

City of Manhattan Beach, California



Comprehensive Annual Financial Report

Year Ended June 30, 2016

CITY OF MANHATTAN BEACH, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016



Prepared by the Finance Department

Bruce Moe, Finance Director



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CITY OF MANHATTAN BEACH
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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January 3, 2017

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

We are pleased to present the Comprehensive Annual Financial Report of the City of Manhattan Beach for the Fiscal Year ended June 30, 2016. This report has been prepared in accordance with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). We are also pleased to report that the City has received an unmodified opinion from the independent auditor, meaning that financial statements are presented, in all material respects, in accordance with applicable financial reporting framework.

The City's financial policies require an external independent audit be performed annually, and that the auditor's opinions be included in the Comprehensive Annual Financial Report (CAFR). Further, it states that the results be reviewed with the Finance Subcommittee, which met with the auditor and discussed the results in December 2016.

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

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

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

goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion and that the City of Manhattan Beach's financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with generally accepted accounting principles (GAAP).

The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

The City of Manhattan Beach is located in the South Bay region of Los Angeles County. The current population¹ is 35,297. The City encompasses approximately four square miles.

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

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

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

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

¹ State of California Department of Finance, January 2016

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

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

Budget Process

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

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

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

Beginning in Fiscal Year 2016-2017, the City converted to a biennial budget. The first year of the budget (FY 2016-2017) was adopted, while the second year (FY 2017-2018) was approved. The second year will be adopted in June 2017.

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

Economic Condition

Local Economy

The South Bay region is home to a number of industries including aerospace, entertainment, technology, leisure and tourism, and manufacturing. Economists report that the South Bay area has

strong fundamentals including high levels of education, high incomes and competitive industries. Further, the area fares better during weak economic conditions than some other areas of the state. Case in point, the most recently available figures indicate that Manhattan Beach has a 1.9% unemployment rate, compared to Los Angeles County at 4.8% and the State of California at 5.3%².

Long Term Planning

Each year during the budget process, the City develops a five-year forecast of General Fund revenues and expenditures. During the most recent biennial budget cycle (FY16/17 - FY17/18), the forecast concluded that unassigned General Fund balances will remain in a range from an estimated \$16.6 million at the end of FY 2016-2017 to \$17.1 million in FY 2020-2021. It is important to note that those estimates indicate the need to utilize unassigned fund balance (designated as an economic uncertainty reserve by City Council) for on-going support of Storm Water operations and Street Lighting and Landscape fund deficits, which can only be corrected by a Proposition 218 vote. The City Council's Financial Policy to maintain a balance of 20% of General Fund expenditures will remain funded. The complete five-year forecast can be found in the FY16/17 – FY17/18 budget document, available on line at www.cityymb.info. It will be updated for the second year of the biennial budget to reflect FY 2015-2016 results as presented in this audit report.

Financial Policies

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

Major Initiatives

Manhattan Village Mall Enhancement Project

On December 2, 2014, the City Council approved the Mall Expansion Project with additional conditions. The approval allows construction of Phases 1 and 2, and defers Phase 3 (Fry's corner) for future public review and input. On December 20, 2016 the City Council endorsed the updated site plan which includes as Phase I the consolidation and expansion of the Macy's property, totaling 60,000 square feet, and construction of the Northeast parking structure. Refinement of the Plaza and improved parking and circulation is included with Phase II, with new restaurant and retail uses totaling 50,000 square feet. Upon completion, the shopping center will total approximately 646,000 square feet. As a next step, the City will continue to be working closely with the developer and property owners on a schedule for construction of the project, anticipated to start in 2017.

² State of California Employment Development Department, November (Preliminary) 2016

Sepulveda Bridge Widening Project

The Sepulveda Bridge is located on Sepulveda Boulevard (State Route 1) between Rosecrans Avenue and 33rd Street. The existing bridge, and immediately north and south of the bridge, there are 3 northbound and 3 southbound lanes in each direction and serves an average of 71,000 vehicles per day. The proposed project will widen the east side of the bridge to provide a fourth northbound lane to remove the existing bottleneck at the bridge. Sepulveda Boulevard, including the bridge, is owned and maintained by Caltrans. Due to the local significance of the roadway, the City entered into an agreement with Caltrans in February 2009 to widen the bridge as a joint project with the City taking the lead and Caltrans serving in a supporting role. Since then, the City has secured project funding. Grants totaling \$21.4 million are available for the project, and the preliminary cost estimate to complete the project is \$17 million. Once the final project is approved by City Council, and permits are secured from Caltrans, construction will begin, which is expected to start in mid to late 2017.

Downtown Specific Plan

Downtown is a key component of what makes Manhattan Beach such a desirable place to live, visit, and conduct business. The Downtown is a vibrant and charming destination for shopping, dining and services. The City, working with the community, local businesses and other stakeholders, developed a Downtown Specific Plan to maintain and enhance this quaint character, as well as encourage business success. The Plan will guide future development, retail mix, public improvements, and the management of parking in the area. The plan was adopted by the City Council at its December 20, 2016 meeting. Implementation will commence in 2017.

EXECUTIVE FINANCIAL OVERVIEW

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

General Fund

The General Fund is the primary operating fund of the City of Manhattan Beach. In comparing year-end 2016 to 2015, the total fund balance increased by \$985,531. General Fund revenues exceeded expenditures by \$2,510,594. Other Financing Sources (transfers-in, transfers-out and sale of capital assets) netted out to a negative \$1,525,063, the result of a transfer-in of \$197,780 from the County Parking Lot Fund in line with the contract with the County of Los Angeles, offset by transfers-out of \$215,395 to the Street Lighting and Landscape District Fund to cure a deficit fund balance, \$667,000 to the Insurance Fund to support long term liabilities, and a Storm Water Fund subsidy of \$841,286 to support operations (the remaining \$838 was revenue from the sale of capital assets). At the end of fiscal year 2016, the total General Fund balance equaled \$23.8 million, with an unassigned fund balance of \$19.9 million. Within the unassigned fund balance, City Council has established earmarks for financial policies and economic uncertainties of \$15.3 million, which is available for use at City Council's discretion.

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

General Fund Revenues by Category - Fiscal Year 2016

Revenue Category	2016 Actual	2015 Actual	Increase/ (Decrease)	%
Property Tax	\$26,344,276	\$24,435,184	\$1,909,092	7.8%
Other Taxes (Sales, Hotel, Business License, etc.)	19,818,435	19,292,893	\$525,542	2.7%
Licenses and Permits (Building, Construction, Film Permits)	2,796,838	2,174,969	\$621,869	28.6%
Fines (Parking Citations, Vehicle Code Fines)	2,503,274	2,506,870	(\$3,596)	(0.1%)
Use of Money and Property (Interest, Rents and Ground Leases)	3,717,747	3,090,305	\$627,442	20.3%
Received From Other Agencies (Vehicle License Fees, Grants)	524,218	1,012,077	(\$487,859)	(48.2%)
Service Charges (Plan Check Fees, P&R Class, Ambulance Fees)	6,572,389	6,712,069	(\$139,680)	(2.1%)
Interfund Charges (Admin Service Charge)	2,996,532	2,913,324	\$83,208	2.9%
Miscellaneous*	1,495,286	806,790	\$688,496	85.3%
Total	\$66,768,995	\$62,944,481	\$3,824,514	6.1%

*Includes proceeds from the sale of capital assets in 2016 (\$828) and 2015 (\$1,050) and one-time Property Transfer Fee (\$780,000) in 2016

Sales tax was up \$177,090 (1.9%) from the prior year's actual receipts. Business License Tax exceeded the prior year by \$99,679, or 2.9%. Plan Check fees underperformed budget by \$565,348 (65.2% of budget) primarily due to the unmet expectation of Manhattan Village Mall plan check fees being collected during the fiscal year due to project delays. Plan Check fees also underperformed the prior year by \$346,375 due to lower fees charged for services. Building Permits were up 41.8% from the prior year to \$1,696,881. Real Estate Transfer Tax revenue of \$792,829 exceeded prior year by 10.0% due to increased real estate market activity and increased prices. On an overall basis, total General Fund revenues (including sale of property) totaled \$66.8 million, up nearly \$3.8 million or 6.1% ahead of last year and exceeded budget estimates by \$3.2 million or 5.0%.

Other Funds

Capital Improvement Fund

The Capital Improvement Projects Fund (CIP) is designed to manage general governmental infrastructure and facilities capital projects. In FY 2016, CIP Fund total revenues were \$1.6 million and expenditures were \$2.6 million. It should be noted that on-going projected revenues less debt service result in a steady state excess of only \$0.8 million, and future General Fund transfers, grants or new revenues will be required to finance larger scale future projects.

The Storm Water Fund had a net operating loss in FY 2015-2016 of \$771,508, furthering prior year net losses. The Storm Water Fund benefitted from a donation of real property with an estimated value of \$850,000. The combination of fixed fees and rising costs requires General Fund subsidies (in FY 15-16 the General Fund provided \$841,286). Additionally, capital improvements due to

legislative mandates will also result in increased costs. A Proposition 218 assessment vote, or other revenue enhancement will be necessary to properly fund operations going forward.

The Street Lighting Fund continues to run deficits each year. For FY 2015-2016, expenditures exceeded revenues by \$215,395. As in the case of Storm Water Fund, assessments have been constant for 20 years. Because there is no fund balance to draw upon, the General Fund contributed the entire amount needed for continued operations. These contributions will be necessary until a Proposition 218 assessment vote is successful in raising the assessment rates and revenues.

Trust and Agency Funds

In several cases, the City acts as a custodian of funds held for the benefit of others which mostly relates to the administration of employee pension and 401(a) deferred compensation plans. All such plan funding requirements have been maintained. City Plans include the supplemental retirement and single highest year programs - dormant plans which were previously offered by the City. It is significant to note that this financial report does not include the value of trust holdings in the employees' 457 deferred compensation plan at June 30, 2016, thus recognizing enacted legislation establishing the City as a plan trustee and protecting these employee-owned assets from external creditors.

The trust and agency fund group also includes debt service funds held in trust on behalf of the undergrounding assessment districts. This fund accounts for assessment collections and the related debt service payments. The cash held as of June 30, 2016, will be used to pay bondholders in FY 2016-2017.

CURRENT TRENDS AND EVENTS

The local economy continues to expand after recovering from the last economic recession. The City's biggest General Fund revenue source, property tax, grew by 7.8% (\$1.9 million) in FY 2016 compared to FY 2015. Assessed valuations, which indicate tax revenue and help propel property tax growth, are projected to increase by 7.1% in FY 16-17 over the prior year, driven by the continued demand and resulting price escalations in the local housing market.

Sales tax revenues, which have been flat the past couple of years, are expected to continue that trend, and are conservatively budgeted approximately 5% below FY 15-16 receipts. Transient Occupancy Tax, which increased 9.65% compared to the prior year, is expected to rise 3.8% in FY 2016-2017. The general improvement in the economy, tourism and travel is expected to continue in the coming year.

As a service organization, labor accounts for the majority of costs - approximately 70% in the General Fund. Three-year labor agreements with the four existing bargaining units (Police Officers, Police Management, Fire and Teamsters) were negotiated and became effective in January 2016, providing predictability in these costs.

Manhattan Beach has maintained a sound financial condition. Established reserves remain funded, and the City continues to operate efficiently and effectively, all while continuing to provide outstanding services for the community.

OTHER INFORMATION

Acknowledgments: This report was made possible through the efforts and teamwork of the highly dedicated Finance staff. Special thanks to Henry Mitzner, Libby Bretthauer and Julie Bondarchuk. Appreciation is also expressed to the City Council and City Treasurer for their interest and support, which made this presentation possible. Finally, thanks to the City’s auditing firm of Lance, Soll & Lunghard, LLP for their professional and diligence in preparing this year-end financial report.



Mark Danaj, City Manager



Bruce Moe, Finance Director

ELECTED OFFICIALS & EXECUTIVE STAFF

ELECTED OFFICIALS

TERM ENDS

Mayor	Tony D'Errico	March 2017
Mayor Pro-Tem	David J. Lesser	March 2017
City Councilmembers	Amy Thomas Howorth	March 2019
	Wayne Powell	March 2019
	Mark Burton	March 2017
City Treasurer	Tim Lilligren	March 2017

EXECUTIVE STAFF

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



Government Finance Officers Association

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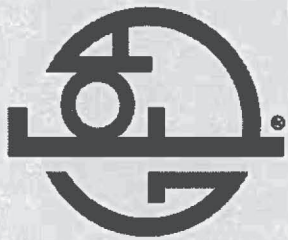
Presented to

**City of Manhattan Beach
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



**The Government Finance Officers Association
of the United States and Canada**

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Finance Department
City of Manhattan Beach, California



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

Executive Director

Date August 19, 2016



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Manhattan Beach, California, (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manhattan Beach, California, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Lance, Solt & Luyhard, LLP

Brea California
December 22, 2016



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CITY OF MANHATTAN BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS



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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Manhattan Beach, we offer our readers of these financial statements this narrative overview and analysis of the financial activities of the City of Manhattan Beach for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i to viii of this report. Please note that the implementation of Governmental Accounting Standards Board (GASB) Pronouncement 68, which set forth new standards for reporting and accounting for pensions, was implemented with the fiscal year 2014-2015 report.

FINANCIAL HIGHLIGHTS

Government Wide Financial Basis

- As of June 30, 2016, the City's total net position citywide (including all governmental and business type activities) totaled \$177,371,122, an increase from the prior fiscal year of \$11,170,267 or 6.7%. This is the net result of a positive change in net position of \$11,197,943 due to operations, less a prior period restatement of net position of negative \$27,676 due to the refund of prior year street sweeping fees, as described in Note 12.
 - Governmental net position for the fiscal year totaled \$97,228,273, an increase of \$3,395,619 or 3.6% as a result of operations. A one-time Property Transfer Fee in the amount of \$780,000 also contributed to the increase.
 - Business-type activity net position totaled \$80,142,849, an increase of \$7,774,648 or 10.7%. This is the result of a change in net position of \$7,802,324 from operations, less the prior period restatement of negative \$27,676. This restatement is due to refunds to customers.
- Unrestricted net position, which may be used to meet the government's on-going obligations within certain parameters and requirements, totaled \$23,382,341. This is an increase of \$4,922,845 or 26.7% from FY 2014-2015 levels.
 - Governmental Unrestricted Net Position is negative \$15,597,553. Since over 95% of pension expense is incurred by governmental funds, those activities' net position captures the corresponding share of net pension liabilities resulting in a negative unrestricted net position. This outcome was expected with the implementation of GASB 68 in fiscal year 2014-2015. Governmental Unrestricted Net Position increased from the prior year by \$1,949,163.
 - Business Type activities Unrestricted Net Position is \$38,979,894. Unrestricted Net Position for Business Type activities increased from the prior year by \$2,973,682 due to Water and Wastewater operations as well as a capital contribution of donated land valued at \$850,000.
- Citywide capital assets (land, work in progress, completed) net of depreciation increased by \$4,360,910. Governmental net capital assets decreased by \$41,086. Capital additions of \$3,954,380 were offset by accumulated depreciation of \$3,956,114, less the net book value of disposals of \$39,352. The net book value of disposals is attributable to disposal of vehicles not fully depreciated and an adjustment in buildings. Business-type net capital assets increased by \$4,401,996; additions were \$5,624,278, which was offset by an increase in accumulated depreciation of \$1,221,982 and an adjustment to construction-in-progress of \$300. (See Note 5).
- The City's bond debt decreased by \$1,295,000 during FY 2015-2016. This decrease is attributable to the scheduled principal pay down of issued bonds by both governmental activities (\$725,000) and business-type activities (\$570,000). Capital lease obligations decreased from \$531,820 in fiscal year 2015 to \$341,224 in fiscal year 2016 due to scheduled principal lease payments on a fire truck and sewer truck (See Note 6).

- Long-term liability and workers compensation insurance claim reserves increased by \$1,380,348. Growth in workers compensation claims activity resulted in a reserve increase of \$1,743,227, while general liability claims activity resulted in a decrease to general liability reserves of \$362,879 (See Note 6).

Fund Financial Basis – Governmental Funds

- As of June 30, 2016, the General Fund balance was \$23,750,281. Fund revenues exceeded expenditures by \$2,510,594.
- Governmental Funds (General, Capital Improvement and Special Revenue) revenue totaled \$72,420,139, an increase of \$4,119,681 (6.0%) from FY 2014-2015. Higher tax revenue as well as a one-time property transfer fee contributed to the increase.
- Governmental Funds expenditures totaled \$70,523,669, up \$4,243,416 (6.4%) from the prior year. This rise was driven by increased operational expenditures in the General Fund throughout all current categories of expenditures, except Public Works, offset by a decrease in debt service by \$755,000 (mainly due to the payoff of Pension Obligation Bonds in the prior year) Capital Improvement Fund expenditures increased by \$1,410,823 primarily due to increases in capital outlay, while Other Governmental Fund expenditures decreased by \$327,604 attributable to decreased Gas Tax expenditures but higher Proposition A and Proposition C expenditures.
- General Fund transfers-out totaled \$1,723,681. Transfers-out included \$841,286 to the Stormwater Fund, \$667,000 to the Insurance Fund and \$215,395 to the Street Lighting and Landscape Fund (See Note 4). General Fund transfers-in totaled \$197,780 from the County Parking Fund.

USING THIS ANNUAL REPORT

Overview of the Financial Statements

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

Reporting on the City as a Whole

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

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

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

The government wide statement of activities has two components:

Governmental Activities

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

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

Business Type Activities

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

The government-wide financial statements can be found on pages 23 to 25 of this report.

