period

(4) An expected inflation of 3.0% used for this period

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability of the Safety Police Plan and the Safety Fire Plan, calculated using the discount rate of 7.50%, as well as what the proportionate share of net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.50%) or 1% point higher (8.50%) than the current rate:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.5%)	Discount Rate +1% (8.5%)
Safety Police Plan's Net Pension Liability	\$ 34,420,603	\$ 20,001,855	\$ 8,121,430
Safety Fire Plan's Net Pension Liability	\$ 17,291,210	\$ 10,047,944	\$ 4,079,805

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Note 7: Retirement Plans (Continued)

c. Supplemental Retirement Plan

General Information about the Pension Plan

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. . This plan is currently dormant and does not issue a separate annual financial report. The plan information is presented as a fiduciary fund in the City's financial statements in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*.

Benefits Provided

The plan provides the employee the difference between the benefit provided by the California Public Employees Retirement System (PERS) calculated under the life annuity option and the PERS benefit had the City adopted the Police Officers' Standards and Training (POST) widows and orphans salary continuation plan. The plan states, "The City shall pay each retiring officer, sergeant, lieutenant, firefighter and management employee upon retirement, a monthly amount which would make up the difference for that option of which the officer will receive from PERS under Government Code Section 21330 through 21335 and what only the officer would have received while alive had the City adopted the Police Officers' Standards and Training (POST) widows and orphans salary continuation plan. The payment shall be made to the officer only while the officer is alive and will cease upon death. Upon retirement, the right to their payment shall be regarded as a vested pension benefit to the same extent as the individual's retirement allowance." The benefit is payable for the life of the employee. The benefit is subject to a 2% annual cost-of-living increase. This plan is currently dormant.

Employees Covered

Employees covered includes sworn law enforcement officers, fire and management/confidential employees who retired prior to January, 1995. The number of participants covered under the plan as of June 30, 2015, was as follows:

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

Net Pension Liability

The net pension liability for the plan is measured as the total pension liability as of June 30 2015 using an annual actuarial valuation as of June 30, 2014 less the pension plan's fiduciary net position.

Total pension liability	\$ 111,304
Plan fiduciary net pension	<u>86,021</u>
Net pension liability	<u>\$ 25,283</u>
Plan fiduciary net position as a percentage of the total pension liability	77.28%

Note 7: Retirement Plans (Continued)**Actuarial Assumptions**

A summary of principal assumptions and methods used to determine the pension liability is shown below.

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%

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

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.

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, 2015, City Council has approved to have 100% of the Supplemental Plan's assets allocated to cash and cash equivalents.

Change in Net Pension Liability

The Supplemental Plan is dormant and no contribution was made during the year.

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability/(Assets) (c)=(a)-(b)
Balance at: 6/30/2014	\$ 111,304	\$ 102,672	\$ 8,632
Changes Recognized for the Measurement Period:			
Net Investment Income	-	3,868	(3,868)
Benefit Payments including Refunds of Employee Contributions	-	(20,519)	20,519
Net Changes During 2014-15	-	(16,651)	16,651
Balance at: 6/30/2015	\$ 111,304	\$ 86,021	\$ 25,283

Note 7: Retirement Plans (Continued)

Sensitivity of the Net Pension Liability to Change 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	\$ 26,353	\$ 25,283	\$ 24,300

Pension Plan Fiduciary Net Position

The Supplemental Retirement Plan fiduciary net position is combined with the City's Single Highest Year Pan fiduciary net position as fiduciary fund in the City's annual financial report with further detail included in the required supplementary information section of the report.

Pension Expense

Pension expense for the fiscal year 2014-15 was \$20,519 for the benefits paid to retirees.

Payable to the Pension Plan

The City's remaining obligation is to fund the benefits for those participants who were then and are currently retired.

d. Single Highest Year Plan

General Information about the Pension Plan

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. This plan is currently dormant and does not issue a separate annual financial report. The plan information is presented as a fiduciary fund in the City's financial statements in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*.

Benefits Provided

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 7: Retirement Plans (Continued)

retirement. 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.

Employees Covered

Employees covered include sworn law enforcement officers, fire, management or confidential and miscellaneous employees who retired prior to May, 1993. The number of participants covered under the plan as of June 30, 2015, was as follows:

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

Net Pension Liability

The net pension liability for the plan is measured as the total pension liability as of June 30 2014 using an annual actuarial valuation as of June 30, 2014 less the pension plan's fiduciary net position.

Total pension liability	\$ 315,443
Plan fiduciary net pension	<u>236,916</u>
Net pension liability	<u>\$ 78,527</u>
Plan fiduciary net position as a percentage of the total pension liability	75.11%

Actuarial Assumptions

A summary of principal assumptions and methods used to determine the pension liability is shown below.

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%

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

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.

Note 7: Retirement Plans (Continued)

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, 2015, City Council has approved to have 100% of the Supplemental Plan's assets allocated to cash and cash equivalents.

Change in Net Pension Liability

The Supplemental Plan is dormant and no contribution was made during the year.

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability/(Assets) (c)=(a)-(b)
Balance at: 6/30/2014	\$ 315,443	\$ 278,200	\$ 37,243
Changes Recognized for the Measurement Period:			
Net Investment Income	-	9,588	(9,588)
Benefit Payments including Refunds of Employee Contributions	-	(50,872)	50,872
Net Changes During 2014-15	-	(41,284)	41,284
Balance at: 6/30/2015	<u>\$ 315,443</u>	<u>\$ 236,916</u>	<u>\$ 78,527</u>

Sensitivity of the Net Pension Liability to Change 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	\$ 82,291	\$ 78,527	\$ 75,091

Pension Plan Fiduciary Net Position

The Single Highest Year Pan fiduciary net position is combined with the City's Supplemental Retirement Plan fiduciary net position as fiduciary fund in the City's annual financial report with further detail included in the required supplementary information section of the report.

Pension Expense

Pension expense for the fiscal year 2014-15 was \$50,872 for the benefits paid to retirees.

Note 7: Retirement Plans (Continued)

Payable to the Pension Plan

The City's remaining obligation is to fund the benefits for those participants who were then and are currently retired.

Note 8. 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 2015, the City paid \$149,484 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 2015, the City contribution paid to PERS was \$117,311. Plan members receiving benefits paid \$620,068.

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 2015. Therefore, the City will be reimbursed for \$266,795 (\$117,311 to PERS and \$149,484 to retirees in City Plan). Benefits per employee are determined according to MOU and PEMHCA requirements.

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

Note 8. Other Post Retirement Benefits (Continued)

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, 2015. The number of PEMHCA participants is: active - 250, retired participants - 84. The number of City Plan participants is: active - 260, retired participants - 37.

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.

The updated valuation resulted in a fiscal 2014-2015, projected normal cost of \$403,000 and amortization of unfunded actuarial accrued liability of (\$128,000) resulting in an actuarially required contribution for fiscal 2014-2015, of \$275,000.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 8. Other Post Retirement Benefits (Continued)

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)	\$ 275,000
Interest on net OPEB	(152,434)
Amortization of OPEB	823,634
	<u>946,200</u>
Annual OPEB cost	946,200
Less: Annual contributions made	<u>275,000</u>
Increase (decrease) in net OPEB obligation	671,200
Net OPEB obligation (asset) - beginning of year	<u>(2,159,111)</u>
Net OPEB obligation (asset) - end of year	<u>\$ (1,487,911)</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 2014-2015, 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
6/30/2013	\$ 821,596	\$ 236,000	\$ (2,786,050)	28.72%
6/30/2014	874,939	248,000	(2,159,111)	28.34%
6/30/2015	946,200	275,000	(1,487,911)	29.06%

Funded Status and Funding Programs

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

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

The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Contributions are held and invested by California Employer's Retiree Benefit Trust (CERBT), which has been established by PERS. The value of the City of Manhattan Beach's account as June 30, 2015, was \$9,413,000, which reflects a gain of \$564,000 from the prior fiscal year 2013-2014.

Actuarial Valuation Date	Accrued Liability	Value of Assets	Unfunded Liability	Funded Ratio	Covered Payroll	Covered Payroll
7/1/2009	\$ 5,926,000	\$ 4,946,560	\$ 979,440	83.5%	\$ 19,502,000	5.0%
7/1/2011	6,846,000	7,664,474	(818,474)	112.0%	21,871,000	(3.7%)
7/1/2013	7,882,000	8,849,000	(967,000)	112.3%	22,191,000	(4.4%)

Note 8. Other Post Retirement Benefits (Continued)

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.

Note 9. 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, 2015, 100% of contribution is derived from employee deduction.

Total payroll for employees covered by this plan for the year was \$1,318,627. The amount of employee contribution was \$98,897.

Note 10: Risk Management

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

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

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

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

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. This liability is the City's best estimate based on available information.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 10: Risk Management (Continued)

The following is a summary of the changes in the claims liability over the past two fiscal years for the City:

Year	Liability Beginning of Year	Current Year Claims and Increases in Estimates	Payments and Decreases In Estimates	Liability End of Year
2014	\$ 8,916,223	\$ 5,335,155	\$ (4,364,936)	\$ 9,886,442
2015	9,886,442	6,888,411	(4,668,352)	12,106,501

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, 2015, which can be obtained from Independent Cities Risk Management Authority, 1100 W. Town and Country Road Suite 1550 Orange, California 92868.

Note 11: Net Position and Fund Balance

a. Net Position Restatement

Governmental and Business-Type Activities Net Position Restatements

As discussed in Note 1 to the financial statements, the City adopted Statement of Governmental Accounting Standards Board No. 65, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*, as of July 1, 2014. The City has recognized an actuarially determined net pension liability in the fund balance in the following funds which have been restated for:

Statement of Net Position	
Governmental activities	
To account for the net pension liability under GASB No. 68	\$ (52,684,200)
Business-Type Activities	
To account for the net pension liability under GASB No. 68	(1,351,468)
	<u>\$ (54,035,668)</u>

Beginning net position has been restated by \$(148,522) 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. In the Wastewater Fund, beginning net position has been restated by \$(72,313) to refund prior year sewer charges.

b. Fund Balance Deficit

The following funds reported a deficit in fund balances/net position as of June 30, 2015:

Fund	Deficit
Federal and State Grants	\$ (22,488)
County Parking Lot	(14,394)
Insurance Reserve	(2,083,430)
Building Maintenance and Operations	(315,453)

The deficits will be recovered through future revenues and transfers.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 12: 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, 2015, was 22.7%.

Summarized audited financial information for SBRPCA at June 30, 2014*, is presented below:

Statement of Net Position

Assets	
Current assets	\$ 3,220,903
Due from other governments	8,109,599
Total Assets	<u>11,330,502</u>
Liabilities	
Current liabilities	706,317
Noncurrent liabilities	1,073,718
Total Liabilities	<u>1,780,035</u>
Net Position	<u>\$ 9,550,467</u>

Statement of Activities

Operating Revenues	\$ 9,407,784
Operating Expenses	<u>(9,823,288)</u>
Excess of Expenses Over Revenues	<u>(415,504)</u>
Non operating revenues (expenses)	
Interest earnings	8,126
Non operating revenues (expenses)	<u>8,126</u>
Capital contributions	<u>452,000</u>
Change in net position	44,622
Net Position - June 30, 2013	<u>9,505,845</u>
Net Position - June 30, 2014	<u>\$ 9,550,467</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 11: 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, 2015*, is presented below:

Statement of Net Position

<u>Assets</u>	
Current assets	\$ 13,654,064
Noncurrent assets	387,184
Total Assets	<u>14,041,248</u>
<u>Liabilities</u>	
Current liabilities	2,504,286
Noncurrent liabilities	465,858
Total liabilities	<u>2,970,144</u>
Net Position	<u>\$ 11,071,104</u>

Statement of Activities

Revenues	\$ 15,491,197
Expenses	(11,174,556)
Excess of Expenditures Over Revenues	<u>4,316,641</u>
Non operating revenues (expenses)	
Investment earnings	8,947
Interest expense	(31,103)
Non operating revenues (expenses)	<u>(22,156)</u>
Change in net position	4,294,485
Net Position - June 30, 2014	<u>6,776,619</u>
Net Position - June 30, 2015	<u>\$ 11,071,104</u>

*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, 2015**

Note 12: Commitments and Contingencies

Contingencies

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

Construction Commitments

The following material construction commitments existed as of June 30, 2015:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Expenditures to date as of June 30, 2015</u>	<u>Remaining Commitments</u>
Sepulveda Bridge Widening Prop C & Safetea Lu 10827, 11830	\$ 876,564	\$ -	\$ 876,564
Sepulveda Blvd & 2nd Street Water Main Replacement 12829	1,967,540	1,515,221	452,319
Dual Left-turn Lanes Marine/Sepulveda 12821	672,262	288,585	383,677
Downtown Crosswalk Replacement & Slurry Seal	1,283,200	1,091,645	191,555
City Yard Cover	79,500	-	79,500
Strand Wall Repair and Enhancement Project	432,799	379,884	52,915
Water Main Replacement Project	112,633	105,945	6,688
	<u>\$ 5,424,498</u>	<u>\$ 3,381,280</u>	<u>\$ 2,043,218</u>

Note 13: Subsequent Events

Inquire with Client before issuing report.