Reporting on the City's Most Significant Funds

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

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

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

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

The City of Manhattan Beach adopts an annual appropriated budget for each of its governmental funds. Beginning in FY 2016-2017, the City transitioned to a biennial budget adopting FY 2016-2017 and approving the FY 2017-2018. The second year of the biennial budget will be adopted prior to the start of the fiscal year. A budgetary comparison statement has been provided for each governmental fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 26 to 28 of this report.

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

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

The combining statements referred to earlier in connection with non-major governmental funds, proprietary and internal service funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 102-129 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-84 of this report.

The City as Trustee

Other information: In addition to the basic financial statements and accompanying notes, this report also presents the City's progress in funding its obligation to provide pension benefits to its employees and the budget-to-actual financial comparisons for the General Fund. The City has elected to present this information within the basic financial statement and financial statement sections of the report. Note 8 provides detailed analysis of City retirement plans.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net position serves as an indicator of a government's financial position. In the case of the City of Manhattan Beach, net position totaled \$177,371,122 at June 30, 2016 versus \$166,200,855 at June 30, 2015 – an increase of \$11,170,267. The reason for this increase can be traced to operations in both the Governmental Funds and Business-Type Funds.

The City implemented a significant change in the Government-wide reporting model with the June 30, 2015 financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68. For the first time, cities were required to recognize their long-term obligation for pension benefits as a liability. Prior to FY 2014-2015, pension liabilities were discussed only in the footnotes. No pension liabilities were presented in the Statements. The pension liabilities now presented in the Government-wide financial statements reflect true pension expense and liabilities as valued by the California Public Employees Retirement System (CalPERS).

Implementation of GASB Statement No. 68 impacted the City's financial statements in two significant areas:

1. Government-wide activities and fund proprietary statements incorporate financial information provided in the pension valuation report. These statements include pension deferred inflows, pension deferred outflows, net pension liability and true pension expense.
2. The pension footnote (Note 8) reflects the information provided in the valuation report.

Inclusion of the net pension liability (\$49,745,284) is most significant due to its impact on the City's reported Net Position. Net position is comprised of three components - Net investment in capital assets, Restricted and Unrestricted (the balance of Net Position). Governmental and Business-type activities' net position captures the corresponding share of net pension liabilities. In the case of Governmental activities, which absorb over 95% of pension expense for general government, public safety, public works and recreation employees, the result is a net pension liability of \$48,528,569. Due to the significantly smaller employee population in Business-type activities, these funds have a much smaller net pension liability of \$1,216,715.

Net position of the City's *Governmental* activities amounted to \$97,228,273, an increase from the prior year of \$3,395,619. On the table of Net Position below, \$102,028,495 is net investment in capital assets¹ such as land, buildings, machinery, infrastructure, equipment and other improvements; \$10,797,331 is restricted for debt service or for Special Revenue Fund resources that are subject to external restrictions on use. Governmental activities' unrestricted net position increased by \$1,949,163 from the prior year to negative \$15,597,553. Unrestricted net position is the balance of a positive working capital component of \$39,990,782 and non-current assets, liabilities and deferrals totaling negative \$55,588,335. Significant components of non-current liabilities and deferrals include 1) net pension liabilities of \$48,528,569, 2) accrued workers compensation and liability claims and judgments of \$4,934,251, and 3) accrued employee benefits of \$2,609,369.

Net position of the City's *Business-type* activities totaled \$80,142,849. This represents an increase from FY 2014-2015 of \$7,774,648, including a restatement of Net Position of negative \$27,676 due to prior period refunds to customers as described in Note 12. \$40,621,092 is net investment in capital assets (land, buildings, machinery, equipment, etc.), while \$541,863 is restricted for business improvement district use. Unrestricted net position (positive \$38,979,894) is the balance of a positive working capital component of \$40,042,880 and negative non-current assets, liabilities and deferrals totaling \$1,062,986. Significant components of non-current liabilities and deferrals include 1) net pension liabilities of \$1,216,715 and 2) accrued employee benefits of \$60,458. Business-type activities' unrestricted net position increased by \$2,973,682 from the prior year, primarily a result of operations in the Water and Wastewater Funds.

¹ Net investment in capital assets is calculated by taking total capital assets net of depreciation, less corresponding bonds and lease payable, less the balance of unamortized bond premium, plus deferred charges on refunding bonds.

City of Manhattan Beach Net Position

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current Assets	\$68,067,468	\$64,932,459	\$44,713,715	\$39,819,124	\$112,781,183	\$104,751,583
Total Capital Assets Net of Depreciation	117,849,395	117,890,481	52,017,699	47,615,703	169,867,094	165,506,184
Other Non-Current Assets	1,279,282	1,981,089	240,123	295,109	1,519,405	2,276,198
Total Assets	\$187,196,145	\$184,804,029	\$96,971,537	\$87,729,936	\$284,167,682	\$272,533,965
Deferred Charge on Refunding	\$498,909	\$531,097	-	-	\$498,909	\$531,097
Deferred Pension Related Items	9,409,571	5,129,915	362,512	122,803	9,772,083	5,252,718
Deferred Outflows of Resources	\$9,908,480	\$5,661,012	\$362,512	\$122,803	\$10,270,992	\$5,783,815
Current Liabilities	\$18,218,073	\$16,416,868	\$4,723,972	\$2,547,339	\$22,942,045	\$18,964,207
Non-Current Liabilities	71,453,280	66,103,615	12,078,780	12,561,464	83,532,060	78,665,079
Total Liabilities	\$89,671,353	\$82,520,483	\$16,802,752	\$15,108,803	\$106,474,105	\$97,629,286
Deferred Pension Related Items	\$10,204,999	\$14,111,904	\$388,448	375,735	\$10,593,447	\$14,487,639
Deferred Inflows of Resources	\$10,204,999	\$14,111,904	\$388,448	\$375,735	\$10,593,447	\$14,487,639
Net Investment in Capital Assets	\$102,028,495	\$101,159,813	\$40,621,092	\$35,610,816	\$142,649,587	\$136,770,629
Restricted	10,797,331	10,219,557	541,863	751,173	11,339,194	10,970,730
Unrestricted	(15,597,553)	(17,546,716)	38,979,894	36,006,212	23,382,341	18,459,496
Total Net Position	\$97,228,273	\$93,832,654	\$80,142,849	\$72,368,201	\$177,371,122	\$166,200,855

The City's total change in net position amounts to an increase of \$11,170,267. Governmental activities' total net position increased by \$3,395,619. Business-type activities' total net position increased by \$7,774,648, including a prior-period restatement of net position of \$27,676.

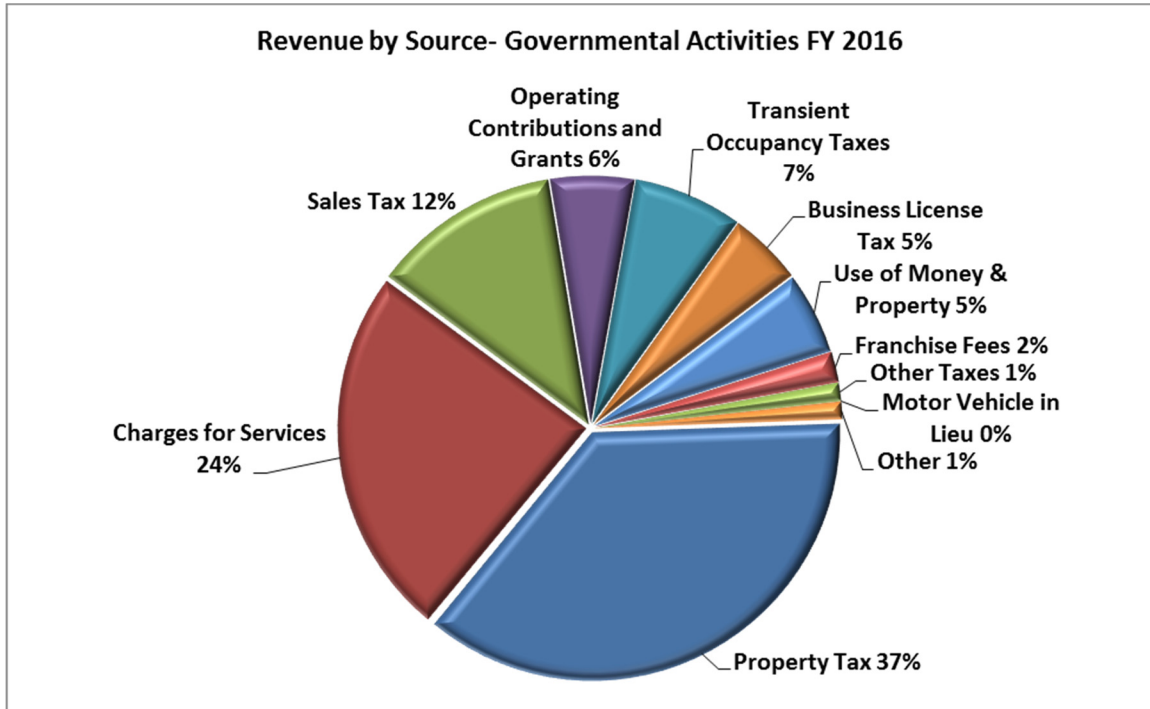
The following table condenses the Government-wide Statement of Activities and Change in Net Position for the fiscal years ending June 30, 2016 and June 30, 2015:

City of Manhattan Beach Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program Revenues:						
Charges for Services	\$17,430,137	\$17,233,817	\$26,211,728	\$27,981,371	\$43,641,865	\$45,215,188
Operating Contributions and Grants	1,587,534	1,739,455	19,611	10,020	1,607,145	1,749,475
Capital Contributions and Grants	2,316,956	2,724,621	850,000	-	3,166,956	2,724,621
General Revenues:						
Property Taxes	26,344,276	24,435,184	-	-	26,344,276	24,435,184
Other Taxes	19,732,915	19,714,470	-	-	19,732,915	19,714,470
Motor Vehicle in Lieu	14,430	15,099	-	-	14,430	15,099
Use of Money and Property	3,870,056	3,184,502	479,475	273,944	4,349,531	3,458,446
Other	780,000	10,839	60,678	74,643	840,678	85,482
Gain on sale of capital asset	29,976	100,543	-	-	29,976	100,543
Total Revenues	\$72,106,280	\$69,158,530	\$27,621,492	\$28,339,978	\$99,727,772	\$97,498,508
Expenses:						
General Government	\$13,318,679	\$12,276,294	-	-	\$13,318,679	\$12,276,294
Public Safety	37,458,469	37,098,767	-	-	37,458,469	37,098,767
Public Works	8,476,953	9,084,861	-	-	8,476,953	9,084,861
Culture & Recreation	8,396,503	7,707,656	-	-	8,396,503	7,707,656
Interest on Long-Term Debt	416,551	428,406	-	-	416,551	428,406
Water, Waste, Storm	-	-	12,352,302	11,590,698	12,352,302	11,590,698
Refuse	-	-	4,110,197	4,011,830	4,110,197	4,011,830
Parking	-	-	4,000,175	3,160,043	4,000,175	3,160,043
Total Expenses	\$68,067,155	\$66,595,984	\$20,462,674	\$18,762,571	\$88,529,829	\$85,358,555
Revenues Over Expenses	4,039,125	2,562,546	7,158,818	9,577,407	11,197,943	12,139,953
Transfers In (Out)	(643,506)	250,324	643,506	(250,324)	-	-
Increase (Decrease) in Net Position	\$3,395,619	\$2,812,870	\$7,802,324	\$9,327,083	\$11,197,943	\$12,139,953
Net Position - Beginning	\$93,832,654	\$143,883,984	\$72,368,201	\$64,613,421	\$166,200,855	\$208,497,405
Restatement of Net Position	-	(\$52,864,200)	(\$27,676)	(\$1,572,303)	(27,676)	(54,436,503)
Net Position - June 30 (Year End)	\$97,228,273	\$93,832,654	\$80,142,849	\$72,368,201	\$177,371,122	\$166,200,855

Changes in Net Position - Governmental Activities

The City's governmental activities in FY 2015-2016 increased net position by \$3,395,619 compared to an increase of \$2,812,870 in FY 2014-2015. Total governmental activities revenue of \$72,106,280, excluding transfers-in of \$197,780, is broken out as follows:



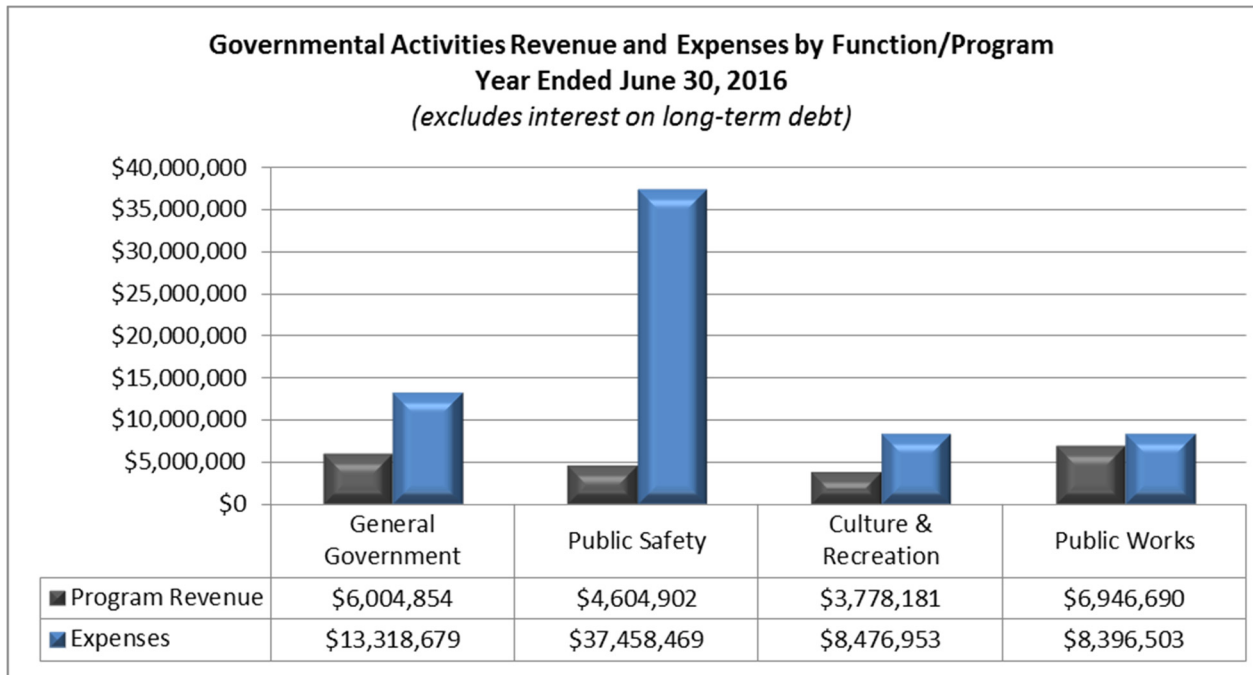
Functional expenses (excluding interest on debt) for the years ending June 30, 2016 and 2015 were as follows:

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
General Government	13,318,679	12,276,294	(7,313,825)	(6,373,615)
Public Safety	37,458,469	37,098,767	(32,853,567)	(32,141,306)
Culture and Recreation	8,476,953	7,707,656	(4,698,772)	(4,046,855)
Public Works	8,396,503	9,084,861	(1,449,813)	(1,907,909)
Total	\$67,650,604	\$66,167,578	(\$46,315,977)	(\$44,469,685)

**Excludes interest on long-term debt.*

The total cost of services increased from the prior year by \$1,483,026 (2.2%), while the net cost of services increased by \$1,846,292 (4.2%) from the prior year. Total cost of services for Public Safety increased by \$359,702, Culture and Recreation increased \$769,297, General Government increased by \$1,042,385, and Public Works decreased by \$688,358.

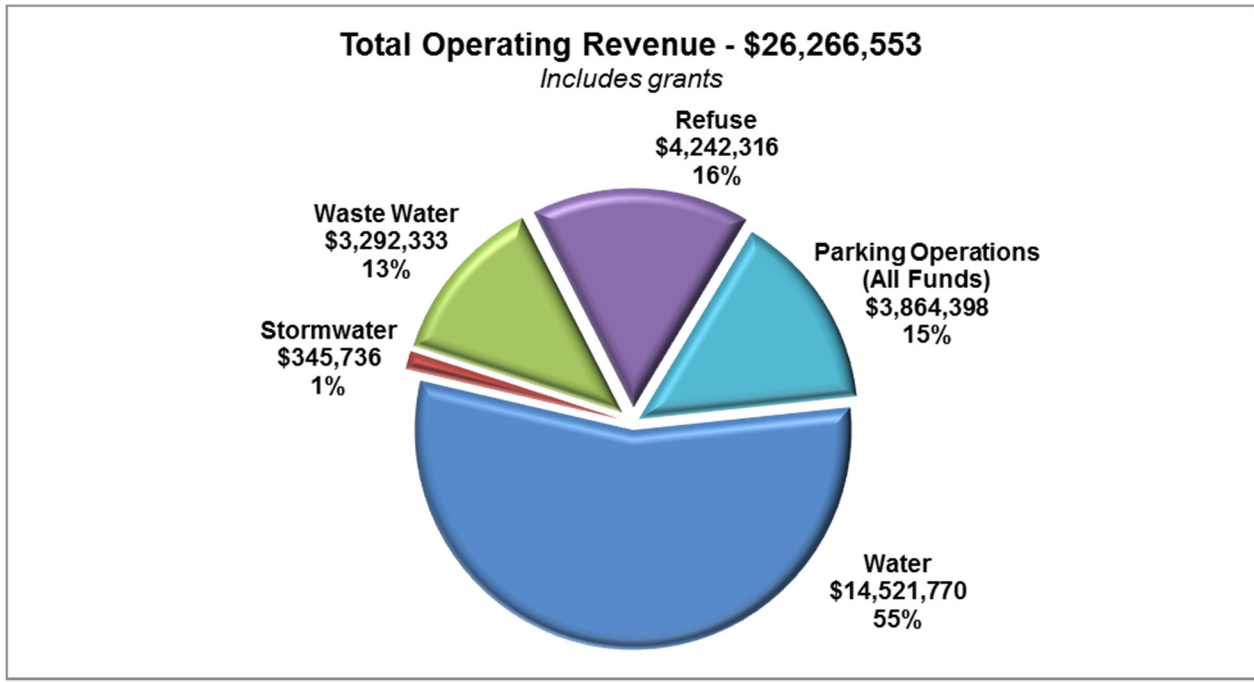
The following chart illustrates governmental revenues and expenses by function for the year ended June 30, 2016.