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 20,898,335	\$ 20,898,335	\$ 20,898,335	\$ -
Resources (Inflows):				
Taxes and assessments	42,267,808	42,267,808	43,728,077	1,460,269
Licenses and permits	1,910,705	2,040,205	2,174,969	134,764
Intergovernmental	260,130	260,130	1,012,077	751,947
Charges for services	9,160,761	9,031,261	9,625,393	594,132
Use of money and property	3,003,245	3,003,245	3,090,305	87,060
Fines and forfeitures	2,552,500	2,552,500	2,506,870	(45,630)
Miscellaneous	691,800	691,800	805,740	113,940
Transfers in	130,704	130,704	250,324	119,620
Proceeds from sale of capital asset	-	-	1,050	1,050
Amounts Available for Appropriations	80,875,988	80,875,988	84,093,140	3,217,152
Charges to Appropriations (Outflow):				
General government	11,076,072	11,895,563	11,763,801	131,762
Public safety	33,599,520	33,701,299	34,527,510	(826,211)
Culture and recreation	6,964,059	7,030,054	6,645,594	384,460
Public works	6,685,162	6,763,722	6,968,789	(205,067)
Capital outlay	1,018,488	1,026,333	75,545	950,788
Debt service:				
Principal retirement	1,030,000	1,030,000	1,030,000	-
Interest and fiscal charges	327,904	327,904	86,127	241,777
Transfers out	541,642	541,642	231,024	310,618
Total Charges to Appropriations	61,242,847	62,316,517	61,328,390	988,127
Budgetary Fund Balance, June 30	\$ 19,633,141	\$ 18,559,471	\$ 22,764,750	\$ 4,205,279

CITY OF MANHATTAN BEACH

MISCELLANEOUS PLAN
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

MEASUREMENT PERIOD	2015
TOTAL PENSION LIABILITY	
Service Cost	\$ 1,897,933
Interest	6,036,548
Changes of Benefits Terms	-
Difference Between expected and Actual Experience	-
Changes in Assumptions	-
Benefit Payments, Including Refunds of employee Contributions	(2,930,477)
Net Change in Total Pension Liability	\$ 5,004,004
Total Pension Liability - Beginning	81,003,568
Total Pension Liability - Ending (a)	\$ 86,007,572
PLAN FIDUCIARY NET POSITION	
Contribution - Employer	\$ 1,512,406
Contribution - Employee	911,689
Net Investment Income	10,722,182
Benefit Payments, Including Refunds of Employee Contributions	(2,930,477)
Other Changes in Fiduciary Net Position	-
Net Change in Fiduciary Net Position	\$ 10,215,800
Plan Fiduciary Net Position - Beginning	61,897,924
Plan Fiduciary Net Position - Ending (b)	\$ 72,113,724
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ 13,893,848
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.85%
Covered-Employee Payroll	\$ 12,741,228
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	109.05%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

(2) Net of administrative expenses.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: There were no changes in assumptions.

CITY OF MANHATTAN BEACH

**MISCELLANEOUS PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>
Actuarially Determined Contribution	\$ 1,648,896
Contribution in Relation to the Actuarially Determined Contribution	(1,648,896)
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll (3) (4)	\$ 12,741,228
Contributions as a Percentage of Covered-Employee Payroll (3)	12.94%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Note to Schedule:

Valuation Date: June 30, 2012

Methods and assumptions used to determine contribution rates:

Single and Agent Employers	Entry age normal
Amortization method	Level percent of payroll
Remaining amortization period	30- year period with a 5 year ramp up at the beginning
Assets valuation method	Market value
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment rate of return	7.50% net of pension plan investment expense, including inflation
Retirement age	Minimum 50 years for miscellaneous tier 1, miscellaneous
Mortality	Derived using CalPERS' Membership Data for all Funds

CITY OF MANHATTAN BEACH

**SAFETY POLICE PLAN AND SAFETY FIRE PLAN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	2015
Safety Police Plan	
Proportion of the Net Pension Liability	0.32145%
Proportionate Share of the Net Pension Liability	\$ 20,001,855
Covered-Employee Payroll	\$ 7,198,650
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	277.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.42%
Safety Fire Plan	
Proportion of the Net Pension Liability	0.16148%
Proportionate Share of the Net Pension Liability	\$ 10,047,944
Covered-Employee Payroll	\$ 4,490,275
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	223.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.42%

Notes to Schedule:

Benefit Changes: None.

Changes of Assumptions: None.

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

CITY OF MANHATTAN BEACH

**SAFETY POLICE PLAN AND SAFETY FIRE PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>
Safety Police Plan	
Actuarially Determined Contribution	\$ 2,318,334
Contribution in Relation to the Actuarially Determined Contribution	<u>(2,318,334)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ 7,198,650
Contributions as a Percentage of Covered-Employee Payroll	32.21%
Safety Fire Plan	
Actuarially Determined Contribution	\$ 1,118,826
Contribution in Relation to the Actuarially Determined Contribution	<u>(1,118,826)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ 4,490,275
Contributions as a Percentage of Covered-Employee Payroll	24.92%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Note to Schedule:

Valuation Date:	June 30, 2012
Methods and assumptions used to determine contribution rates:	
Single and Agent Employers	Entry age normal
Amortization method	Level percent of payroll
	30- year period with a 5 year ramp up at the beginning and a 5 year ramp down at the end of the amortization period
Remaining amortization period	Market value
Assets valuation method	2.75%
Inflation	Varies by Entry Age and Service
Salary Increases	7.50% net of pension plan investment expense, including inflation
Investment rate of return	Minimum 50 years for miscellaneous tier 1, miscellaneous tier 2, safety tier 1, safety tier 2, and safety PEPRA. Minimum 52 years for miscellaneous PEPRA
Retirement age	
Mortality	Derived using CalPERS' Membership Data for all Funds

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>	<u>2015</u>
Total pension liability:		
Interest	\$ 4,535	\$ 3,868
Benefit payments, including refunds of member contributions	(20,118)	(20,519)
Experience losses/(gains)	(6,296)	16,651
	<u>(21,879)</u>	-
Net change in total pension liability	(21,879)	-
Total pension liability, beginning of year	133,183	111,304
	<u>111,304</u>	<u>111,304</u>
Total pension liability, end of year	111,304	111,304
Plan fiduciary net position:		
Net investment income	4,535	3,868
Benefit payments, including refunds of member contributions	(20,118)	(20,519)
	<u>(15,583)</u>	<u>(16,651)</u>
Net change in plan fiduciary net position	(15,583)	(16,651)
Total fiduciary net position, beginning of year	118,255	102,672
	<u>102,672</u>	<u>86,021</u>
Total fiduciary net position, end of year	102,672	86,021
Net pension liability (asset), end of year	\$ 8,632	\$ 25,283
Plan fiduciary net position as a percentage of the total pension liability	92.24%	77.28%
The Supplement Retirement Plan is dormant.		
Covered-employee payroll	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	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	2015
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	N/A
Covered-employee payroll	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	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.

DRAFT

CITY OF MANHATTAN BEACH

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

	<u>2014</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	4.40%	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.