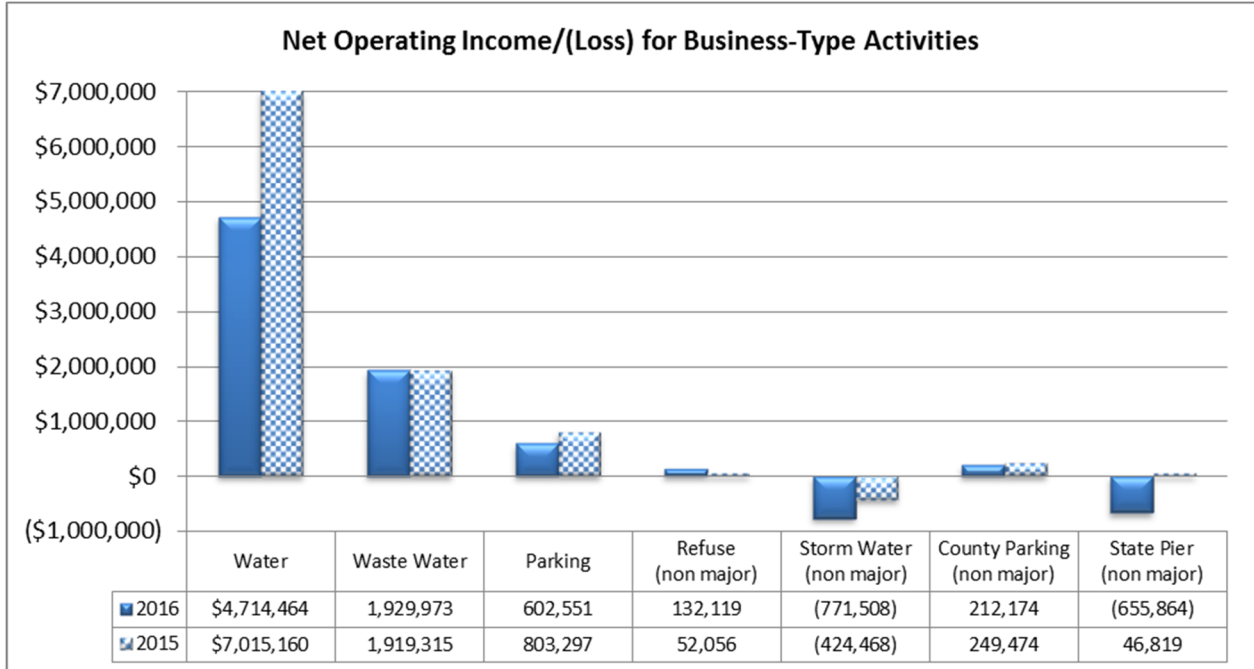
Change in Net Position - Business Type Activities

In fiscal year 2015-2016, total revenues for the City's business-type activities amounted to \$27,621,492. Program revenues totaled \$27,081,339, interest revenues totaled \$479,475, and other revenues totaled \$60,678. Program revenues also included a one-time capital contribution for donated land valued at \$850,000. Expenses totaled \$20,462,674 of which operating expenses equaled \$20,102,644, and non-operating expenses (debt interest expense) totaled \$360,030. Total income from operations was \$6,163,909 while net income before transfers was \$6,308,818. After net transfers-in totaling \$643,506, net position increased by \$7,802,324 compared to an increase of \$9,327,083 in FY 2014-2015.

Operating Revenues by Source - Business Type Activities FY 2016



Operating Income varied across the business-type activities in FY 2016. A year-over-year comparison is presented below. Further analysis of the major funds is discussed later in this report.



FUND FINANCIAL STATEMENTS

Governmental Funds

As of the end of the 2016 fiscal year, the City's governmental funds ending fund balances totaled \$43.8 million, an increase of \$586,802 (1.4%) in comparison with the prior year.

Approximately \$19.9 million (45.4%) of the Governmental Funds total constitutes unassigned fund balance. The remainder of the fund balance (\$23.9 million) is non-spendable, restricted or committed indicating these funds are not available for new spending because it has already been committed for on-going capital projects, advanced to other funds for legally restricted use, long term notes receivable, or for legally-required debt service reserves.

Notwithstanding Governmental Accounting Standards Board (GASB) pronouncements, the City Council has established earmarks within the unassigned category for working capital and budgetary capital planning initiatives. Of the \$19.9 million unassigned governmental fund balance noted above, \$14.6 million has been designated by City Council policy.

General Fund

The General Fund is the chief operating fund of the City of Manhattan Beach. At the end of the 2015-2016 fiscal year, unassigned fund balance of the General Fund was \$19.9 million, while total fund balance was \$23.8 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 3.71 months of total General Fund expenditures, while total fund balance represents 4.44 months of General Fund expenditures.

During the year, General Fund revenues (including proceeds from sale of capital assets) exceeded expenditures by \$2.5 million. The non-spendable portion of fund balance increased nearly \$2.2 million, primarily due to an increase in notes and loans receivable.

Net transfer activity in this fund totaled \$1,525,901 and included the following transfers:

- \$215,395 was transferred to the Street Lighting Fund to relieve a deficit fund balance.
- \$841,286 was transferred to the Storm Water Fund to relieve a deficit fund balance due to operations.
- \$667,000 was transferred to the Insurance Reserve Fund to support long-term liabilities.
- \$197,780 of excess revenues from the County Parking Lot Fund was transferred to the General Fund in line with the contract with the County of Los Angeles.

Please see Note 4 for more information.

Capital Improvement Fund

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

At the end of fiscal year 2016, total fund balance of \$9.3 million in the Capital Improvement Fund is committed to capital projects.

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

- \$1.9 million in various facilities improvements
- \$1.8 million for the Strand stairs project
- \$1.5 million for turf and light replacements at sports fields
- \$1.1 million for Downtown Traffic Signal Replacements
- \$962,096 for reimbursable Safe Routes to School Grant programs
- \$319,638 for design of the replacement Fire Station #2
- \$312,832 for reimbursable CDBG Access Ramp construction
- \$214,660 for Non-motorized crosswalks and bike lanes
- \$100,000 for the Parks Master Plan

During Fiscal Year 2015-2016, the Capital Improvement Project Fund balance decreased by \$996,483 (9.7%). Revenues of \$1.6 million were offset by capital and maintenance expenditures of \$1.8 million and debt service of \$769,788.

Of the \$1.6 million in total revenues to the Capital Improvement Fund, certain dedicated revenues described totaled \$1,530,620 in FY 2015-2016. These revenues are earmarked for funding general government capital improvement projects in the effort to maintain and enhance City infrastructure. A breakdown of these follows:

Hotel Tax: 15% of the Transient Occupancy Tax has been dedicated to funding CIP's, generating \$730,198 in revenue for the year, which is \$32,220 (4.6%) above prior year levels. The increase was due to an improved economic climate resulting in higher levels of travel and tourism.

Parking Meter Rates: Fifty cents of the \$1.25 per hour on-street parking meter rates is dedicated to capital improvements. This source generated revenue of \$688,390 this fiscal year, down \$20,177 or 2.8% from the prior year.

Parking Citation Rates: Most parking citations include four dollars dedicated to the CIP fund. For FY 2015-2016, revenue of \$112,032 was realized; a decrease of \$18,636 (14.3%) from the prior year.

Capital Improvement Fund expenditures equaled \$2,570,041 and included:

- \$906,096 – Downtown Streetscape tile crosswalks
- \$769,788 – Debt service on the Police and Fire Facility
- \$435,575 – Strand Stairs Construction project
- \$169,883 – Office remodeling at City Hall
- \$61,972 – Non-motorized Crosswalks and Bike Lanes
- \$40,256 – Infrastructure Needs Assessment and Feasibility study
- \$33,320 – Energy Efficiency implementation study
- \$30,089 – Citywide Sign program

Other Governmental Funds

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

The Street Lighting Fund continues to run deficits each year. For FY 2015-2016, expenditures exceeded revenues by \$215,395. Since there is no fund balance to draw upon, the General Fund contributes the entire amount to make up for the deficit in the Street Lighting Fund. These contributions will be necessary until a Proposition 218 assessment vote is successful in raising the assessment rates and revenues.

Proprietary Funds

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

Enterprise Funds

At year-end, total net position of all enterprise funds amounted to \$80,142,849. Net investment in capital assets totaled \$40,621,092 and \$541,863 are restricted funds for a business improvement district. The balance of \$38,979,894 is unrestricted net position.

Overall, enterprise funds combined net income was \$6.2 million before transfers. Operations resulted in a \$7.8 million increase in net position. Transfer activity included an operating transfer-out of \$197,780 from the County Parking Lots Fund to the General Fund and an operating transfer-in of \$841,286 from the General Fund to cover the deficit in the Storm Drain Fund.

Several enterprise funds are worth noting this year:

- The Water Fund continues to build the resources for planned capital improvements needed to sustain the utility's operation and infrastructure. Net income from operations totaled \$4,714,464, a decrease from the prior year which had net operating income of \$7,015,160. Revenue from sales declined by 9.8% because of lower consumption due to water conservation, while operating expenses (labor, materials, services, etc.) increased by 8.0%. Accumulated fund balances provide resources for planned capital improvements to the utility's infrastructure, estimated at \$32.8 million over the next five years.
- The Waste Water fund net operating income for FY 2015-2016 was \$1,929,973 versus \$1,919,315 for FY 2014-2015 – a net increase of \$10,658, or 0.6%. Operating revenue decreased \$282,721 (7.9%) while operating expenses decreased \$293,379 (17.7%). It is important to note that because Waste Water revenues are based on water consumption, water conservation efforts result in lower Waste Water revenues without the benefit of lower costs, as is the case in the Water fund where conservation results in less pumping and less Water being purchased.
- Refuse Fund net income from operations totaled \$132,119 in FY 2015-2016, an increase of \$80,063 from the prior year. Operating expenses increased by \$98,367 (2.5%) and operating revenues increased by \$178,430 (4.4%). In FY 2013-2014, the City voluntarily commenced issuing refunds for past street sweeping charges collected on utility bills. The Refuse Fund balance for fiscal year ending June 30, 2014 was restated to recognize the street sweeping refunds issued from prior year revenues which totaled \$618,708. Total fund balance as of June 30, 2014 was \$541,605. Street sweeping refunds continued in FY 14-15 totaling \$148,522 and \$27,676 in FY 15-16, require restatements in each fiscal year. Fund balance at June 30, 2016 totaled \$457,337, an increase of \$131,418 from FY 14-15 year-end.
- The Stormwater Fund net operating loss in FY 2015-2016 totaled \$771,508, furthering prior year net losses in FY 2014-2015 (\$424,468), FY 2013-2014 (\$420,831), and FY 2012-2013 (\$57,093). The combination of fixed assessments and rising costs currently requires a General Fund cash subsidy. The General Fund transferred \$841,286 in FY 2015-2016 to relieve the operational deficit in the Stormwater Fund. Additionally, capital improvements due to legislative mandates will also result in increased costs in the near future. A Proposition 218 assessment vote will be necessary to properly fund operations going forward.

Internal Service Funds

Unrestricted net position of the internal service funds at the end of the year amounted to \$402,291 with total net position of \$5.3 million at year-end. Total net position increased by \$312,038 from the prior year.

In the Insurance Fund, net position at year-end was negative \$2,368,236, due to higher workers compensation claims and other accrued claims and judgments. FY 2015-2016 workers compensation and liability claims expense totaled \$6.66 million. For comparison, prior year workers compensation and liability claims expense are below:

FY 2015-2016	\$6.66 million
FY 2014-2015	6.56 million
FY 2013-2014	5.17 million
FY 2012-2013	3.77 million
FY 2011-2012	4.96 million
FY 2010-2011	3.59 million
FY 2009-2010	1.69 million
FY 2008-2009	2.98 million

The unpredictable nature of workers compensation and liability claims activity causes these fluctuations in claims expense from year to year. The City continually looks for ways to proactively manage risk and reduce these costs.

Net position in the Fleet Fund increased by \$575,876, to \$7.6 million, reflecting departmental charge-outs (revenues to the fund) for vehicles in advance of replacement purchases. Capital purchases totaled \$640,309 versus \$767,814 in FY 2014-2015 when the City continued to catch-up on overdue vehicle purchases suspended during difficult economic conditions in previous years.

Net position in the Building Maintenance and Operations Fund is negative \$312,455 due to the net pension liability of \$376,063. Operations are fully funded by charge-outs to other funds.

General Fund Budgetary Highlights

Estimated Revenues

Total revenues totaled \$66,966,775 including transfers-in from the County Parking Lot Fund. Including proceeds from the sale of capital assets, year-end revenues outperformed the final budget by \$2,532,688. Tax revenues exceeded budget by \$1,902,811. Intergovernmental collections exceeded budget by \$258,381 as a result of prior year state-mandated cost claim payments received from the State. Fines and Forfeitures underperformed the final budget by \$422,726 mainly due to lower parking citation revenue. Miscellaneous Revenue came in \$803,948 over budget due to a one-time Marriott Hotel Property Transfer Fee of \$780,000 while Interest and Rents exceeded budget by \$519,117.

Appropriations

The final amended budget reflects a net increase of \$3,600,962 over the adopted appropriations. Actual expenditures were under the final budget by \$2,816,586.

Significant budget adjustments approved by the City Council included:

- \$2.2 million for a temporary home loan to the Assistant City Manager
- \$333,700 for heavy equipment and supplies in preparation of El Nino and other storm disasters
- \$60,000 for Engineering consulting services
- \$24,000 for a Youth Art Education Initiative

Capital Asset and Debt Administration

Capital Assets: Government-wide, the City's investment in capital assets (net of accumulated depreciation) as of June 30, 2016 is \$169,867,094. This is an increase from the prior year of \$4,360,910. This investment in capital assets includes land, buildings, park improvements, roadways, sewer, storm drains, vehicles, computer equipment, furniture and other equipment.

City of Manhattan Beach Capital Assets (Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$33,634,565	\$33,634,565	\$2,607,434	\$1,757,434	\$36,241,999	\$35,391,999
Buildings	33,068,112	33,785,001	15,198,094	15,452,793	48,266,206	49,237,794
Machinery & Equipment	1,324,165	1,426,126	165,551	165,551	1,489,716	1,591,677
Vehicles	5,230,379	5,539,339	-	-	5,230,379	5,539,339
Infrastructure	35,798,758	34,537,324	22,345,533	22,604,298	58,144,291	57,141,622
Invested in Joint Venture (RCC)	1,922,320	1,840,228	-	-	1,922,320	1,840,228
Work in Progress	6,871,096	7,127,898	11,701,087	7,635,627	18,572,183	14,763,525
Total	\$117,849,395	\$117,890,481	\$52,017,699	\$47,615,703	\$169,867,094	\$165,506,184

Governmental

During Fiscal Year 2015-2016, governmental capital expenditures included:

- \$640,309 for vehicle purchases
- \$353,833 for machinery and equipment.

Business-type

During the fiscal year, Business-type capitalized net expenditures totaled \$4,773,978 for projects in progress. Additionally, the Storm Water fund received donated land valued at \$850,000. This increase was offset by depreciation of \$1,221,982, resulting in a net increase in assets of \$4,401,996.

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

Long-Term Liabilities: Total long-term liabilities citywide (excluding unamortized bond premiums) equal \$43,608,343, a decrease of \$54,542 from fiscal 2014-2015. Governmental liabilities increased by \$511,361 or 1.6% while business type liabilities decreased by \$565,903 or 4.9%. The following table is a condensation of Footnote 6.

City of Manhattan Beach Outstanding Liabilities (Excluding Bond Premium)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Marine Avenue COPs	\$6,445,000	\$6,715,000	-	-	\$6,445,000	\$6,715,000
Capital Equipment Lease	341,224	531,820	-	-	341,224	531,820
Police & Fire Facility Refunding COPs	9,125,000	9,580,000	-	-	9,125,000	9,580,000
Accrued Employee Leave & Benefits	3,245,083	3,198,474	75,187	71,090	3,320,270	3,269,564
Supplemental Leave	-	-	-	-	-	-
Water and Wastewater COPs	-	-	-	-	-	-
Water and Wastewater Refunding COPs	-	-	2,180,000	2,355,000	2,180,000	2,355,000
Metlox Parking COPs	-	-	-	-	-	-
Metlox Parking Refunding COPs	-	-	8,710,000	9,105,000	8,710,000	9,105,000
Pension Obligation Bonds	-	-	-	-	-	-
Insurance Claim Reserves	13,486,849	12,106,501	-	-	13,486,849	12,106,501
Total Long Term Liabilities	\$32,643,156	\$32,131,795	\$10,965,187	\$11,531,090	\$43,608,343	\$43,662,885
Current portion of Long Term (due within one year)	10,127,030	9,442,456	609,729	582,639	10,736,759	10,025,095
Long Term Liabilities - Non Current	\$22,516,126	\$22,689,339	\$10,355,458	\$10,948,451	\$32,871,584	\$33,637,790

Governmental

Principal obligations for existing long-term bonded debt were reduced in accordance with existing debt service schedules. This decrease was offset by an increase in Insurance Claim Reserves as a result of extraordinary cases in workers compensation claims.