DRAFT

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)**

	2014	2015
Total pension liability:		
Interest	\$ 12,194	\$ 9,588
Benefit payments, including refunds of member contributions	(49,893)	(50,872)
Experience losses/(gains)	(20,492)	41,284
	<u>(58,191)</u>	<u>-</u>
Net change in total pension liability	(58,191)	-
Total pension liability, beginning of year	373,634	315,443
	<u>315,443</u>	<u>315,443</u>
Total pension liability, end of year	315,443	315,443
Plan fiduciary net position:		
Net investment income	12,194	9,588
Benefit payments, including refunds of member contributions	(49,893)	(50,872)
	<u>(37,699)</u>	<u>(41,284)</u>
Net change in plan fiduciary net position	(37,699)	(41,284)
Total fiduciary net position, beginning of year	315,899	278,200
	<u>278,200</u>	<u>236,916</u>
Total fiduciary net position, end of year	278,200	236,916
Net pension liability (asset), end of year	\$ 37,243	\$ 78,527
Plan fiduciary net position as a percentage of the total pension liability	88.19%	75.11%
The Single Highest Year Plan is dormant.		
Covered-employee payroll	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	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)

	<u>2014</u>	<u>2015</u>
Employer contributions:		
Actuarial determined contributions	\$ -	\$ -
Actual contributions	-	-
	<u> </u>	<u> </u>
Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>

The Single Highest Year Plan is dormant.

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

DRAFT

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)

	<u>2014</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	4.40%	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.

DRAFT

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.

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.

DRAFT

SUPPLEMENTARY SCHEDULES

CITY OF MANHATTAN BEACH

JUNE 30, 2015

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

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue Funds			
	Street Lighting and Landscape	Gas Tax	Asset Forfeiture	Public Safety Grants
Assets:				
Pooled cash and investments	\$ 49,736	\$ 2,936,450	\$ 846,190	\$ 185,813
Receivables:				
Accounts	4,655	56,480	-	-
Due from other governments	-	308,032	4,717	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 54,391	\$ 3,300,962	\$ 850,907	\$ 185,813
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 54,391	\$ 125,669	\$ 156	\$ 36,130
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	54,391	125,669	156	36,130
Deferred Inflows of Resources:				
Unavailable revenues	-	308,032	-	-
Total Deferred Inflows of Resources	-	308,032	-	-
Fund Balances:				
Restricted for:				
Public safety	-	-	850,751	149,683
Public works	-	2,867,261	-	-
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	-	2,867,261	850,751	149,683
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 54,391	\$ 3,300,962	\$ 850,907	\$ 185,813

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

(CONTINUED)

	Special Revenue Funds			
	Federal and State Grants	Proposition A	Proposition C	AB 2766
Assets:				
Pooled cash and investments	\$ -	\$ 8,798	\$ 4,499,275	\$ 205,794
Receivables:				
Accounts	-	-	-	-
Due from other governments	22,488	-	551,633	11,596
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 22,488	\$ 8,798	\$ 5,050,908	\$ 217,390
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 8,798	\$ 516,763	\$ -
Deposits payable	-	-	-	-
Due to other funds	22,488	-	-	-
Total Liabilities	22,488	8,798	516,763	-
Deferred Inflows of Resources:				
Unavailable revenues	22,488	-	551,633	-
Total Deferred Inflows of Resources	22,488	-	551,633	-
Fund Balances:				
Restricted for:				
Public safety	-	-	-	-
Public works	-	-	-	217,390
Capital Projects	-	-	3,982,512	-
Unassigned	(22,488)	-	-	-
Total Fund Balances	(22,488)	-	3,982,512	217,390
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 22,488	\$ 8,798	\$ 5,050,908	\$ 217,390

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	<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	\$ 1,529,145	\$ 201,106	\$ 10,462,307
Receivables:			
Accounts	-	-	61,135
Due from other governments	-	-	898,466
Restricted assets:			
Cash and investments with fiscal agents	-	390,884	390,884
Total Assets	<u>\$ 1,529,145</u>	<u>\$ 591,990</u>	<u>\$ 11,812,792</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 741,907
Deposits payable	-	1,741	1,741
Due to other funds	-	-	22,488
Total Liabilities	<u>-</u>	<u>1,741</u>	<u>766,136</u>
Deferred Inflows of Resources:			
Unavailable revenues	-	-	882,153
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>882,153</u>
Fund Balances:			
Restricted for:			
Public safety	-	-	1,000,434
Public works	1,529,145	-	4,613,796
Capital Projects	-	590,249	4,572,761
Unassigned	<u>-</u>	<u>-</u>	<u>(22,488)</u>
Total Fund Balances	<u>1,529,145</u>	<u>590,249</u>	<u>10,164,503</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,529,145</u>	<u>\$ 591,990</u>	<u>\$ 11,812,792</u>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Special Revenue Funds			
	Street Lighting and Landscape	Gas Tax	Asset Forfeiture	Public Safety Grants
Revenues:				
Taxes	\$ 376,991	\$ 261,201	\$ -	\$ -
Intergovernmental	-	967,964	68,139	106,230
Charges for services	21,388	-	-	-
Use of money and property	-	26,342	7,767	1,630
Miscellaneous	4,650	-	-	-
Total Revenues	403,029	1,255,507	75,906	107,860
Expenditures:				
Current:				
Public safety	-	-	114,420	153,453
Culture and recreation	-	-	-	-
Public works	634,053	361,781	-	-
Capital outlay	-	1,223,233	-	-
Total Expenditures	634,053	1,585,014	114,420	153,453
Excess (Deficiency) of Revenues Over (Under) Expenditures	(231,024)	(329,507)	(38,514)	(45,593)
Other Financing Sources (Uses):				
Transfers in	231,024	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	231,024	-	-	-
Net Change in Fund Balances	-	(329,507)	(38,514)	(45,593)
Fund Balances, Beginning of Year	-	3,196,768	889,265	195,276
Fund Balances, End of Year	\$ -	\$ 2,867,261	\$ 850,751	\$ 149,683

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

(CONTINUED)

	Special Revenue Funds			
	Federal and State Grants	Proposition A	Proposition C	AB 2766
Revenues:				
Taxes	\$ -	\$ 626,466	\$ 520,589	\$ -
Intergovernmental	-	-	197,161	55,605
Charges for services	-	6,928	-	-
Use of money and property	-	-	39,699	1,757
Miscellaneous	-	17,367	-	-
Total Revenues	-	650,761	757,449	57,362
Expenditures:				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	703,893	-	-
Public works	-	-	52,079	9,948
Capital outlay	-	-	770,809	-
Total Expenditures	-	703,893	822,888	9,948
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(53,132)	(65,439)	47,414
Other Financing Sources (Uses):				
Transfers in	-	53,132	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	53,132	-	-
Net Change in Fund Balances	-	-	(65,439)	47,414
Fund Balances, Beginning of Year	(22,488)	-	4,047,951	169,976
Fund Balances, End of Year	\$ (22,488)	\$ -	\$ 3,982,512	\$ 217,390