Business Type

Business type principal obligations for existing long-term bonded debt were reduced in accordance with existing debt service schedules. For the details regarding components of long term liabilities including debt service schedules, please refer to Note 6.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3.75% of its total assessed valuation. The current debt limitation for the City of Manhattan Beach (fiscal year 2015-2016) is \$504,000,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City continues to see overall economic stability and expansion. Most major revenues are advancing along with the overall economy. The housing market is robust and, along with it, the City's Property Tax revenues. Building activity remains stable, and tourism and travel are strong.

With the FY 2016-2017 budget process, the City transitioned to a two-year budget in order to better encourage longer-range planning and link the spending plan to the vision of the City's Strategic Plan, which prioritizes goals for the coming years. The City Council adopted the biennial FY 2016-17 General Fund budget in June 2016. The original budget estimates General Fund revenues at \$67,822,465 and expenditures of \$67,406,040, resulting in a surplus of \$416,425 in FY 2016-17.

The City's major General Fund revenue sources continue to improve after the lasting effects of the Great Recession. Property tax, the single biggest General Fund revenue source, which dramatically slowed with the housing market, is expected to increase in FY 2016-2017 by 7.1% over FY 2015-2016 actual receipts. Sales tax is projected to remain flat to slightly lower from FY 2015-2016. Primary drivers of the stagnation are fuel and service stations, reflecting the downward trend in gasoline prices, and general consumer goods. Transient Occupancy Taxes are also expected to increase from FY 2015-2016.

As a service organization, labor accounts for most of our costs - approximately 70% (\$45.2 million) in the General Fund. New labor agreements with the four bargaining units (Police Officers, Police Management, Fire and Teamsters) were negotiated during FY 2015-2016, and are effective until December 2018.

The City continues its focus on capital improvements. \$107.8 million (including carryover projects) is planned over the next five years for utility, street and facility projects. \$53.0 million of that amount is for water, wastewater, and stormwater projects exclusive of mandated improvement projects under the federal National Pollution Discharge Elimination System (NPDES). Approximately \$16.4 million has been budgeted for street and roadway needs, \$18.9 for general facilities (including parking facilities), and \$19.5 for the Sepulveda Bridge project. These projects will ensure continued functionality of vital systems, traffic flow and community facilities.

Requests for Information

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

CITY OF MANHATTAN BEACH

STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and investments	\$ 57,672,589	\$ 43,103,861	\$ 100,776,450
Receivables:			
Accounts	630,580	1,292,813	1,923,393
Taxes	3,843,907	-	3,843,907
Notes and loans	3,803,074	-	3,803,074
Accrued interest	293,118	-	293,118
Prepaid costs	114,977	111,484	226,461
Due from other governments	1,337,525	-	1,337,525
Due from OPEB Trust Fund	132,665	-	132,665
Due from Pension Trust Fund	156,223	-	156,223
Inventories	82,810	205,557	288,367
Total Current Assets	68,067,468	44,713,715	112,781,183
Restricted assets:			
Cash with fiscal agent	556,628	193,456	750,084
Prepaid other post-employment benefits	722,654	46,667	769,321
Capital assets not being depreciated	40,505,661	14,308,521	54,814,182
Capital assets, net of depreciation	77,343,734	37,709,178	115,052,912
Total Noncurrent Assets	119,128,677	52,257,822	171,386,499
Total Assets	187,196,145	96,971,537	284,167,682
Deferred Outflows of Resources:			
Deferred charge on refunding	498,909	-	498,909
Deferred pension related items	9,409,571	362,512	9,772,083
Total Deferred Outflows of Resources	9,908,480	362,512	10,270,992
Liabilities:			
Accounts payable	3,261,912	3,358,081	6,619,993
Accrued liabilities	2,564,512	-	2,564,512
Management loan payable	108,224	-	108,224
Accrued interest	153,156	193,456	346,612
Unearned revenue	733,511	-	733,511
Deposits payable	1,269,728	562,706	1,832,434
Long-term liabilities due within one year:			
Leases Payable	193,718	-	193,718
Bonds Payable	745,000	595,000	1,340,000
Accrued workers comp/liability claims and judgments	8,552,598	-	8,552,598
Accrued employee benefits	635,714	14,729	650,443
Total Current Liabilities	18,218,073	4,723,972	22,942,045
Noncurrent liabilities:			
Long term liabilities due in more than one year			
Leases payable	147,506	-	147,506
Bonds payable	15,233,585	10,801,607	26,035,192
Net pension liability	48,528,569	1,216,715	49,745,284
Accrued workers comp/liability claims and judgments	4,934,251	-	4,934,251
Accrued employee benefits	2,609,369	60,458	2,669,827
Total Noncurrent Liabilities	71,453,280	12,078,780	83,532,060
Total Liabilities	89,671,353	16,802,752	106,474,105
Deferred Inflows of Resources:			
Deferred pension related items	10,204,999	388,448	10,593,447
Total Deferred Inflows of Resources	10,204,999	388,448	10,593,447
Net Position:			
Net investment in capital assets	102,028,495	40,621,092	142,649,587
Restricted for:			
Public safety	873,595	-	873,595
Public works	5,272,830	-	5,272,830
Capital projects	4,638,320	-	4,638,320
Debt service	12,586	-	12,586
Business improvement districts	-	541,863	541,863
Unrestricted	(15,597,553)	38,979,894	23,382,341
Total Net Position	\$ 97,228,273	\$ 80,142,849	\$ 177,371,122

CITY OF MANHATTAN BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	<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	\$ 13,318,679	\$ 5,859,027	\$ 145,827	\$ -
Public safety	37,458,469	4,182,052	422,850	-
Culture and recreation	8,476,953	3,135,249	642,932	-
Public works	8,396,503	4,253,809	375,925	2,316,956
Interest on long-term debt	416,551	-	-	-
Total Governmental Activities	68,067,155	17,430,137	1,587,534	2,316,956
Business-Type Activities:				
Water	9,851,136	14,514,443	-	-
Stormwater	1,117,244	345,736	-	850,000
Wastewater	1,383,922	3,281,179	-	-
Refuse	4,110,197	4,242,316	19,611	-
Parking	2,226,022	2,498,860	-	-
County Parking Lot	519,963	732,137	-	-
State Pier and Parking Lot	1,254,190	597,057	-	-
Total Business-Type Activities	20,462,674	26,211,728	19,611	850,000
Total Primary Government	\$ 88,529,829	\$ 43,641,865	\$ 1,607,145	\$ 3,166,956

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
- Gain on sale of capital asset

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
\$ (7,313,825)	\$ -	\$ (7,313,825)
(32,853,567)	-	(32,853,567)
(4,698,772)	-	(4,698,772)
(1,449,813)	-	(1,449,813)
(416,551)	-	(416,551)
(46,732,528)	-	(46,732,528)
-	4,663,307	4,663,307
-	78,492	78,492
-	1,897,257	1,897,257
-	151,730	151,730
-	272,838	272,838
-	212,174	212,174
-	(657,133)	(657,133)
-	6,618,665	6,618,665
(46,732,528)	6,618,665	(40,113,863)
26,344,276	-	26,344,276
5,139,425	-	5,139,425
8,826,767	-	8,826,767
1,439,957	-	1,439,957
3,475,792	-	3,475,792
850,974	-	850,974
14,430	-	14,430
3,870,056	479,475	4,349,531
780,000	60,678	840,678
29,976	-	29,976
(643,506)	643,506	-
50,128,147	1,183,659	51,311,806
3,395,619	7,802,324	11,197,943
93,832,654	72,368,201	166,200,855
-	(27,676)	(27,676)
\$ 97,228,273	\$ 80,142,849	\$ 177,371,122

CITY OF MANHATTAN BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<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	\$ 21,845,248	\$ 9,583,820	\$ 10,701,064	\$ 42,130,132
Receivables:				
Accounts	585,111	-	26,320	611,431
Taxes	3,777,330	66,577	-	3,843,907
Notes and loans	3,771,864	31,210	-	3,803,074
Accrued interest	293,118	-	-	293,118
Prepaid costs	82,138	-	413	82,551
Due from other funds	22,488	-	-	22,488
Due from other governments	166,467	398,538	772,520	1,337,525
Due from OPEB Trust Fund	132,665	-	-	132,665
Due from Pension Trust Fund	156,223	-	-	156,223
Restricted assets:				
Cash and investments with fiscal agents	12,586	153,156	390,886	556,628
Total Assets	\$ 30,845,238	\$ 10,233,301	\$ 11,891,203	\$ 52,969,742
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 2,174,626	\$ 411,377	\$ 401,645	\$ 2,987,648
Accrued liabilities	2,564,512	153,156	-	2,717,668
Management loan payable	108,224	-	-	108,224
Unearned revenues	733,511	-	-	733,511
Deposits payable	1,267,987	-	1,741	1,269,728
Due to other funds	-	-	22,488	22,488
Total Liabilities	6,848,860	564,533	425,874	7,839,267
Deferred Inflows of Resources:				
Unavailable revenues	246,097	398,538	703,072	1,347,707
Total Deferred Inflows of Resources	246,097	398,538	703,072	1,347,707
Fund Balances:				
Nonspendable:				
Prepaid costs	82,138	-	-	82,138
Notes and loans	3,771,864	-	-	3,771,864
Restricted for:				
Public safety	-	-	873,595	873,595
Public works	-	-	5,272,830	5,272,830
Capital Projects	-	-	4,638,320	4,638,320
Debt service	12,586	-	-	12,586
Committed to:				
Capital Projects	-	9,270,230	-	9,270,230
Unassigned	19,883,693	-	(22,488)	19,861,205
Total Fund Balances	23,750,281	9,270,230	10,762,257	43,782,768
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 30,845,238	\$ 10,233,301	\$ 11,891,203	\$ 52,969,742

CITY OF MANHATTAN BEACH

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Fund balances of governmental funds		\$ 43,782,768
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity:		
Capital assets	\$ 166,194,975	
Accumulated depreciation	<u>(53,575,959)</u>	112,619,016
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.		692,270
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.		498,909
Governmental funds report all pension contributions as expenditures. However, the net pension liability has a measurement date of June 30, 2015, and pension contributions subsequent to the measurement date are reclassified as deferred outflows of resources.		5,586,301
Deferred inflows of resources reported for the pension plan for government-wide statements are amortized:		
Net difference between projected and actual earnings		2,599,132
Adjustment due to difference in proportions		805,617
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
COPS payable	\$ (15,570,000)	
Compensated Absences	(3,245,083)	
Unamortized bond premiums/discounts	<u>(408,585)</u>	(19,223,668)
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.		(47,045,762)
Deferred inflows of resources reported for the pension plan for government-wide statements are amortized:		
Changes in assumptions	(2,994,459)	
Differences between expected and actual experiences	(708,249)	
Net difference between projected and actual earnings on pension plan investmentsx	(4,068,813)	
Adjustment due to difference in proportions	(978,668)	
Difference in proportionate share	<u>(975,274)</u>	(9,725,463)
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.		1,347,707
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>5,291,446</u>
Net Position of governmental activities		<u><u>\$ 97,228,273</u></u>

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Capital Projects Fund Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes and assessments	\$ 46,162,711	\$ 730,198	\$ 2,015,916	\$ 48,908,825
Licenses and permits	2,796,838	15,642	-	2,812,480
Intergovernmental	524,218	25,341	1,856,881	2,406,440
Charges for services	9,568,921	688,390	27,451	10,284,762
Use of money and property	3,717,747	1,955	150,354	3,870,056
Fines and forfeitures	2,503,274	112,032	-	2,615,306
Miscellaneous Revenues	1,494,448	-	27,822	1,522,270
Total Revenues	66,768,157	1,573,558	4,078,424	72,420,139
Expenditures:				
Current:				
General government	13,188,149	172,171	-	13,360,320
Public safety	36,935,735	8,083	245,964	37,189,782
Culture and recreation	7,331,395	25,511	978,205	8,335,111
Public works	6,116,597	247,245	993,000	7,356,842
Capital outlay	327,017	1,347,243	1,478,896	3,153,156
Debt service:				
Principal retirement	270,000	455,000	-	725,000
Interest and fiscal charges	88,670	314,788	-	403,458
Total Expenditures	64,257,563	2,570,041	3,696,065	70,523,669
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,510,594	(996,483)	382,359	1,896,470
Other Financing Sources (Uses):				
Transfers in	197,780	-	516,302	714,082
Transfers out	(1,723,681)	-	(300,907)	(2,024,588)
Proceeds from sale of capital asset	838	-	-	838
Total Other Financing Sources (Uses)	(1,525,063)	-	215,395	(1,309,668)
Net Change in Fund Balances	985,531	(996,483)	597,754	586,802
Fund Balances, Beginning of Year	22,764,750	10,266,713	10,164,503	43,195,966
Fund Balances, End of Year	\$ 23,750,281	\$ 9,270,230	\$ 10,762,257	\$ 43,782,768

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, 2016**

Net change in fund balances - total governmental funds \$ 586,802

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

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

Cost of assets capitalized	\$ 3,314,071	
Depreciation expense	(3,030,753)	
Disposal of capital assets	<u>(15,444)</u>	267,874

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	725,000	
Amortization of bond premiums - Police Fire Facility bonds refunding	26,360	
Amortization of deferred charges on refunding	<u>(32,188)</u>	719,172

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. (46,609)

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. 2,546,799

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. (646,622)

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. (343,835)

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. 312,038

Change in net position of governmental activities \$ 3,395,619

CITY OF MANHATTAN BEACH

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2016

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Parking</u>
Assets:			
Current:			
Cash and investments	28,676,460	7,614,689	2,545,268
Receivables:			
Accounts	766,727	212,117	4,789
Prepaid costs	-	-	111,484
Inventories	205,557	-	-
Total Current Assets	29,648,744	7,826,806	2,661,541
Noncurrent:			
Prepaid other post-employment benefits	29,842	7,054	2,605
Restricted:			
Cash with fiscal agent	25,587	12,588	155,281
Capital assets - net of accumulated depreciation	21,802,024	7,713,637	17,953,152
Total Noncurrent Assets	21,857,453	7,733,279	18,111,038
Total Assets	51,506,197	15,560,085	20,772,579
Deferred Outflows of Resources:			
Deferred pension related items	222,845	68,581	12,557
Total Deferred Outflows of Resources	222,845	68,581	12,557
Total Assets & Deferred Outflows of Resources	\$ 51,729,042	\$ 15,628,666	\$ 20,785,136
Liabilities and Net Position:			
Liabilities:			
Current:			
Accounts payable	\$ 1,394,084	\$ 228,177	\$ 674,044
Accrued interest	25,587	12,588	155,281
Deposits payable	1,830	-	92,885
Accrued compensated absences	14,729	-	-
Workers' compensation claims	-	-	-
Accrued claims and judgments	-	-	-
Bonds, notes, and capital leases	123,996	61,004	410,000
Total Current Liabilities	1,560,226	301,769	1,332,210
Noncurrent:			
Net pension liability	708,358	230,455	58,102
Accrued compensated absences	60,458	-	-
Workers' compensation claims	-	-	-
Accrued claims and judgments	-	-	-
Bonds, notes, and capital leases	1,429,193	703,135	8,669,279
Total Noncurrent Liabilities	2,198,009	933,590	8,727,381
Total Liabilities	3,758,235	1,235,359	10,059,591
Deferred Inflows of Resources:			
Deferred pension related items	224,473	74,259	19,096
Total Deferred Inflows of Resources	224,473	74,259	19,096
Net Position:			
Net investment in capital assets	20,248,835	6,949,498	8,873,873
Restricted for business improvement district	-	-	541,863
Unrestricted	27,497,499	7,369,550	1,290,713
Total Net Position	47,746,334	14,319,048	10,706,449
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 51,729,042	\$ 15,628,666	\$ 20,785,136

CITY OF MANHATTAN BEACH

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		Governmental Activities - Internal Services Funds
	Other Enterprise Funds	Totals	
Assets:			
Current:			
Cash and investments	\$ 4,267,444	\$ 43,103,861	\$ 15,542,457
Receivables:			
Accounts	309,180	1,292,813	19,149
Prepaid costs	-	111,484	32,426
Inventories	-	205,557	82,810
Total Current Assets	4,576,624	44,713,715	15,676,842
Noncurrent:			
Prepaid other post-employment benefits	7,166	46,667	30,384
Restricted:			
Cash with fiscal agent	-	193,456	-
Capital assets - net of accumulated depreciation	4,548,886	52,017,699	5,230,379
Total Noncurrent Assets	4,556,052	52,257,822	5,260,763
Total Assets	9,132,676	96,971,537	20,937,605
Deferred Outflows of Resources:			
Deferred pension related items	58,529	362,512	418,521
Total Deferred Outflows of Resources	58,529	362,512	418,521
Total Assets & Deferred Outflows of Resources	\$ 9,191,205	\$ 97,334,049	\$ 21,356,126
Liabilities and Net Position:			
Liabilities:			
Current:			
Accounts payable	\$ 1,061,776	\$ 3,358,081	\$ 274,264
Accrued interest	-	193,456	-
Deposits payable	467,991	562,706	-
Accrued compensated absences	-	14,729	-
Workers' compensation claims	-	-	7,268,221
Accrued claims and judgments	-	-	1,284,377
Bonds, notes, and capital leases	-	595,000	193,718
Total Current Liabilities	1,529,767	4,723,972	9,020,580
Noncurrent:			
Net pension liability	219,800	1,216,715	1,482,807
Accrued compensated absences	-	60,458	-
Workers' compensation claims	-	-	4,466,140
Accrued claims and judgments	-	-	468,111
Bonds, notes, and capital leases	-	10,801,607	147,506
Total Noncurrent Liabilities	219,800	12,078,780	6,564,564
Total Liabilities	1,749,567	16,802,752	15,585,144
Deferred Inflows of Resources:			
Deferred pension related items	70,620	388,448	479,536
Total Deferred Inflows of Resources	70,620	388,448	479,536
Net Position:			
Net investment in capital assets	4,548,886	40,621,092	4,889,155
Restricted for business improvement district	-	541,863	-
Unrestricted	2,822,132	38,979,894	402,291
Total Net Position	7,371,018	80,142,849	5,291,446
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 9,191,205	\$ 97,334,049	\$ 21,356,126