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Measure R	Underground Assessment District	
Revenues:			
Taxes	\$ 389,816	\$ -	\$ 2,175,063
Intergovernmental	-	-	1,395,099
Charges for services	-	-	28,316
Use of money and property	13,165	1,868	92,228
Miscellaneous	-	-	22,017
Total Revenues	402,981	1,868	3,712,723
Expenditures:			
Current:			
Public safety	-	-	267,873
Culture and recreation	-	-	703,893
Public works	-	-	1,057,861
Capital outlay	-	-	1,994,042
Total Expenditures	-	-	4,023,669
Excess (Deficiency) of Revenues Over (Under) Expenditures	402,981	1,868	(310,946)
Other Financing Sources (Uses):			
Transfers in	-	-	284,156
Transfers out	(53,132)	-	(53,132)
Total Other Financing Sources (Uses)	(53,132)	-	231,024
Net Change in Fund Balances	349,849	1,868	(79,922)
Fund Balances, Beginning of Year	1,179,296	588,381	10,244,425
Fund Balances, End of Year	\$ 1,529,145	\$ 590,249	\$ 10,164,503

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 STREET LIGHTING AND LANDSCAPE
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Taxes	378,480	378,480	376,991	(1,489)
Charges for services	21,140	21,140	21,388	248
Miscellaneous	-	-	4,650	4,650
Transfers in	251,539	251,539	231,024	(20,515)
Amounts Available for Appropriations	651,159	651,159	634,053	(17,106)
Charges to Appropriations (Outflow):				
Public works	651,159	652,909	634,053	18,856
Total Charges to Appropriations	651,159	652,909	634,053	18,856
Budgetary Fund Balance, June 30	\$ -	\$ (1,750)	\$ -	\$ 1,750

DRAFT

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 GAS TAX
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,196,768	\$ 3,196,768	\$ 3,196,768	\$ -
Resources (Inflows):				
Taxes	-	-	261,201	261,201
Intergovernmental	910,147	1,179,647	967,964	(211,683)
Use of money and property	23,300	23,300	26,342	3,042
Amounts Available for Appropriations	4,130,215	4,399,715	4,452,275	52,560
Charges to Appropriations (Outflow):				
Public works	-	-	361,781	(361,781)
Capital outlay	1,715,000	4,379,876	1,223,233	3,156,643
Total Charges to Appropriations	1,715,000	4,379,876	1,585,014	2,794,862
Budgetary Fund Balance, June 30	\$ 2,415,215	\$ 19,839	\$ 2,867,261	\$ 2,847,422

DRAFT

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 ASSET FORFEITURE
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 889,265	\$ 889,265	\$ 889,265	\$ -
Resources (Inflows):				
Intergovernmental	-	-	68,139	68,139
Use of money and property	7,300	7,300	7,767	467
Amounts Available for Appropriations	896,565	896,565	965,171	68,606
Charges to Appropriations (Outflow):				
Public safety	169,023	226,344	114,420	111,924
Total Charges to Appropriations	169,023	226,344	114,420	111,924
Budgetary Fund Balance, June 30	\$ 727,542	\$ 670,221	\$ 850,751	\$ 180,530

DRAFT

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 PUBLIC SAFETY GRANTS
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 195,276	\$ 195,276	\$ 195,276	\$ -
Resources (Inflows):				
Intergovernmental	100,000	100,000	106,230	6,230
Use of money and property	1,200	1,200	1,630	430
Amounts Available for Appropriations	296,476	296,476	303,136	6,660
Charges to Appropriations (Outflow):				
Public safety	105,000	209,274	153,453	55,821
Total Charges to Appropriations	105,000	209,274	153,453	55,821
Budgetary Fund Balance, June 30	\$ 191,476	\$ 87,202	\$ 149,683	\$ 62,481

DRAFT

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION A
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Taxes	606,599	606,599	626,466	19,867
Charges for services	10,700	10,700	6,928	(3,772)
Use of money and property	400	400	-	(400)
Miscellaneous	20,000	20,000	17,367	(2,633)
Transfers in	67,582	67,582	53,132	(14,450)
Amounts Available for Appropriations	705,281	705,281	703,893	(1,388)
Charges to Appropriations (Outflow):				
Culture and recreation	804,307	804,307	703,893	100,414
Total Charges to Appropriations	804,307	804,307	703,893	100,414
Budgetary Fund Balance, June 30	\$ (99,026)	\$ (99,026)	\$ -	\$ 99,026

DRAFT

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION C
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,047,951	\$ 4,047,951	\$ 4,047,951	\$ -
Resources (Inflows):				
Taxes	504,829	504,829	520,589	15,760
Intergovernmental	4,750,000	16,946,829	197,161	(16,749,668)
Use of money and property	30,000	30,000	39,699	9,699
Amounts Available for Appropriations	9,332,780	21,529,609	4,805,400	(16,724,209)
Charges to Appropriations (Outflow):				
Public works	-	-	52,079	(52,079)
Capital outlay	5,895,200	20,361,151	770,809	19,590,342
Total Charges to Appropriations	5,895,200	20,361,151	822,888	19,538,263
Budgetary Fund Balance, June 30	\$ 3,437,580	\$ 1,168,458	\$ 3,982,512	\$ 2,814,054

DRAFT

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE

AB 2766

YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 169,976	\$ 169,976	\$ 169,976	\$ -
Resources (Inflows):				
Intergovernmental	48,612	71,097	55,605	(15,492)
Use of money and property	3,100	3,100	1,757	(1,343)
Transfers in	6,923	6,923	-	(6,923)
Amounts Available for Appropriations	228,611	251,096	227,338	(23,758)
Charges to Appropriations (Outflow):				
Public works	10,068	10,068	9,948	120
Capital outlay	145,000	190,000	-	190,000
Total Charges to Appropriations	155,068	200,068	9,948	190,120
Budgetary Fund Balance, June 30	\$ 73,543	\$ 51,028	\$ 217,390	\$ 166,362

DRAFT

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 MEASURE R
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,179,296	\$ 1,179,296	\$ 1,179,296	\$ -
Resources (Inflows):				
Taxes	408,977	408,977	389,816	(19,161)
Use of money and property	7,600	7,600	13,165	5,565
Amounts Available for Appropriations	1,595,873	1,595,873	1,582,277	(13,596)
Charges to Appropriations (Outflow):				
Capital outlay	335,000	335,000	-	335,000
Transfers out	67,582	67,582	53,132	14,450
Total Charges to Appropriations	402,582	402,582	53,132	349,450
Budgetary Fund Balance, June 30	\$ 1,193,291	\$ 1,193,291	\$ 1,529,145	\$ 335,854

DRAFT

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 CAPITAL IMPROVEMENT
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 9,781,627	\$ 9,781,627	\$ 9,781,627	\$ -
Resources (Inflows):				
Taxes	647,000	647,000	697,978	50,978
Licenses and permits	36,340	36,340	10,902	(25,438)
Intergovernmental	490,600	840,600	88,031	(752,569)
Charges for services	710,000	710,000	708,567	(1,433)
Use of money and property	3,000	3,000	1,969	(1,031)
Fines and forfeitures	126,961	126,961	130,668	3,707
Miscellaneous	-	-	6,189	6,189
Amounts Available for Appropriations	11,795,528	12,145,528	11,425,931	(719,597)
Charges to Appropriations (Outflow):				
General government	269,794	269,794	74,703	195,091
Public safety	470,001	470,001	102,280	367,721
Capital outlay	1,408,600	7,224,400	206,122	7,018,278
Debt service:				
Principal retirement	450,000	450,000	450,000	-
Interest and fiscal charges	326,662	326,662	326,113	549
Total Charges to Appropriations	2,925,057	8,740,857	1,159,218	7,581,639
Budgetary Fund Balance, June 30	\$ 8,870,471	\$ 3,404,671	\$ 10,266,713	\$ 6,862,042

DRAFT

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 UNDERGROUND ASSESSMENT DISTRICT
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 588,381	\$ 588,381	\$ 588,381	\$ -
Resources (Inflows):				
Use of money and property	1,200	1,200	1,868	668
Amounts Available for Appropriations	589,581	589,581	590,249	668
Budgetary Fund Balance, June 30	\$ 589,581	\$ 589,581	\$ 590,249	\$ 668

DRAFT

CITY OF MANHATTAN BEACH

JUNE 30, 2015

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.

DRAFT

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2015

	Business-Type Activities - Enterprise Funds				Totals
	Stormwater	Refuse	County Parking Lot	State Pier and Parking Lot	
Assets:					
Current:					
Cash and investments	\$ 758,812	\$ 437,051	\$ 340,221	\$ 2,260,068	\$ 3,796,152
Receivables:					
Accounts	4,226	317,413	-	-	321,639
Prepaid costs	-	-	-	40,289	40,289
Total Current Assets	763,038	754,464	340,221	2,300,357	4,158,080
Noncurrent:					
Prepaid other post-employment benefits	4,198	6,298	1,680	1,680	13,856
Capital assets - net of accumulated depreciation	3,793,940	-	-	-	3,793,940
Total Noncurrent Assets	3,798,138	6,298	1,680	1,680	3,807,796
Total Assets	4,561,176	760,762	341,901	2,302,037	7,965,876
Deferred Outflows of Resources:					
Deferred pension related items	7,403	9,534	999	999	18,935
Total Deferred Outflows of Resources	7,403	9,534	999	999	18,935
Total Assets & Deferred Outflows of Resources	\$ 4,568,579	\$ 770,296	\$ 342,900	\$ 2,303,036	\$ 7,984,811
Liabilities:					
Current:					
Accounts payable	\$ 103,236	\$ 302,526	\$ 340,221	\$ 52,709	\$ 798,692
Total Current Liabilities	103,236	302,526	340,221	52,709	798,692
Noncurrent:					
Net pension liability	64,722	104,937	12,630	12,629	194,918
Total Noncurrent Liabilities	64,722	104,937	12,630	12,629	194,918
Total Liabilities	167,958	407,463	352,851	65,338	993,610
Deferred Inflows of Resources:					
Deferred pension related items	22,767	36,914	4,443	4,443	68,567
Total Deferred Inflows of Resources	22,767	36,914	4,443	4,443	68,567
Net Position:					
Net investment in capital assets	3,793,940	-	-	-	3,793,940
Unrestricted	583,914	325,919	(14,394)	2,233,255	3,128,694
Total Net Position	4,377,854	325,919	(14,394)	2,233,255	6,922,634
Total Liabilities and Net Position	\$ 4,568,579	\$ 770,296	\$ 342,900	\$ 2,303,036	\$ 7,984,811

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NON-MAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds				Totals
	Stormwater	Refuse	County Parking Lot	State Pier and Parking Lot	
Operating Revenues:					
Sales and service charges	\$ 353,616	\$ 4,063,629	\$ 784,145	\$ 587,843	\$ 5,789,233
Miscellaneous	-	257	-	9,236	9,493
Total Operating Revenues	353,616	4,063,886	784,145	597,079	5,798,726
Operating Expenses:					
Salaries	113,754	90,180	8,909	8,910	221,753
Employee benefits	23,056	29,817	5,270	5,282	63,425
Contract and professional services	487,862	3,439,120	41,404	212,142	4,180,528
Materials and services	(18,533)	93,294	5,727	176,211	256,699
Utilities	21,989	307	4,281	49,279	75,856
Administrative service charges	-	359,112	37,800	98,436	495,348
Leases and rents	-	-	431,280	-	431,280
Depreciation expense	149,956	-	-	-	149,956
Total Operating Expenses	778,084	4,011,830	534,671	550,260	5,874,845
Operating Income (Loss)	(424,468)	52,056	249,474	46,819	(76,119)
Nonoperating Revenues (Expenses):					
Interest revenue	6,406	3,533	-	17,380	27,319
Grant revenue	-	10,020	-	-	10,020
Total Nonoperating Revenues (Expenses)	6,406	13,553	-	17,380	37,339
Income (Loss) Before Transfers	(418,062)	65,609	249,474	64,199	(38,780)
Transfers out	-	-	(250,324)	-	(250,324)
Changes in Net Position	\$ (418,062)	\$ 65,609	\$ (850)	\$ 64,199	\$ (289,104)
Net Position:					
Beginning of Year, as originally reported	\$ 4,877,807	\$ 541,605	\$ 2,437	\$ 2,185,036	\$ 7,606,885
Restatements	(81,891)	(281,295)	(15,981)	(15,980)	(395,147)
Beginning of Fiscal Year, as restated	4,795,916	260,310	(13,544)	2,169,056	7,211,738
Changes in Net Position	(418,062)	65,609	(850)	64,199	(289,104)
End of Fiscal Year	\$ 4,377,854	\$ 325,919	\$ (14,394)	\$ 2,233,255	\$ 6,922,634