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Parking</u>
Operating Revenues:			
Sales and service charges	\$ 14,508,590	\$ 3,281,179	\$ 2,498,860
Miscellaneous	13,180	11,154	35,075
Total Operating Revenues	14,521,770	3,292,333	2,533,935
Operating Expenses:			
Salaries	728,001	224,718	53,613
Employee benefits	328,320	259,043	59,862
Contract and professional services	5,320,280	48,833	565,625
Materials and services	923,767	164,445	522,510
Utilities	296,572	19,067	81,644
Administrative service charges	1,643,523	433,330	393,431
Leases and rents	-	-	-
Claims expense	-	-	-
Depreciation expense	566,843	212,924	254,699
Total Operating Expenses	9,807,306	1,362,360	1,931,384
Operating Income (Loss)	4,714,464	1,929,973	602,551
Nonoperating Revenues (Expenses):			
Interest revenue	319,350	79,889	34,214
Interest expense	(43,830)	(21,562)	(294,638)
Grant revenue	-	-	-
Gain (loss) on disposal of capital assets	5,853	-	-
Total Nonoperating Revenues (Expenses)	281,373	58,327	(260,424)
Income (Loss) Before Transfers and Contributions	4,995,837	1,988,300	342,127
Capital contributions	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Changes in Net Position	<u>\$ 4,995,837</u>	<u>\$ 1,988,300</u>	<u>\$ 342,127</u>
Net Position:			
Beginning of Fiscal Year, as originally reported	\$ 42,750,497	\$ 12,330,748	\$ 10,364,322
Restatements	-	-	-
Beginning of Fiscal Year, as restated	42,750,497	12,330,748	10,364,322
Changes in Net Position	<u>4,995,837</u>	<u>1,988,300</u>	<u>342,127</u>
End of Fiscal Year	<u>\$ 47,746,334</u>	<u>\$ 14,319,048</u>	<u>\$ 10,706,449</u>

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
Operating Revenues:			
Sales and service charges	\$ 5,896,596	\$ 26,185,225	\$ 13,027,835
Miscellaneous	21,919	81,328	25
Total Operating Revenues	5,918,515	26,266,553	13,027,860
Operating Expenses:			
Salaries	208,168	1,214,500	1,402,672
Employee benefits	53,000	700,225	530,199
Contract and professional services	4,380,815	10,315,553	1,469,007
Materials and services	1,391,125	3,001,847	2,301,502
Utilities	61,735	459,018	119,402
Administrative service charges	316,560	2,786,844	-
Leases and rents	402,675	402,675	-
Claims expense	-	-	6,656,552
Depreciation expense	187,516	1,221,982	925,361
Total Operating Expenses	7,001,594	20,102,644	13,404,695
Operating Income (Loss)	(1,083,079)	6,163,909	(376,835)
Nonoperating Revenues (Expenses):			
Interest revenue	46,022	479,475	-
Interest expense	-	(360,030)	(7,265)
Grant revenue	19,611	19,611	-
Gain (loss) on disposal of capital assets	-	5,853	29,138
Total Nonoperating Revenues (Expenses)	65,633	144,909	21,873
Income (Loss) Before Transfers and Contril	(1,017,446)	6,308,818	(354,962)
Capital contributions	850,000	850,000	-
Transfers in	841,286	841,286	667,000
Transfers out	(197,780)	(197,780)	-
Changes in Net Position	\$ 476,060	\$ 7,802,324	\$ 312,038
Net Position:			
Beginning of Fiscal Year, as originally reported	\$ 6,922,634	\$ 72,368,201	\$ 4,979,408
Restatements	(27,676)	(27,676)	-
Beginning of Fiscal Year, as restated	6,894,958	72,340,525	4,979,408
Changes in Net Position	476,060	7,802,324	312,038
End of Fiscal Year	\$ 7,371,018	\$ 80,142,849	\$ 5,291,446

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2016

	<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	\$ 14,619,863	\$ 3,315,710	\$ 2,530,635
Cash received from/(paid to) interfund service provided	-	-	-
Cash paid to suppliers for goods and services	(7,446,524)	(544,022)	(1,092,810)
Cash paid to employees for services	(1,072,548)	(492,006)	(113,758)
Net Cash Provided (Used) by Operating Activities	6,100,791	2,279,682	1,324,067
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	-	-	-
Cash transfers in	-	-	-
Grant subsidy	-	-	-
Street sweeping fee refunds	-	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	-	-	-
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(2,899,921)	(1,003,506)	(778,089)
Principal paid on capital debt	(117,293)	(57,707)	(395,000)
Interest paid on capital debt	(55,865)	(27,483)	(326,362)
Cash from sale of property	5,853	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,067,226)	(1,088,696)	(1,499,451)
Cash Flows from Investing Activities:			
Interest received	319,350	79,889	34,214
Net Cash Provided (Used) by Investing Activities	319,350	79,889	34,214
Net Increase (Decrease) in Cash and Cash Equivalents	3,352,915	1,270,875	(141,170)
Cash and Cash Equivalents at Beginning of Year	25,349,132	6,356,402	2,841,719
Cash and Cash Equivalents at End of Year	\$ 28,702,047	\$ 7,627,277	\$ 2,700,549
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 4,714,464	\$ 1,929,973	\$ 602,551
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	566,843	212,924	254,699
(Increase) decrease in accounts receivable	98,373	23,377	(2,030)
(Increase) decrease in prepaid expense	1,800	-	(111,484)
(Increase) decrease in inventory	7,937	-	-
(Increase) decrease in prepaid other post-employment benefits	27,875	6,588	2,433
Increase (decrease) in accounts payable	727,881	121,653	581,884
Increase (decrease) in deposits payable	(280)	-	(1,270)
Increase (decrease) in net pension liability	92,449	26,190	5,068
Increase (decrease) in deferred pension related items	(140,648)	(41,023)	(7,784)
Increase (decrease) in workers' compensation claims	-	-	-
Increase (decrease) in claims and judgments	-	-	-
Increase (decrease) in compensated absences	4,097	-	-
Total Adjustments	1,386,327	349,709	721,516
Net Cash Provided (Used) by Operating Activities	\$ 6,100,791	\$ 2,279,682	\$ 1,324,067
Non-Cash Investing, Capital, and Financing Activities:			
Bond premium amortization	\$ 9,689	\$ 4,767	\$ 23,824

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	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	\$ 5,930,974	\$ 26,397,182	\$ 25
Cash received from/(paid to) interfund service provided	-	-	13,008,686
Cash paid to suppliers for goods and services	(5,781,546)	(14,864,902)	(9,130,858)
Cash paid to employees for services	(267,137)	(1,945,449)	(1,995,014)
Net Cash Provided (Used) by Operating Activities	(117,709)	9,586,831	1,882,839
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	(197,780)	(197,780)	-
Cash transfers in	841,286	841,286	667,000
Grant subsidy	19,611	19,611	-
Street sweeping fee refunds	(27,676)	(27,676)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	635,441	635,441	667,000
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(92,462)	(4,773,978)	(640,309)
Principal paid on capital debt	-	(570,000)	(190,596)
Interest paid on capital debt	-	(409,710)	(7,265)
Cash from sale of property	-	5,853	53,046
Net Cash Provided (Used) by Capital and Related Financing Activities	(92,462)	(5,747,835)	(785,124)
Cash Flows from Investing Activities:			
Interest received	46,022	479,475	-
Net Cash Provided (Used) by Investing Activities	46,022	479,475	-
Net Increase (Decrease) in Cash and Cash Equivalents	471,292	4,953,912	1,764,715
Cash and Cash Equivalents at Beginning of Year	3,796,152	38,343,405	13,777,742
Cash and Cash Equivalents at End of Year	\$ 4,267,444	\$ 43,297,317	\$ 15,542,457
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (1,083,079)	\$ 6,163,909	\$ (376,835)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	187,516	1,221,982	925,361
(Increase) decrease in accounts receivable	12,459	132,179	(19,149)
(Increase) decrease in prepaid expense	40,289	(69,395)	68,764
(Increase) decrease in inventory	-	7,937	28,382
(Increase) decrease in prepaid other post-employment benefits	6,690	43,586	14,745
Increase (decrease) in accounts payable	263,084	1,694,502	(48,252)
Increase (decrease) in deposits payable	467,991	466,441	-
Increase (decrease) in net pension liability	24,882	148,589	161,320
Increase (decrease) in deferred pension related items	(37,541)	(226,996)	(251,845)
Increase (decrease) in workers' compensation claims	-	-	1,743,227
Increase (decrease) in claims and judgments	-	-	(362,879)
Increase (decrease) in compensated absences	-	4,097	-
Total Adjustments	965,370	3,422,922	2,259,674
Net Cash Provided (Used) by Operating Activities	\$ (117,709)	\$ 9,586,831	\$ 1,882,839
Non-Cash Investing, Capital, and Financing Activities:			
Bond premium amortization	\$ -	\$ 38,280	\$ -

CITY OF MANHATTAN BEACH

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2016

	<u>Agency Funds</u>	<u>Pension Trust Fund</u>
Assets:		
Pooled cash and investments	\$ 1,434,319	\$ 267,686
Receivables:		
Accounts	23,024	-
Due from other governments	-	156,223
Restricted assets:		
Cash and investments with fiscal agents	968,766	-
Total Assets	<u>\$ 2,426,109</u>	<u>423,909</u>
Liabilities:		
Art development fees	\$ 535,619	-
Deposits payable	54,295	-
Due to City	-	156,223
Due to bond holders	1,836,195	-
Total Liabilities	<u>\$ 2,426,109</u>	<u>156,223</u>
Net Position:		
Held in trust for pension		<u>267,686</u>
Total Net Position		<u>\$ 267,686</u>

CITY OF MANHATTAN BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2016

	Pension Trust Fund
Additions:	
Investment income	\$ 18,075
Refund of contributions	156,223
Total Additions	174,298
Deductions:	
Benefit payments	229,549
Total Deductions	229,549
Changes in Net Position	(55,251)
Net Position - Beginning of the Year	322,937
Net Position - End of the Year	\$ 267,686



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Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

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

Blended Component Unit

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

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

b. Accounting and Reporting Policies

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

c. Description of Funds

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

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

Governmental Fund Types

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

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

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

Proprietary Fund Types

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

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

Fiduciary Fund Types

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

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

Agency Funds:

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

d. Basis of Accounting/Measurement Funds

Government-Wide Financial Statements

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

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

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

Financial Statement Classification

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

Net Investment in capital assets

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

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

Restricted Net Position

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

Unrestricted Net Position

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

Governmental Fund Financial Statements

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

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

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

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

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

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

Proprietary Funds Financial Statements

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

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

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

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

Fiduciary Funds

Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Position and a Statement of Change in Fiduciary Net Position. The fiduciary funds are used to report assets held in a trustee or agency capacity for others and, therefore, are not available to support City programs. Since these assets are being held for the benefit of a third party, these funds are not incorporated into the government-wide statements. The pension trust funds are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. The agency funds have no measurement focus.

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

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:

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, for the net difference between projected and actual earnings on pension plan investments, for the proportionate share of the contributions made to the pension liability and the proportionate share of the net difference between projected and actual earnings on pension plan investments 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 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 changes in assumptions, differences between expected and actual experiences, 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 \$8,552,598 and \$4,934,251 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.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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.

Note 2: Stewardship, Compliance and Accountability

a. Excess of Expenditures Over Appropriations

Excess expenditures over appropriations were as follows:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund			
Public Safety	\$ 36,935,735	\$ 35,788,547	\$ 1,147,188
Culture and Recreation	7,331,395	7,289,982	41,413

b. Deficit Fund Balance and Net Position

At June 30, 2016, the Federal and State Grants fund has a deficit fund balance of \$(22,488) which will be resolved when grant revenues come in. The Insurance Reserve Fund and the Building Maintenance and Operations Fund have deficit net position of \$(2,368,236) and \$(312,455) respectively. These deficits will be resolved by future contributions from other funds.

Note 3: Cash and Investments

As of June 30, 2016, cash and investments were reported in the accompanying financial statements as follows:

Governmental Funds	\$ 42,686,760
Internal Service	15,542,457
Business-type activities	43,297,317
Agency	2,403,085
Pension Trust	<u>267,686</u>
Total Cash and Investments	<u>\$ 104,197,305</u>

The City pools all cash and investments that is available for use for all funds, including fiduciary funds. Unrestricted and restricted cash and investments as indicated in the Government wide statement of net position do not include Agency and Pension Trust cash and investments. These cash amounts are included in the Statement of Fiduciary Net Position – 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 3: Cash and Investments (Continued)

a. Deposits

At June 30, 2016, the carrying amount of the City's deposits was \$3,556,860 and the bank balance was \$4,624,486. The \$1,067,626 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 3: 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 \$31,700,000 whose pro-rata share of fair value was estimated by the State Treasurer to be \$31,719,693.

e. Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. 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.

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, 2016, the fair value exceeded the book value of investments by \$397,381.

Note 3: 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, 2016, 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. Investment in government agencies issued by the Federal National Mortgage Association, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal Farm Credit Banks, and Student Loan Marketing Association were rated "Aaa" by Moody's and "AA+" by Standard & Poor's. Asset-Backed Securities were rated "Aaa" by Moody's and "AAA" by Standard & Poor's.

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. As of June 30, 2016, the City's investments in external investment pools and money market mutual funds are unrated

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, 2016, 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, 2016, 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 (13.06%), Federal Farm Credit (13.09%), Federal Home Loan Mortgage Corporation (8.00%) and Federal National Mortgage Association (8.10%). These government-sponsored investments are backed by the federal government and are below the City's investment policy limit of 33.33% of total investments.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 3: Cash and Investments (Continued)

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.

k. Fair Value Measurement and Application

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2016:

Investment Type	Totals	Investments not Measured at Fair Value	Level		
			1	2	3
Local Agency Investment Fund (LAIF)	\$ 31,719,693	\$ -	\$ -	\$ 31,719,693	\$ -
Certificates of Deposit	4,426,033	-	-	4,426,033	-
US Treasury and Agency Notes	47,732,860	-	-	47,732,860	-
Medium-Term Corporate Notes	15,038,095	-	-	15,038,095	-
Investments with Fiscal Agent:					
Money Market Funds	1,718,852	1,718,852	-	-	-
Total Investments	\$ 100,635,533	\$ 1,718,852	\$ -	\$ 98,916,681	\$ -

As of June 30, 2016, 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	\$ 31,719,693	\$ -	\$ -	\$ -	\$ 31,719,693
Certificate of Deposit	1,227,842	1,474,822	1,723,369	-	4,426,033
US Treasury and agency notes	6,007,260	-	27,517,770	14,207,830	47,732,860
Medium-term notes	1,506,020	2,008,500	8,335,225	3,188,350	15,038,095
	\$ 40,460,815	\$ 3,483,322	\$ 37,576,364	\$ 17,396,180	98,916,681
Investment with Fiscal Agents:					
Utility Undergrounding					1,359,654
Water/Wastewater, Metlox Refunding bonds					193,456
Marine certificates of participation					12,586
Police & Fire certificate of participation refunding bonds					153,156
					1,718,852
Demand deposits					3,556,860
Other deposits					2,760
Petty cash					2,152
					3,561,772
Grand Total					\$ 104,197,305

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 4: 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.

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, 2016, are presented below:

	Transfers In				Total
	General Fund	Nonmajor Governmental Funds	Nonmajor Proprietary Funds	Internal Service Funds	
<u>Transfers Out</u>					
General Fund	\$ -	\$ 215,395	\$ 841,286	\$ 667,000	\$ 1,723,681
Nonmajor Governmental Funds	-	300,907	-	-	300,907
Nonmajor Proprietary Funds	197,780	-	-	-	197,780
Total	<u>\$ 197,780</u>	<u>\$ 516,302</u>	<u>\$ 841,286</u>	<u>\$ 667,000</u>	<u>\$ 2,222,368</u>

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

- The County Parking Lot fund transferred \$197,780 to the General Fund for recreation purposes.
- The General Fund transferred \$215,395 to the Street Lighting Fund to relieve a deficit fund balance.
- The General Fund transferred \$841,286 to the Storm Drain Fund for capital improvement projects.
- The General Fund transferred \$667,000 to the Insurance Reserve Fund to relieve negative net position over 3 years.
- The Measure R Fund transferred \$300,907 to the Measure A to relieve negative fund balance.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 5: Capital Assets and Depreciation

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Position. The City elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructure reporting, whereby depreciation expense and accumulated depreciation have been recorded. The following table presents the capital assets activity for the year ended June 30, 2016:

	Beginning Balance July 1, 2015	Transfers	Increases additions	Decreases (deletions)	Ending Balance June 30, 2016
Governmental Activities					
Land	\$ 33,634,565	\$ -	\$ -	\$ -	\$ 33,634,565
Construction-in-progress					
Streets / Roadways	5,504,489	(1,741,645)	2,306,808	-	6,069,652
Recreation	1,459,467	(1,114,614)	456,591	-	801,444
Buildings	163,942	(148,498)	-	(15,444)	-
Total Capital Assets, Not Being Depreciated	40,762,463	(3,004,757)	2,763,399	(15,444)	40,505,661
Buildings and structures	43,309,646	148,498	-	-	43,458,144
Machinery and equipment	7,255,399	-	353,833	-	7,609,232
Vehicles	11,066,411	-	640,309	(672,286)	11,034,434
Infrastructure					
Streets / Roadways	51,210,166	1,741,645	-	-	52,951,811
Parks & Recreation	17,372,263	1,114,614	-	-	18,486,877
Investment in Joint Venture (RCC)	3,022,484	-	196,839	(36,073)	3,183,250
Total Capital Assets, Being Depreciated	133,236,369	3,004,757	1,190,981	(708,359)	136,723,748
Less Accumulated Depreciation:					
Buildings and Structures	(9,524,645)	-	(865,387)	-	(10,390,032)
Machinery and Equipment	(5,829,273)	-	(455,794)	-	(6,285,067)
Vehicles	(5,527,072)	-	(925,361)	648,378	(5,804,055)
Infrastructure					
Streets / Roadways	(28,472,118)	-	(1,266,099)	-	(29,738,217)
Parks & Recreation	(5,572,987)	-	(328,726)	-	(5,901,713)
Investment in Joint Venture (RCC)	(1,182,256)	-	(114,747)	36,073	(1,260,930)
Total Accumulated Depreciation	(56,108,351)	-	(3,956,114)	684,451	(59,380,014)
Total Capital Assets, Being Depreciated, Net	77,128,018	3,004,757	(2,765,133)	(23,908)	77,343,734
Governmental Activities Capital Assets, Net	\$ 117,890,481	\$ -	\$ (1,734)	\$ (39,352)	\$ 117,849,395

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 5: Capital Assets and Depreciation (Continued)

	Beginning Balance July 1, 2015	Transfers	Increases additions	Decreases (deletions)	Ending Balance June 30, 2016
Business-Type Activities:					
Capital assets, not being depreciated:					
Land - water	\$ 307,967	\$ -	\$ -	\$ -	\$ 307,967
Land - storm water	7,650	-	850,000	-	857,650
Land - parking	1,441,817	-	-	-	1,441,817
Construction-in-progress	7,635,627	(708,518)	4,774,278	(300)	11,701,087
Total Capital Assets, Not Being Depreciated	9,393,061	(708,518)	5,624,278	(300)	14,308,521
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	405,707	-	-	26,309,127
Storm water	6,871,403	92,462	-	-	6,963,865
Wastewater	11,239,772	210,349	-	-	11,450,121
Total Capital Assets, Being Depreciated	62,338,464	708,518	-	-	63,046,982
Less Accumulated Depreciation:					
Buildings and structures - parking	(1,733,810)	-	(254,699)	-	(1,988,509)
Machinery and equipment - parking	(971,715)	-	-	-	(971,715)
Water	(11,530,786)	-	(566,843)	-	(12,097,629)
Storm water	(3,824,653)	-	(187,516)	-	(4,012,169)
Wastewater	(6,054,858)	-	(212,924)	-	(6,267,782)
Total Accumulated Depreciation	(24,115,822)	-	(1,221,982)	-	(25,337,804)
Total Capital Assets, Being Depreciated, Net	38,222,642	-	(1,221,982)	-	37,709,178
Business-Type Activities Capital Assets, Net	\$ 47,615,703	\$ -	\$ 4,402,296	\$ (300)	\$ 52,017,699

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

Governmental Activities:	
General government	\$ 251,260
Public safety	1,118,635
Public works	329,752
Parks and recreation	1,331,106
Internal service funds	925,361
Total Depreciation Expense - Governmental Activities	<u>\$ 3,956,114</u>
Business-Type Activities:	
Water	\$ 566,843
Wastewater	212,924
Parking	254,699
Storm water	187,516
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,221,982</u>

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 6: Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Due in One Year
Governmental Activities:					
Long-term Debt:					
Marine Ave Park COP	\$ 6,715,000	\$ -	\$ (270,000)	\$ 6,445,000	\$ 280,000
2013 Police and Fire Refunding COP	9,580,000	-	(455,000)	9,125,000	465,000
Lease Purchase Fire and Sewer Truck	531,820	-	(190,596)	341,224	193,718
Other:					
Compensated Absences	3,198,474	2,892,330	(2,845,721)	3,245,083	635,714
Workers Compensation Claims	9,991,134	8,046,821	(6,303,594)	11,734,361	7,268,221
General Liability Claims	2,115,367	988,802	(1,351,681)	1,752,488	1,284,377
Total Governmental	<u>\$ 32,131,795</u>	<u>\$ 11,927,953</u>	<u>\$ (11,416,592)</u>	32,643,156	<u>\$ 10,127,030</u>
Unamortized premium				408,585	
				<u>\$ 33,051,741</u>	
Business-Type Activities:					
Long-term Debt:					
2012 Metlox and Water/Wastewater Refunding COP	\$ 11,460,000	\$ -	\$ (570,000)	\$ 10,890,000	\$ 595,000
Other long term liabilities:					
Compensated Absences	71,090	64,256	(60,159)	75,187	14,729
Total Business Type	<u>\$ 11,531,090</u>	<u>\$ 64,256</u>	<u>\$ (630,159)</u>	10,965,187	<u>\$ 609,729</u>
Unamortized premium				506,607	
				<u>\$ 11,471,794</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 June 30,	Principal	Interest	Total
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	325,000	182,312	507,312
2022-2026	1,805,000	725,398	2,530,398
2027-2031	2,150,000	372,320	2,522,320
2032-2033	975,000	35,174	1,010,174
Total	<u>\$ 6,445,000</u>	<u>\$ 2,155,073</u>	<u>\$ 8,600,073</u>

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 6: Long-Term Liabilities (Continued)

b. 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, 2016, includes an unamortized bond premium of \$408,585 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. The outstanding balance at June 30, 2016 is \$498,909.

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
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	530,000	247,513	777,513
2022-2026	2,900,000	972,263	3,872,263
2027-2031	3,485,000	397,456	3,882,456
2032	250,000	8,438	258,438
Total	<u>\$ 9,125,000</u>	<u>\$ 2,765,272</u>	<u>\$ 11,890,272</u>

c. Fire and Sewer Truck Capital Leases

In fiscal year 2012-2013, the City entered into two lease agreements as lessee for financing the acquisition of one fire truck and one sewer truck valued at \$568,208 and \$381,305 respectively. The trucks each have an estimated useful life of 10 years. These lease agreements qualify as a capital lease for accounting purposes and therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 193,718	\$ 4,141	\$ 197,859
2018	147,506	1,095	148,601
Total	<u>\$ 341,224</u>	<u>\$ 5,236</u>	<u>\$ 346,460</u>

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 6: Long-Term Liabilities (Continued)

d. 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 \$506,607 at June 30, 2016, 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
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	137,401	37,165	174,566	67,599	18,285	85,884
2021	140,752	33,043	173,795	69,248	16,257	85,505
2022-2026	800,945	88,607	889,552	394,055	43,593	437,648
Total	<u>\$ 1,461,139</u>	<u>\$ 298,595</u>	<u>\$ 1,759,734</u>	<u>\$ 718,861</u>	<u>\$ 146,905</u>	<u>\$ 865,766</u>

Fiscal Year Ending June 30,	Metlox			Total		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 410,000	\$ 310,563	\$ 720,563	\$ 595,000	\$ 386,913	\$ 981,913
2018	430,000	294,163	724,163	620,000	363,113	983,113
2019	440,000	278,263	718,263	635,000	341,513	976,513
2020	460,000	260,663	720,663	665,000	316,113	981,113
2021	470,000	246,863	716,863	680,000	296,163	976,163
2022-2026	2,640,000	980,613	3,620,613	3,835,000	1,112,813	4,947,813
	3,860,000	503,688	4,363,688	3,860,000	503,688	4,363,688
Total	<u>\$ 8,710,000</u>	<u>\$ 2,874,816</u>	<u>\$ 11,584,816</u>	<u>\$ 10,890,000</u>	<u>\$ 3,320,316</u>	<u>\$ 14,210,316</u>

e. Compensated Absences

At June 30, 2016, the total citywide accrued liability for compensated absences amounted to \$3,320,270 which is comprised of \$2,784,737 and \$535,533 of vested vacation and sick leave, respectively. \$3,245,083 of this compensated leave liability is related to general government services with the remaining \$75,187 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.

f. Workers' Compensation Claims

As of June 30, 2016, 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 \$7,268,221. In addition, reserves of \$4,466,140 have been set aside for incurred but not reported claims. Total reserves are \$11,734,361.

Note 6: Long-Term Liabilities (Continued)

g. General Liability Claims

As of June 30, 2016, 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 \$1,284,377. In addition, reserves of \$468,111 have been set aside for incurred but not reported claims. Total reserves are \$1,752,488.

Note 7: Non-City Obligation

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

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

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

Note 8: Retirement Plans

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, 2014 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8: Retirement Plans (Continued)

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, 2016, 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	12.848%	12.848%

* Closed to new entrants

At June 30, 2015, the following employees were covered by the benefit terms of the plan:

Description	Number of Participants
	Miscellaneous Plan
Active members	213
Transferred members	138
Terminated members	112
Retired members and beneficiaries	210
Total	673

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, 2016, the employer contributions recognized as a reduction to the net pension liability for the Miscellaneous Plan was \$1,648,896.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8: Retirement Plans (Continued)***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, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 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

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses
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.

Change of Assumptions

GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8: Retirement Plans (Continued)

Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

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

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8: Retirement Plans (Continued)

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: 6/30/2014 (Valuation Date)	\$ 86,007,572	\$ 72,113,724	\$ 13,893,848
Changes Recognized for the Measurement Period:			
Service Cost	1,906,947	-	1,906,947
Interest on the Total Pension Liability	6,365,282	-	6,365,282
Changes of Benefit Terms	-	-	-
Changes of Assumptions	(1,610,461)	-	(1,610,461)
Difference between Expected and Actual Experience	(450,327)	-	(450,327)
Contribution from the Employer	-	1,619,438	(1,619,438)
Contributions from Employees	-	986,936	(986,936)
Net Investment Income	-	1,618,145	(1,618,145)
Benefit Payments including Refunds of Employee Contributions	(3,387,918)	(3,387,918)	-
Administrative Expense	-	(82,036)	82,036
Net Changes During 2014-15	2,823,523	754,565	2,068,958
Balance at: 6/30/2015 (Measurement Date)	\$ 88,831,095	\$ 72,868,289	\$ 15,962,806

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 7.65 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 (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Plan's Net Pension Liability/(Assets)	\$ 28,335,811	\$ 15,962,806	\$ 5,769,099

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

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8: Retirement Plans (Continued)

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

As of the start of the measurement period (July 1, 2014), the net pension liability was \$13,893,848. For the measurement period ending June 30, 2015 (the measurement date), the City incurred a pension expense/(income) of \$778,367 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, 2016, 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	\$ 1,881,560	\$ -
Changes of assumptions	-	(1,090,957)
Difference between expected and actual experience	-	(305,060)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	3,084,185	(3,665,581)
Total	<u>\$ 4,965,745</u>	<u>\$ (5,061,598)</u>

\$1,881,560 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	\$ (1,115,586)
2016	(1,115,586)
2017	(517,288)
2018	771,047

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8: Retirement Plans (Continued)**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 Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefits tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The Local Government sponsors six rate plans (three miscellaneous and three safety). Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan 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.

Below is a summary of the plan provisions and benefits in effect at June 30, 2016, for which the City of Irwindale has contracted:

	Safety Police Plan		Safety Fire Plan	
	Tier I *	PEPRA	Tier I *	PEPRA
Hire date	Prior to or on December 31, 2012	On or after January 1, 2013	Prior to or on December 31, 2012	On or after January 1, 2013
Benefit formula	3.0% @ 50	2.0% @ 57	3.0% @ 55	2.0% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	minimum 50 yrs	minimum 50 yrs	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,	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%	9.000%	12.250%
Required employer contribution rates	20.230%	11.923%	18.091%	11.923%

* Closed to new entrants

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8: Retirement Plans (Continued)

Employees Covered

At June 30, 2015, the following employees were covered by the benefit terms of the Plan:

Description	Number of members			
	Safety Police Plan		Safety Fire Plan	
	Classic	PEPRA	Classic	PEPRA
Active members	60	3	29	-
Transferred members	15	-	4	-
Terminated members	10	3	5	-
Retired members and beneficiaries	108	-	49	-
Total	193	6	87	-

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, 2016, the employer contributions recognized as part of pension expense were \$2,733,649 for the Safety Police Plan and \$1,266,670 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, 2016 of \$23,534,696 for its proportionate shares of the Safety Police Plan and \$10,115,196 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, 2015, 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, 2014 rolled forward to June 30, 2015 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.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8: Retirement Plans (Continued)

The City's proportionate share of the net pension liability for the safety plan as of June 30, 2014 and 2015, was as follows:

Proportion - June 30, 2014	0.482924%
Proportion - June 30, 2015	0.490244%
Changes - Increase (Decrease)	1.515610%

For the year ended June 30, 2016, the City recognized pension expense of \$1,922,653 and \$543,917 for the Safety Police Plan and the Safety Fire Plan respectively. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,000,319	\$ -
Changes in assumptions	-	(2,075,078)
Difference between expected and actual experiences	-	(451,166)
Net difference between projected and actual earnings on pension plan investments	-	(1,051,663)
Adjustment due to difference in proportions	806,019	(978,668)
Difference in proportionate share	-	(975,274)
Total	\$ 4,806,338	\$ (5,531,849)

\$4,000,319 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	\$ (1,609,144)
2017	(1,590,170)
2018	(1,264,002)
2019	(262,514)

Note 8: Retirement Plans (Continued)***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 Cost Method
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	3.3% - 14.2% (1)
Investment Rate of Return	7.50% (2)
Mortality Rate Table (3)	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) Depending on age, service and type of employment

(2) Net of Pension Plan Investment and Administrative Expenses; includes Inflation

(3) 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 on the CalPERS website.

All other actuarial assumptions used in the June 30, 2014, 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.

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8: Retirement Plans (Continued)

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. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. However, employers may determine the impact at the plan level for their own financial reporting purposes.

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 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 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	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	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

Note 8: Retirement Plans (Continued)

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/ (asset) of the Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.65 percent) or 1% point higher (8.65 percent) than the current rate:

Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
\$ 56,083,994	\$ 33,649,892	\$ 15,254,370

Pension Plan Fiduciary Net Position

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

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8: Retirement Plans (Continued)

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, 2016, 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, 2016 using an annual actuarial valuation as of June 30, 2016 less the pension plan's fiduciary net position.

Total pension liability	\$ 103,650
Plan fiduciary net position	<u>68,758</u>
Net pension liability	<u>\$ 34,892</u>
Plan fiduciary net position as a percentage of the total pension liability	66.34%

Actuarial Assumptions

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

Valuation Date	June 30, 2016
Pre-retirement mortality rates	RP-2000 Mortality Table Projected to 2016
Asset valuation method	Fair Market Value
Discount rate	3.6%

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 3.6%. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8: Retirement Plans (Continued)***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, 2016, 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: 6/30/2015	\$ 111,304	\$ 86,021	\$ 25,283
Changes Recognized for the Measurement Period:			
Net Investment Income	-	4,465	(4,465)
Benefit Payments including Refunds of Employee Contributions	(7,654)	(21,728)	14,074
Net Changes During 2015-16	(7,654)	(17,263)	9,609
Balance at: 6/30/2016	\$ 103,650	\$ 68,758	\$ 34,892

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 3.6%, as well as what the Employer's net pension liability would be if it were calculated using a discount rate that is 1% lower (2.6%) or 1% higher (4.6%) than the current rate:

	1% Lower (2.6%)	Current Discount Rate (3.6%)	1% Higher (4.6%)
Net pension liability	\$ 39,468	\$ 34,892	\$ 30,676

Pension Plan Fiduciary Net Position

The Supplemental Retirement Plan fiduciary net position is combined with the City's Single Highest Year 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 2015-16 was \$21,728 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.

Note 8: Retirement Plans (Continued)

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 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, 2016, 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 2016 using an annual actuarial valuation as of June 30, 2016 less the pension plan's fiduciary net position.

Total pension liability	\$ 296,622
Plan fiduciary net position	<u>198,928</u>
Net pension liability	<u>\$ 97,694</u>
Plan fiduciary net position as a percentage of the total pension liability	67.06%

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8: 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, 2016
Pre-retirement mortality rates	RP-2000 Mortality Table Projected to 2016
Asset valuation method	Fair Market Value
Discount rate	3.6%

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 3.6%. 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 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, 2016, 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: 6/30/2015	\$ 315,443	\$ 236,916	\$ 78,527
Changes Recognized for the Measurement Period:			
Net Investment Income	-	13,610	(13,610)
Benefit Payments including Refunds of Employee Contributions	(18,821)	(51,598)	32,777
Net Changes During 2015-16	(18,821)	(37,988)	19,167
Balance at: 6/30/2016	\$ 296,622	\$ 198,928	\$ 97,694

Note 8: 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 3.6%, as well as what the Employer's net pension liability would be if it were calculated using a discount rate that is 1% lower (2.6%) or 1% higher (4.6%) than the current rate:

	1% Lower (2.6%)	Current Discount Rate (3.6%)	1% Higher (4.6%)
Net pension liability	\$ 110,506	\$ 97,694	\$ 85,890

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 2015-16 was \$51,598 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.

Note 9: 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 2016, the City paid \$156,223 to retirees.

Note 9: Other Post Retirement Benefits (Continued)

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 2016, the City contribution paid to PERS was \$132,665. Plan members receiving benefits paid \$774,904.