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds				
	Stormwater	Refuse	County Parking Lot	State Pier and Parking Lot	Totals
Cash Flows from Operating Activities:					
Cash received from customers and users	\$ 353,836	\$ 4,031,131	\$ 784,145	\$ 597,079	\$ 5,766,191
Cash paid to suppliers for goods and services	(456,671)	(3,888,663)	(532,006)	(565,556)	(5,442,896)
Cash paid to employees for services	(136,721)	(117,613)	(13,329)	(13,342)	(281,005)
Net Cash Provided (Used) by Operating Activities	(239,556)	24,855	238,810	18,181	42,290
Cash Flows from Non-Capital Financing Activities:					
Cash transfers out	-	-	(250,324)	-	(250,324)
Grant Subsidy	-	10,020	-	-	10,020
Street sweeping fee refunds	-	(148,522)	-	-	(148,522)
Net Cash Provided (Used) by Non-Capital Financing Activities	-	(138,502)	(250,324)	-	(388,826)
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(39,583)	-	-	-	(39,583)
Net Cash Provided (Used) by Capital and Related Financing Activities	(39,583)	-	-	-	(39,583)
Cash Flows from Investing Activities:					
Interest received	6,406	3,533	-	17,380	27,319
Net Cash Provided (Used) by Investing Activities	6,406	3,533	-	17,380	27,319
Net Increase (Decrease) in Cash and Cash Equivalents	(272,733)	(110,114)	(11,514)	35,561	(358,800)
Cash and Cash Equivalents at Beginning of Year	1,031,545	547,165	351,735	2,224,507	4,154,952
Cash and Cash Equivalents at End of Year	\$ 758,812	\$ 437,051	\$ 340,221	\$ 2,260,068	\$ 3,796,152
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ (424,468)	\$ 52,056	\$ 249,474	\$ 46,819	\$ (76,119)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	149,956	-	-	-	149,956
(Increase) decrease in accounts receivable	220	(32,755)	-	-	(32,535)
(Increase) decrease in prepaid expense	-	-	-	(40,289)	(40,289)
(Increase) decrease in prepaid other post-employment benefits	1,894	2,840	757	757	6,248
Increase (decrease) in accounts payable	34,647	3,170	(11,514)	10,801	37,104
Increase (decrease) in net pension liability	(17,169)	(27,836)	(3,351)	(3,351)	(51,707)
Increase (decrease) in deferred pension related items	15,364	27,380	3,444	3,444	49,632
Total Adjustments	184,912	(27,201)	(10,664)	(28,638)	118,409
Net Cash Provided (Used) by Operating Activities	\$ (239,556)	\$ 24,855	\$ 238,810	\$ 18,181	\$ 42,290

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, 2015

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.

DRAFT

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2015

	Governmental Activities - Internal Service Funds				Totals
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	
Assets:					
Current:					
Cash and investments	\$ 10,249,292	\$ 942,400	\$ 2,501,066	\$ 84,984	\$ 13,777,742
Prepaid costs	-	100,127	1,063	-	101,190
Inventories	-	-	-	97,555	97,555
Total Current Assets	10,249,292	1,042,527	2,502,129	182,539	13,976,487
Noncurrent:					
Prepaid other post-employment benefits	8,396	16,790	16,790	16,790	58,766
Capital assets - net of accumulated depreciation	-	-	5,539,339	-	5,539,339
Total Noncurrent Assets	8,396	16,790	5,556,129	16,790	5,598,105
Total Assets	10,257,688	1,059,317	8,058,258	199,329	19,574,592
Deferred Outflows of Resources:					
Deferred pension related items	20,453	65,850	27,330	38,366	151,999
Total Deferred Outflows of Resources	20,453	65,850	27,330	38,366	151,999
Total Assets & Deferred Outflows of Resources	\$ 10,278,141	\$ 1,125,167	\$ 8,085,588	\$ 237,695	\$ 19,726,591
Liabilities:					
Current:					
Accounts payable	\$ 27,089	\$ 35,068	\$ 175,375	\$ 84,985	\$ 322,517
Capital leases	-	-	190,595	-	190,595
Workers' compensation claims	6,301,514	-	-	-	6,301,514
Accrued claims and judgments	1,656,706	-	-	-	1,656,706
Total Current Liabilities	7,985,309	35,068	365,970	84,985	8,471,332
Noncurrent:					
Capital leases	-	-	341,225	-	341,225
Net pension liability	168,654	556,130	250,369	346,333	1,321,486
Workers' compensation claims	3,689,620	-	-	-	3,689,620
Accrued claims and judgments	458,661	-	-	-	458,661
Total Noncurrent Liabilities	4,316,935	556,130	591,594	346,333	5,810,992
Total Liabilities	12,302,244	591,198	957,564	431,318	14,282,324
Deferred Inflows of Resources:					
Deferred pension related items	59,327	195,630	88,072	121,830	464,859
Total Deferred Inflows of Resources	59,327	195,630	88,072	121,830	464,859
Net Position:					
Net investment in capital assets	-	-	5,007,519	-	5,007,519
Unrestricted	(2,083,430)	338,339	2,032,433	(315,453)	(28,111)
Total Net Position	(2,083,430)	338,339	7,039,952	(315,453)	4,979,408
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 10,278,141	\$ 1,125,167	\$ 8,085,588	\$ 237,695	\$ 19,726,591

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Funds				Totals
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	
Operating Revenues:					
Sales and service charges	\$ 4,931,475	\$ 2,272,023	\$ 2,264,742	\$ 1,726,542	\$ 11,194,782
Miscellaneous	-	-	-	2,950	2,950
Total Operating Revenues	4,931,475	2,272,023	2,264,742	1,729,492	11,197,732
Operating Expenses:					
Salaries	205,213	673,731	235,935	344,221	1,459,100
Employee benefits	69,163	175,284	88,980	104,204	437,631
Contract for professional services	22,247	292,673	97,940	723,300	1,136,160
Materials and services	421,292	528,475	595,202	447,127	1,992,096
Utilities	7,330	2,324	-	116,163	125,817
Claims expense	6,563,675	-	-	-	6,563,675
Depreciation expense	-	-	861,106	-	861,106
Total Operating Expenses	7,288,920	1,672,487	1,879,163	1,735,015	12,575,585
Operating Income (Loss)	(2,357,445)	599,536	385,579	(5,523)	(1,377,853)
Nonoperating Revenues (Expenses):					
Interest expense	-	-	(10,338)	-	(10,338)
Gain (loss) on disposal of capital assets	-	-	99,493	-	99,493
Total Nonoperating Revenues (Expenses)	-	-	89,155	-	89,155
Changes in Net Position	(2,357,445)	599,536	474,734	(5,523)	(1,288,698)
Net Position:					
Beginning of Year, as originally reported	487,407	442,457	6,882,002	128,275	7,940,141
Restatements	(213,392)	(703,654)	(316,784)	(438,205)	(1,672,035)
Beginning of Fiscal Year, as restated	274,015	(261,197)	6,565,218	(309,930)	6,268,106
End of Fiscal Year	\$ (2,083,430)	\$ 338,339	\$ 7,039,952	\$ (315,453)	\$ 4,979,408