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 2016. Therefore, the City will be reimbursed for \$288,888 (\$132,665 from PERS and \$156,223 from 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 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, 2015. The next valuation will be as of July 1, 2017.

Note 9: Other Post Retirement Benefits (Continued)

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

Valuation date:	July 1, 2015
Actuarial Cost Method:	Entry age normal.
Amortization methods:	Closed 10 year amortization period for the initial UAAL. Level dollar for open 2 year amortization period for any residual UAAL.
Inflation:	2.75% per year.
Investment return/discount rate:	6.5% per year based on assumed long-term return on plan assets assuming 100% funding through CERBT.
Healthcare cost trend:	4% per year.
Payroll increase:	2.75% per year.
Actuarial value of plan assets:	market 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, 2016. The number of participants is 260 eligible active employees and 95 eligible retirees.

Separate financial statements for the CERBT may be obtained by writing to CalPERS at Lincoln Plaza North 400 Q Street, Sacramento, California 95814 or by visiting the CalPERS website at www.calpers.ca.gov.

Annual OPEB Cost and Net OPEB Obligation

In the fiscal year 2015-16, the City conducted an actuarial analysis in order to be in conformance with GASB 45. The valuation date was July 1, 2015.

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 2015-2016, projected normal cost of \$144,512 and residual unamortized actuarial accrued liability (UAAL) of (\$1,988,851) resulting in an actuarially required contribution (ARC) for fiscal 2015-2016, of \$0.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9: 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)	\$ -
Interest on net OPEB	(55,797)
Amortization of OPEB	<u>774,387</u>
Annual OPEB cost	718,590
Less: Annual contributions made	<u>-</u>
Increase (decrease) in net OPEB obligation	718,590
Net OPEB obligation (asset) - beginning of year	<u>(1,487,911)</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ (769,321)</u></u>

The City's annual OPEB cost, the amount of annual OPEB cost contributed to the plan and the net OPEB obligation (NOO) for fiscal year 2015-2016, 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
6/30/2014	\$ 874,939	\$ 248,000	\$ (2,159,111)	28.34%
6/30/2015	946,200	275,000	(1,487,911)	29.06%
6/30/2016	718,590	-	(769,321)	0.00%

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, 2016, was \$9,559,275, which reflects a gain of \$146,275 from the prior fiscal year 2014-2015.

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**

Note 9: Other Post Retirement Benefits (Continued)

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
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%)
7/1/2015	5,938,321	9,559,275	(3,620,954)	161.0%	26,982,379	(13.4%)

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

Note 10: 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, 2016, 100% of contribution is derived from employee deduction.

Total payroll for employees covered by this plan for the year was \$92,406. The amount of employee contribution was \$1,232,071.

Note 11: Risk Management

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

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

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

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

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 11: Risk Management (Continued)

Claims expenditures and liabilities (general and worker’s compensation) are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. This liability is the City’s best estimate based on available information.

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
2015	\$ 9,886,442	\$ 6,888,411	\$ (4,668,352)	\$ 12,106,501
2016	12,106,501	9,035,623	(7,655,275)	13,486,849

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, 2016, which can be obtained from Independent Cities Risk Management Authority, 1100 W. Town and Country Road, Suite 1550, Orange, California 92868.

Note 12: Net Position Restatement

Beginning net position for the Business-Type Activities and the Refuse Fund has been restated by \$(27,676) to refund prior year street sweeping fees. This course of action was undertaken after legal review of the validity of such fees.

Note 13: 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%.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 13: Joint Ventures and Jointly Governed Organizations (Continued)

Summarized audited financial information for SBRPCA at June 30, 2015*, is presented below:

<u>Statement of Net Position</u>	
Assets	
Current assets	\$ 2,270,596
Noncurrent assets	8,471,369
Total Assets	<u>10,741,965</u>
Deferred Outflows of Resources	<u>541,402</u>
Liabilities	
Current liabilities	315,972
Noncurrent liabilities	5,144,278
Total Liabilities	<u>5,460,250</u>
Deferred Inflows of Resources	<u>1,363,653</u>
Net Position	<u>\$ 4,459,464</u>

<u>Statement of Activities</u>	
Operating Revenues	\$ 9,605,260
Operating Expenses	<u>(9,360,711)</u>
Operating income before depreciation	<u>244,549</u>
Depreciation	<u>(505,670)</u>
Operating loss	<u>(261,121)</u>
Non-operating revenues (expenses):	
Interest earnings	<u>7,460</u>
Non operating revenues (expenses)	<u>7,460</u>
Change in net position	(253,661)
Net Position - June 30, 2014	9,550,467
Prior period adjustments	<u>(4,837,342)</u>
Net Position - June 30, 2015	<u>\$ 4,459,464</u>

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

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 13: 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, 2016*, 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	\$ 15,446,914
Expenses	(11,205,659)
Excess of Expenditures Over Revenues	<u>4,241,255</u>
Non operating revenues (expenses)	
Investment earnings	8,947
Other revenue	44,283
Non operating revenues (expenses)	<u>53,230</u>
Change in net position	4,294,485
Net Position - June 30, 2015	<u>6,776,619</u>
Net Position - June 30, 2016	<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, 2016

Note 14: 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, 2016:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Expenditures to date as of June 30, 2016</u>	<u>Remaining Commitments</u>
Capital Improvement Fund			
Strand Stairs Rehabilitation	\$ 1,701,000	\$ 333,500	\$ 1,367,500
2011-12 Sewer Main Rehabilitation Phase 2	1,312,222	678,075	634,147
Slurry Seal Area 2 and 3 Project	506,989	175,432	331,557
2013-14 Water Main Replacement Project	2,316,668	2,046,218	270,450

Note 15: Subsequent Events

In November 2016, the City issued \$5,905,000 Certificates of Participation (Marine Field Refunding) Series 2016 to refund the outstanding balance of the 2002 Marine Avenue Certificates of Participation.

REQUIRED SUPPLEMENTARY INFORMATION



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CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 22,764,750	\$ 22,764,750	\$ 22,764,750	\$ -
Taxes and assessments	44,259,900	44,259,900	46,162,711	1,902,811
Licenses and permits	2,637,030	2,752,030	2,796,838	44,808
Intergovernmental	265,837	265,837	524,218	258,381
Charges for services	9,707,897	9,592,897	9,568,921	(23,976)
Use of money and property	3,164,136	3,198,630	3,717,747	519,117
Fines and forfeitures	2,926,000	2,926,000	2,503,274	(422,726)
Miscellaneous	690,500	690,500	1,494,448	803,948
Transfers in	747,093	747,093	197,780	(549,313)
Proceeds from sale of capital asset	1,200	1,200	838	(362)
Amounts Available for Appropriations	87,164,343	87,198,837	89,731,525	2,532,688
Charges to Appropriations (Outflow):				
General government	13,304,048	16,047,553	13,188,149	2,859,404
Public safety	35,754,822	35,788,547	36,935,735	(1,147,188)
Culture and recreation	7,218,045	7,289,982	7,331,395	(41,413)
Public works	6,290,644	6,566,331	6,116,597	449,734
Capital outlay	416,372	892,480	327,017	565,463
Debt service:				
Principal retirement	270,000	270,000	270,000	-
Interest and fiscal charges	311,231	311,231	88,670	222,561
Transfers out	1,631,706	1,631,706	1,723,681	(91,975)
Total Charges to Appropriations	65,196,868	68,797,830	65,981,244	2,816,586
Budgetary Fund Balance, June 30	\$ 21,967,475	\$ 18,401,007	\$ 23,750,281	\$ 5,349,274

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	2014	2015
TOTAL PENSION LIABILITY		
Service Cost	\$ 1,897,933	\$ 1,906,947
Interest	6,036,548	6,365,282
Difference Between expected and Actual Experience	-	(1,610,461)
Changes in Assumptions	-	(450,327)
Benefit Payments, Including Refunds of employee Contributions	(2,930,477)	(3,387,918)
Net Change in Total Pension Liability	\$ 5,004,004	\$ 2,823,523
Total Pension Liability - Beginning	81,003,568	86,007,572
Total Pension Liability - Ending (a)	\$ 86,007,572	\$ 88,831,095
PLAN FIDUCIARY NET POSITION		
Contribution - Employer	\$ 1,512,406	\$ 1,619,438
Contribution - Employee	911,689	986,936
Net Investment Income	10,722,182	1,618,145
Benefit Payments, Including Refunds of Employee Contributions	(2,930,477)	(3,387,918)
Administrative Expense	-	(82,036)
Net Change in Fiduciary Net Position	\$ 10,215,800	\$ 754,565
Plan Fiduciary Net Position - Beginning	61,897,924	72,113,724
Plan Fiduciary Net Position - Ending (b)	\$ 72,113,724	\$ 72,868,289
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ 13,893,848	\$ 15,962,806
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.85%	82.03%
Covered-Employee Payroll	\$ 12,741,228	\$ 13,348,365
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	109.05%	119.59%

(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 two years are shown.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. 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: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

CITY OF MANHATTAN BEACH

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 1,526,186	\$ 1,648,896	\$ 1,881,560
Contribution in Relation to the Actuarially Determined Contribution	(1,526,186)	(1,648,896)	(1,881,560)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll (3) (4)	\$ 12,832,491	\$ 14,188,326	\$ 15,264,297
Contributions as a Percentage of Covered-Employee Payroll (3)	11.89%	11.62%	12.33%

(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 three years are shown.

Note to Schedule:

Valuation Date:	June 30, 2013
Methods and assumptions used to determine contribution rates:	
Single and Agent Employers	Entry age normal
Amortization method	Level Percent of Payroll, closed 20 years 20 Years as of the Valuation Date
Assets valuation method	Market value
Inflation	2.75%
Salary Increases	3.30% - 14.20% depending on age, service and type of employment
Investment rate of return	7.5% net of pension plan investment and administrative expense, including inflation
Retirement age	55 years
Mortality	RP-2000 Heath Annuitant Mortality Table

CITY OF MANHATTAN BEACH

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

	<u>2014</u>	<u>2015</u>
Safety Plan		
Proportion of the Net Pension Liability	0.482924%	0.490244%
Proportionate Share of the Net Pension Liability	\$ 30,049,799	\$ 33,649,892
Covered-Employee Payroll	\$ 11,899,053	\$ 12,509,404
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	252.54%	269.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.42%	81.42%

Notes to Schedule:

Benefit Changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. 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:

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

(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 two years are shown.

CITY OF MANHATTAN BEACH

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Safety Plan			
Actuarially Determined Contribution	\$ 3,200,572	\$ 3,437,160	\$ 4,000,319
Contribution in Relation to the Actuarially Determined Contribution	<u>(3,200,572)</u>	<u>(3,437,160)</u>	<u>(4,000,319)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 11,899,053	\$ 12,509,404	\$ 13,396,233
Contributions as a Percentage of Covered-Employee Payroll	26.90%	27.48%	29.86%

(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 three years are shown.

Note to Schedule:

Valuation Date:	June 30, 2013
Methods and assumptions used to determine contribution rates:	
Single and Agent Employers	Entry age normal
Amortization method	Level Percent of Payroll, closed 20 years
	20 Years as of the Valuation Date
Assets valuation method	Market value
Inflation	2.75%
	3.30% - 14.20% depending on age,
Salary Increases	service and type of employment
Investment rate of return	7.5% net of pension plan investment
	and administrative expense, including
	inflation
Retirement age	55 years
Mortality	RP-2000 Heath Annuitant Mortality Table

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>	<u>2016</u>
Total pension liability:			
Interest	\$ 4,535	\$ 3,868	\$ 4,465
Benefit payments, including refunds of member contributions	(20,118)	(20,519)	(21,728)
Experience losses/(gains)	(6,296)	16,651	9,609
	<u>(21,879)</u>	<u>-</u>	<u>(7,654)</u>
Net change in total pension liability			
Total pension liability, beginning of year	133,183	111,304	111,304
	<u>111,304</u>	<u>111,304</u>	<u>103,650</u>
Total pension liability, end of year			
Plan fiduciary net position:			
Net investment income	4,535	3,868	4,465
Benefit payments, including refunds of member contributions	(20,118)	(20,519)	(21,728)
	<u>(15,583)</u>	<u>(16,651)</u>	<u>(17,263)</u>
Net change in plan fiduciary net position			
Total fiduciary net position, beginning of year	118,255	102,672	86,021
	<u>102,672</u>	<u>86,021</u>	<u>68,758</u>
Total fiduciary net position, end of year			
Net pension liability (asset), end of year	<u>\$ 8,632</u>	<u>\$ 25,283</u>	<u>\$ 34,892</u>
Plan fiduciary net position as a percentage of the total pension liability	92.24%	77.28%	66.34%
The Supplement Retirement Plan is dormant.			
Covered-employee payroll	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	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)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Employer contributions:			
Actuarial determined contributions	\$ -	\$ -	\$ -
Actual contributions	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Supplement Retirement Plan is dormant.

Actual contributions as a percentage of actuarial determined contributions	N/A	N/A	N/A
Covered-employee payroll	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	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 INVESTMENT RETURNS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (A)

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense	4.40%	4.40%	3.60%

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

CITY OF MANHATTAN BEACH

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

	2014	2015	2016
Total pension liability:			
Interest	\$ 12,194	\$ 9,588	\$ 13,610
Benefit payments, including refunds of member contributions	(49,893)	(50,872)	(51,598)
Experience losses/(gains)	(20,492)	41,284	19,167
Net change in total pension liability	(58,191)	-	(18,821)
Total pension liability, beginning of year	373,634	315,443	315,443
Total pension liability, end of year	315,443	315,443	296,622
Plan fiduciary net position:			
Net investment income	12,194	9,588	13,610
Benefit payments, including refunds of member contributions	(49,893)	(50,872)	(51,598)
Net change in plan fiduciary net position	(37,699)	(41,284)	(37,988)
Total fiduciary net position, beginning of year	315,899	278,200	236,916
Total fiduciary net position, end of year	278,200	236,916	198,928
Net pension liability (asset), end of year	\$ 37,243	\$ 78,527	\$ 97,694
Plan fiduciary net position as a percentage of the total pension liability	88.19%	75.11%	67.06%
The Single Highest Year Plan is dormant.			
Covered-employee payroll	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	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>	<u>2,016</u>
Employer contributions:			
Actuarial determined contributions	\$ -	\$ -	\$ -
Actual contributions	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Single Highest Year Plan is dormant.

Actual contributions as a percentage of actuarial determined contributions	N/A	N/A	N/A
Covered-employee payroll	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	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 INVESTMENT RETURNS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (A)

	<u>2014</u>	<u>2015</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	4.40%	4.40%	3.60%

(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.

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.

SUPPLEMENTARY SCHEDULES



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CITY OF MANHATTAN BEACH

JUNE 30, 2016

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, 2016

	Special Revenue Funds			
	Street Lighting and Landscape	Gas Tax	Asset Forfeiture	Public Safety Grants
Assets:				
Pooled cash and investments	\$ 52,263	\$ 3,772,944	\$ 780,805	\$ 93,766
Receivables:				
Accounts	6,262	20,058	-	-
Prepaid costs	-	-	-	-
Due from other governments	-	104,715	7,790	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 58,525	\$ 3,897,717	\$ 788,595	\$ 93,766
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 58,525	\$ 233,968	\$ 8,766	\$ -
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	58,525	233,968	8,766	-
Deferred Inflows of Resources:				
Unavailable revenues	-	58,145	-	-
Total Deferred Inflows of Resources	-	58,145	-	-
Fund Balances:				
Restricted for:				
Public safety	-	-	779,829	93,766
Public works	-	3,605,604	-	-
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	-	3,605,604	779,829	93,766
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 58,525	\$ 3,897,717	\$ 788,595	\$ 93,766

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

(CONTINUED)

	Special Revenue Funds			
	Federal and State Grants	Proposition A	Proposition C	AB 2766
Assets:				
Pooled cash and investments	\$ -	\$ 8,045	\$ 4,114,085	\$ 60,605
Receivables:				
Accounts	-	-	-	-
Prepaid costs	-	413	-	-
Due from other governments	22,488	2,852	599,954	34,721
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 22,488	\$ 11,310	\$ 4,714,039	\$ 95,326
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 11,310	\$ 69,005	\$ -
Deposits payable	-	-	-	-
Due to other funds	22,488	-	-	-
Total Liabilities	22,488	11,310	69,005	-
Deferred Inflows of Resources:				
Unavailable revenues	22,488	-	599,954	22,485
Total Deferred Inflows of Resources	22,488	-	599,954	22,485
Fund Balances:				
Restricted for:				
Public safety	-	-	-	-
Public works	-	-	-	72,841
Capital Projects	-	-	4,045,080	-
Unassigned	(22,488)	-	-	-
Total Fund Balances	(22,488)	-	4,045,080	72,841
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 22,488	\$ 11,310	\$ 4,714,039	\$ 95,326

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	<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	\$ 1,614,456	\$ 204,095	\$ 10,701,064
Receivables:			
Accounts	-	-	26,320
Prepaid costs	-	-	413
Due from other governments	-	-	772,520
Restricted assets:			
Cash and investments with fiscal agents	-	390,886	390,886
Total Assets	<u>\$ 1,614,456</u>	<u>\$ 594,981</u>	<u>\$ 11,891,203</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 20,071	\$ -	\$ 401,645
Deposits payable	-	1,741	1,741
Due to other funds	-	-	22,488
Total Liabilities	<u>20,071</u>	<u>1,741</u>	<u>425,874</u>
Deferred Inflows of Resources:			
Unavailable revenues	-	-	703,072
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>703,072</u>
Fund Balances:			
Restricted for:			
Public safety	-	-	873,595
Public works	1,594,385	-	5,272,830
Capital Projects	-	593,240	4,638,320
Unassigned	<u>-</u>	<u>-</u>	<u>(22,488)</u>
Total Fund Balances	<u>1,594,385</u>	<u>593,240</u>	<u>10,762,257</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,614,456</u>	<u>\$ 594,981</u>	<u>\$ 11,891,203</u>