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2015

	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	\$ -	\$ -	\$ -	\$ 2,950	\$ 2,950
Cash received from/(paid to) interfund service provided	4,931,475	2,272,023	2,264,742	1,726,542	11,194,782
Cash paid to suppliers for goods and services	(4,793,306)	(955,616)	(589,521)	(1,419,372)	(7,757,815)
Cash paid to employees for services	(276,453)	(859,185)	(323,014)	(449,260)	(1,907,912)
Net Cash Provided (Used) by Operating Activities	(138,284)	457,222	1,352,207	(139,140)	1,532,005
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	-	-	(767,814)	-	(767,814)
Principal paid on capital debt	-	-	(187,522)	-	(187,522)
Interest paid on capital debt	-	-	(10,338)	-	(10,338)
Proceeds from sales of capital assets	-	-	118,068	-	118,068
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(847,606)	-	(847,606)
Net Increase (Decrease) in Cash and Cash Equivalents	(138,284)	457,222	504,601	(139,140)	684,399
Cash and Cash Equivalents at Beginning of Year	10,387,576	485,178	1,996,465	224,124	13,093,343
Cash and Cash Equivalents at End of Year	\$ 10,249,292	\$ 942,400	\$ 2,501,066	\$ 84,984	\$ 13,777,742
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ (2,357,445)	\$ 599,536	\$ 385,579	\$ (5,523)	\$ (1,377,853)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	-	-	861,106	-	861,106
(Increase) decrease in prepaid expense	-	(100,127)	(1,063)	-	(101,190)
(Increase) decrease in prepaid other post-employment benefits	3,787	7,574	7,574	7,574	26,509
(Increase) decrease in inventory	-	-	-	10,570	10,570
Increase (decrease) in accounts payable	1,179	(32,017)	104,684	(143,352)	(69,506)
Increase (decrease) in net pension liability	(44,738)	(147,524)	(66,415)	(91,873)	(350,550)
Increase (decrease) in deferred pension related items	38,874	129,780	60,742	83,464	312,860
Increase (decrease) in workers' compensation claims	1,278,438	-	-	-	1,278,438
Increase (decrease) in claims and judgments	941,621	-	-	-	941,621
Total Adjustments	2,219,161	(142,314)	966,628	(133,617)	2,909,858
Net Cash Provided (Used) by Operating Activities	\$ (138,284)	\$ 457,222	\$ 1,352,207	\$ (139,140)	\$ 1,532,005

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, 2015

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.

DRAFT

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
 ALL AGENCY FUNDS
 JUNE 30, 2015

	Special Assessment Redemption	Special Deposits	Totals
Assets:			
Pooled cash and investments	\$ 841,797	\$ 378,543	\$ 1,220,340
Receivables:			
Accounts	22,901	-	22,901
Restricted assets:			
Cash and investments with fiscal agents	968,763	2,760	971,523
Total Assets	\$ 1,833,461	\$ 381,303	\$ 2,214,764
Liabilities:			
Accounts payable	\$ -	\$ 70,566	\$ 70,566
Art development fees	-	252,802	252,802
Deposits payable	-	57,935	57,935
Due to bond holders	1,833,461	-	1,833,461
Total Liabilities	\$ 1,833,461	\$ 381,303	\$ 2,214,764

DRAFT

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2015

	Balance 7/1/2014	Additions	Deductions	Balance 6/30/2015
<u>Special Assessment Redemption</u>				
Assets:				
Pooled cash and investments	\$ 825,381	\$ 970,209	\$ 953,793	\$ 841,797
Receivables:				
Accounts	20,969	22,901	20,969	22,901
Restricted assets:				
Cash and investments with fiscal agents	968,763	1,696,386	1,696,386	968,763
Total Assets	\$ 1,815,113	\$ 2,689,496	\$ 2,671,148	\$ 1,833,461
Liabilities:				
Due to bondholders	\$ 1,815,113	\$ 972,141	\$ 953,793	\$ 1,833,461
Total Liabilities	\$ 1,815,113	\$ 972,141	\$ 953,793	\$ 1,833,461
<u>Special Deposits</u>				
Assets:				
Pooled cash and investments	\$ 334,781	\$ 352,352	\$ 308,590	\$ 378,543
Restricted assets:				
Cash and investments with fiscal agents	3,410	-	650	2,760
Total Assets	\$ 338,191	\$ 352,352	\$ 309,240	\$ 381,303
Liabilities:				
Accounts payable	\$ 10,072	\$ 210,296	\$ 149,802	\$ 70,566
Art development fees	297,663	166,972	211,833	252,802
Deposits payable	30,456	188,790	161,311	57,935
Total Liabilities	\$ 338,191	\$ 566,058	\$ 522,946	\$ 381,303
<u>Totals - All Agency Funds</u>				
Assets:				
Pooled cash and investments	\$ 1,160,162	\$ 1,322,561	\$ 1,262,383	\$ 1,220,340
Receivables:				
Accounts	20,969	22,901	20,969	22,901
Restricted assets:				
Cash and investments with fiscal agents	972,173	-	650	971,523
Total Assets	\$ 2,153,304	\$ 1,345,462	\$ 1,284,002	\$ 2,214,764
Liabilities:				
Accounts payable	\$ 10,072	\$ 210,296	\$ 149,802	\$ 70,566
Art development fees	297,663	166,972	211,833	252,802
Deposits payable	30,456	188,790	161,311	57,935
Due to bond holders	1,815,113	972,141	953,793	1,833,461
Total Liabilities	\$ 2,153,304	\$ 1,538,199	\$ 1,476,739	\$ 2,214,764

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF NET POSITION
 ALL PENSION TRUST FUNDS
 JUNE 30, 2015

	OPEB Trust Fund	Pension Trust Fund	Totals
Assets:			
Pooled cash and investments	\$ -	\$ 322,937	\$ 322,937
Due from other governments	149,485	-	149,485
Total Assets	149,485	322,937	472,422
Liabilities:			
Due to City	149,485	-	149,485
Total Liabilities	149,485	-	149,485
Net Position:			
Held in trust for pension	-	322,937	322,937
Total Net Position	\$ -	\$ 322,937	\$ 322,937

DRAFT

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CHANGES IN NET POSITION
 ALL PENSION TRUST FUNDS
 YEAR ENDED JUNE 30, 2015

	OPEB Trust Fund	Pension Trust Fund	Totals
Additions:			
Contributions:			
Interest and change in fair value of investments	\$ -	\$ 13,456	\$ 13,456
Contributions from City	149,485	-	149,485
Total Additions	149,485	13,456	162,941
Deductions:			
Benefits payments	149,485	71,391	220,876
Total Deductions	149,485	71,391	220,876
Changes in Net Position	\$ -	\$ (57,935)	\$ (57,935)
Net Position - Beginning of the Year	\$ 380,872	\$ -	\$ 380,872
Restatement	(380,872)	380,872	-
Net Position - Beginning of the Year, as restated	-	380,872	380,872
Changes in Net Position	-	(57,935)	(57,935)
Net Position - End of the Year	\$ -	\$ 322,937	\$ 322,937

DRAFT