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CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue Funds			
	Street Lighting and Landscape	Gas Tax	Asset Forfeiture	Public Safety Grants
Revenues:				
Taxes	\$ 375,448	\$ 63,269	\$ -	\$ -
Intergovernmental	-	1,132,907	53,956	114,618
Charges for services	20,907	-	-	-
Use of money and property	-	45,426	12,205	2,466
Miscellaneous	-	-	-	-
Total Revenues	396,355	1,241,602	66,161	117,084
Expenditures:				
Current:				
Public safety	-	-	115,134	130,830
Culture and recreation	-	-	-	-
Public works	611,750	240,331	-	-
Capital outlay	-	262,928	21,949	42,171
Total Expenditures	611,750	503,259	137,083	173,001
Excess (Deficiency) of Revenues Over (Under) Expenditures	(215,395)	738,343	(70,922)	(55,917)
Other Financing Sources (Uses):				
Transfers in	215,395	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	215,395	-	-	-
Net Change in Fund Balances	-	738,343	(70,922)	(55,917)
Fund Balances, Beginning of Year	-	2,867,261	850,751	149,683
Fund Balances, End of Year	\$ -	\$ 3,605,604	\$ 779,829	\$ 93,766

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

(CONTINUED)

	Special Revenue Funds			
	Federal and State Grants	Proposition A	Proposition C	AB 2766
Revenues:				
Taxes	\$ -	\$ 642,932	\$ 534,054	\$ -
Intergovernmental	-	-	509,970	45,430
Charges for services	-	6,544	-	-
Use of money and property	-	-	62,210	2,211
Miscellaneous	-	27,822	-	-
Total Revenues	-	677,298	1,106,234	47,641
Expenditures:				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	978,205	-	-
Public works	-	-	-	140,919
Capital outlay	-	-	1,043,666	51,271
Total Expenditures	-	978,205	1,043,666	192,190
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(300,907)	62,568	(144,549)
Other Financing Sources (Uses):				
Transfers in	-	300,907	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	300,907	-	-
Net Change in Fund Balances	-	-	62,568	(144,549)
Fund Balances, Beginning of Year	(22,488)	-	3,982,512	217,390
Fund Balances, End of Year	\$ (22,488)	\$ -	\$ 4,045,080	\$ 72,841

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Measure R	Underground Assessment District	
Revenues:			
Taxes	\$ 400,213	\$ -	\$ 2,015,916
Intergovernmental	-	-	1,856,881
Charges for services	-	-	27,451
Use of money and property	22,845	2,991	150,354
Miscellaneous	-	-	27,822
Total Revenues	423,058	2,991	4,078,424
Expenditures:			
Current:			
Public safety	-	-	245,964
Culture and recreation	-	-	978,205
Public works	-	-	993,000
Capital outlay	56,911	-	1,478,896
Total Expenditures	56,911	-	3,696,065
Excess (Deficiency) of Revenues Over (Under) Expenditures	366,147	2,991	382,359
Other Financing Sources (Uses):			
Transfers in	-	-	516,302
Transfers out	(300,907)	-	(300,907)
Total Other Financing Sources (Uses)	(300,907)	-	215,395
Net Change in Fund Balances	65,240	2,991	597,754
Fund Balances, Beginning of Year	1,529,145	590,249	10,164,503
Fund Balances, End of Year	\$ 1,594,385	\$ 593,240	\$ 10,762,257

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 STREET LIGHTING AND LANDSCAPE
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Taxes	378,127	378,127	375,448	(2,679)
Charges for services	19,053	19,053	20,907	1,854
Transfers in	217,649	217,649	215,395	(2,254)
Amounts Available for Appropriations	614,829	614,829	611,750	(3,079)
Charges to Appropriations (Outflow):				
Public works	614,829	618,329	611,750	6,579
Total Charges to Appropriations	614,829	618,329	611,750	6,579
Budgetary Fund Balance, June 30	\$ -	\$ (3,500)	\$ -	\$ 3,500

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 GAS TAX
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,867,261	\$ 2,867,261	\$ 2,867,261	\$ -
Resources (Inflows):				
Taxes	-	-	63,269	63,269
Intergovernmental	807,185	3,118,506	1,132,907	(1,985,599)
Use of money and property	23,300	23,300	45,426	22,126
Amounts Available for Appropriations	3,697,746	6,009,067	4,108,863	(1,900,204)
Charges to Appropriations (Outflow):				
Public works	-	-	240,331	(240,331)
Capital outlay	2,752,541	4,965,767	262,928	4,702,839
Total Charges to Appropriations	2,752,541	4,965,767	503,259	4,462,508
Budgetary Fund Balance, June 30	\$ 945,205	\$ 1,043,300	\$ 3,605,604	\$ 2,562,304

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 ASSET FORFEITURE
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 850,751	\$ 850,751	\$ 850,751	\$ -
Resources (Inflows):				
Intergovernmental	-	-	53,956	53,956
Use of money and property	7,300	7,300	12,205	4,905
Amounts Available for Appropriations	858,051	858,051	916,912	58,861
Charges to Appropriations (Outflow):				
Public safety	166,454	166,454	115,134	51,320
Capital outlay	49,496	49,496	21,949	27,547
Total Charges to Appropriations	215,950	215,950	137,083	78,867
Budgetary Fund Balance, June 30	\$ 642,101	\$ 642,101	\$ 779,829	\$ 137,728

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 PUBLIC SAFETY GRANTS
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 149,683	\$ 149,683	\$ 149,683	\$ -
Resources (Inflows):				
Intergovernmental	100,000	100,000	114,618	14,618
Use of money and property	1,200	1,200	2,466	1,266
Amounts Available for Appropriations	250,883	250,883	266,767	15,884
Charges to Appropriations (Outflow):				
Public safety	80,000	144,485	130,830	13,655
Capital outlay	25,000	33,497	42,171	(8,674)
Total Charges to Appropriations	105,000	177,982	173,001	4,981
Budgetary Fund Balance, June 30	\$ 145,883	\$ 72,901	\$ 93,766	\$ 20,865

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION A
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Taxes	643,195	643,195	642,932	(263)
Charges for services	6,800	6,800	6,544	(256)
Use of money and property	400	400	-	(400)
Miscellaneous	20,000	20,000	27,822	7,822
Transfers in	189,145	329,018	300,907	(28,111)
Amounts Available for Appropriations	859,540	999,413	978,205	(21,208)
Charges to Appropriations (Outflow):				
Culture and recreation	859,540	930,365	978,205	(47,840)
Capital outlay	-	71,663	-	71,663
Total Charges to Appropriations	859,540	1,002,028	978,205	23,823
Budgetary Fund Balance, June 30	\$ -	\$ (2,615)	\$ -	\$ 2,615

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION C
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,982,512	\$ 3,982,512	\$ 3,982,512	\$ -
Resources (Inflows):				
Taxes	533,514	533,514	534,054	540
Intergovernmental	-	17,543,687	509,970	(17,033,717)
Use of money and property	30,000	30,000	62,210	32,210
Amounts Available for Appropriations	4,546,026	22,089,713	5,088,746	(17,000,967)
Charges to Appropriations (Outflow):				
Capital outlay	2,468,399	21,864,658	1,043,666	20,820,992
Total Charges to Appropriations	2,468,399	21,864,658	1,043,666	20,820,992
Budgetary Fund Balance, June 30	\$ 2,077,627	\$ 225,055	\$ 4,045,080	\$ 3,820,025

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE

AB 2766

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 217,390	\$ 217,390	\$ 217,390	\$ -
Resources (Inflows):				
Intergovernmental	48,612	71,097	45,430	(25,667)
Use of money and property	3,100	3,100	2,211	(889)
Amounts Available for Appropriations	269,102	291,587	265,031	(26,556)
Charges to Appropriations (Outflow):				
Public works	11,100	12,420	140,919	(128,499)
Capital outlay	-	179,770	51,271	128,499
Total Charges to Appropriations	11,100	192,190	192,190	-
Budgetary Fund Balance, June 30	\$ 258,002	\$ 99,397	\$ 72,841	\$ (26,556)

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 MEASURE R
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,529,145	\$ 1,529,145	\$ 1,529,145	\$ -
Resources (Inflows):				
Taxes	400,140	400,140	400,213	73
Use of money and property	7,600	7,600	22,845	15,245
Amounts Available for Appropriations	1,936,885	1,936,885	1,952,203	15,318
Charges to Appropriations (Outflow):				
Capital outlay	335,000	510,000	56,911	453,089
Transfers out	189,145	329,018	300,907	28,111
Total Charges to Appropriations	524,145	839,018	357,818	481,200
Budgetary Fund Balance, June 30	\$ 1,412,740	\$ 1,097,867	\$ 1,594,385	\$ 496,518

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 CAPITAL IMPROVEMENT
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 10,266,713	\$ 10,266,713	\$ 10,266,713	\$ -
Resources (Inflows):				
Taxes	720,000	720,000	730,198	10,198
Licenses and permits	34,523	34,523	15,642	(18,881)
Intergovernmental	-	3,429,064	25,341	(3,403,723)
Charges for services	712,000	712,000	688,390	(23,610)
Use of money and property	-	-	1,955	1,955
Fines and forfeitures	133,000	133,000	112,032	(20,968)
Amounts Available for Appropriations	11,866,236	15,295,300	11,840,271	(3,455,029)
Charges to Appropriations (Outflow):				
General government	2,400	2,400	172,171	(169,771)
Public safety	-	-	8,083	(8,083)
Culture and recreation	-	-	25,511	(25,511)
Public works	-	-	247,245	(247,245)
Capital outlay	7,335,898	11,592,938	1,347,243	10,245,695
Debt service:				
Principal retirement	455,000	455,000	455,000	-
Interest and fiscal charges	317,136	317,136	314,788	2,348
Total Charges to Appropriations	8,110,434	12,367,474	2,570,041	9,797,433
Budgetary Fund Balance, June 30	\$ 3,755,802	\$ 2,927,826	\$ 9,270,230	\$ 6,342,404

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 UNDERGROUND ASSESSMENT DISTRICT
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 590,249	\$ 590,249	\$ 590,249	\$ -
Resources (Inflows):				
Use of money and property	1,200	1,200	2,991	1,791
Amounts Available for Appropriations	591,449	591,449	593,240	1,791
Budgetary Fund Balance, June 30	\$ 591,449	\$ 591,449	\$ 593,240	\$ 1,791

CITY OF MANHATTAN BEACH

JUNE 30, 2016

NONMAJOR ENTERPRISE FUNDS

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

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

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

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

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

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2016

	Business-Type Activities - Enterprise Funds				Totals
	Stormwater	Refuse	County Parking Lot	State Pier and Parking Lot	
Assets:					
Current:					
Cash and investments	\$ 1,457,735	\$ 614,749	\$ 326,640	\$ 1,868,320	\$ 4,267,444
Receivables:					
Accounts	7,812	301,368	-	-	309,180
Total Current Assets	1,465,547	916,117	326,640	1,868,320	4,576,624
Noncurrent:					
Prepaid other post-employment benefits	2,171	3,257	869	869	7,166
Capital assets - net of accumulated depreciation	4,548,886	-	-	-	4,548,886
Total Noncurrent Assets	4,551,057	3,257	869	869	4,556,052
Total Assets	6,016,604	919,374	327,509	1,869,189	9,132,676
Deferred Outflows of Resources:					
Deferred pension related items	22,197	28,548	3,892	3,892	58,529
Total Deferred Outflows of Resources	22,197	28,548	3,892	3,892	58,529
Total Assets & Deferred Outflows of Resources	\$ 6,038,801	\$ 947,922	\$ 331,401	\$ 1,873,081	\$ 9,191,205
Liabilities and Net Position:					
Liabilities:					
Current:					
Accounts payable	\$ 166,099	\$ 335,895	\$ 312,277	\$ 247,505	\$ 1,061,776
Deposits payable	467,991	-	-	-	467,991
Total Current Liabilities	634,090	335,895	312,277	247,505	1,529,767
Noncurrent:					
Net pension liability	73,937	116,775	14,544	14,544	219,800
Total Noncurrent Liabilities	73,937	116,775	14,544	14,544	219,800
Total Liabilities	708,027	452,670	326,821	262,049	1,749,567
Deferred Inflows of Resources:					
Deferred pension related items	23,545	37,915	4,580	4,580	70,620
Total Deferred Inflows of Resources	23,545	37,915	4,580	4,580	70,620
Net Position:					
Net investment in capital assets	4,548,886	-	-	-	4,548,886
Unrestricted	758,343	457,337	-	1,606,452	2,822,132
Total Net Position	5,307,229	457,337	-	1,606,452	7,371,018
Total Liabilities and Net Position	\$ 6,038,801	\$ 947,922	\$ 331,401	\$ 1,873,081	\$ 9,191,205

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NON-MAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds				
	Stormwater	Refuse	County Parking Lot	State Pier and Parking Lot	Totals
Operating Revenues:					
Sales and service charges	\$ 345,736	\$ 4,238,134	\$ 732,137	\$ 580,589	\$ 5,896,596
Miscellaneous	-	4,182	-	17,737	21,919
Total Operating Revenues	345,736	4,242,316	732,137	598,326	5,918,515
Operating Expenses:					
Salaries	78,424	95,731	17,006	17,007	208,168
Employee benefits	22,375	21,850	4,386	4,389	53,000
Contract and professional services	533,867	3,604,660	35,998	206,290	4,380,815
Materials and services	280,311	196,421	21,776	892,617	1,391,125
Utilities	14,751	387	3,574	43,023	61,735
Administrative service charges	-	191,148	34,548	90,864	316,560
Leases and rents	-	-	402,675	-	402,675
Depreciation expense	187,516	-	-	-	187,516
Total Operating Expenses	1,117,244	4,110,197	519,963	1,254,190	7,001,594
Operating Income (Loss)	(771,508)	132,119	212,174	(655,864)	(1,083,079)
Nonoperating Revenues (Expenses):					
Interest revenue	9,597	7,364	-	29,061	46,022
Grant revenue	-	19,611	-	-	19,611
Total Nonoperating Revenues (Expenses)	9,597	26,975	-	29,061	65,633
Income (Loss) Before Transfers and Contributions	(761,911)	159,094	212,174	(626,803)	(1,017,446)
Capital contributions	850,000	-	-	-	850,000
Transfers in	841,286	-	-	-	841,286
Transfers out	-	-	(197,780)	-	(197,780)
Changes in Net Position	<u>\$ 929,375</u>	<u>\$ 159,094</u>	<u>\$ 14,394</u>	<u>\$ (626,803)</u>	<u>\$ 476,060</u>
Net Position:					
Beginning of Year, as originally reported	\$ 4,377,854	\$ 325,919	\$ (14,394)	\$ 2,233,255	\$ 6,922,634
Restatements	-	(27,676)	-	-	(27,676)
Beginning of Fiscal Year, as restated	4,377,854	298,243	(14,394)	2,233,255	6,894,958
Changes in Net Position	<u>929,375</u>	<u>159,094</u>	<u>14,394</u>	<u>(626,803)</u>	<u>476,060</u>
End of Fiscal Year	<u>\$ 5,307,229</u>	<u>\$ 457,337</u>	<u>\$ -</u>	<u>\$ 1,606,452</u>	<u>\$ 7,371,018</u>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2016

	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	\$ 342,150	\$ 4,258,361	\$ 732,137	\$ 598,326	\$ 5,930,974
Cash paid to suppliers for goods and services	(298,075)	(3,959,247)	(526,515)	(997,709)	(5,781,546)
Cash paid to employees for services	(103,573)	(120,715)	(21,423)	(21,426)	(267,137)
Net Cash Provided (Used) by Operating Activities	(59,498)	178,399	184,199	(420,809)	(117,709)
Cash Flows from Non-Capital Financing Activities:					
Cash transfers out	-	-	(197,780)	-	(197,780)
Cash transfers in	841,286	-	-	-	841,286
Grant Subsidy	-	19,611	-	-	19,611
Street sweeping fee refunds	-	(27,676)	-	-	(27,676)
Net Cash Provided (Used) by Non-Capital Financing Activities	841,286	(8,065)	(197,780)	-	635,441
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(92,462)	-	-	-	(92,462)
Net Cash Provided (Used) by Capital and Related Financing Activities	(92,462)	-	-	-	(92,462)
Cash Flows from Investing Activities:					
Interest received	9,597	7,364	-	29,061	46,022
Net Cash Provided (Used) by Investing Activities	9,597	7,364	-	29,061	46,022
Net Increase (Decrease) in Cash and Cash Equivalents	698,923	177,698	(13,581)	(391,748)	471,292
Cash and Cash Equivalents at Beginning of Year	758,812	437,051	340,221	2,260,068	3,796,152
Cash and Cash Equivalents at End of Year	\$ 1,457,735	\$ 614,749	\$ 326,640	\$ 1,868,320	\$ 4,267,444
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ (771,508)	\$ 132,119	\$ 212,174	\$ (655,864)	\$(1,083,079)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	187,516	-	-	-	187,516
(Increase) decrease in accounts receivable	(3,586)	16,045	-	-	12,459
(Increase) decrease in prepaid expense	-	-	-	40,289	40,289
(Increase) decrease in prepaid other post-employment benefits	2,027	3,041	811	811	6,690
Increase (decrease) in accounts payable	62,863	33,369	(27,944)	194,796	263,084
Increase (decrease) in deposits payable	467,991	-	-	-	467,991
Increase (decrease) in net pension liability	9,215	11,838	1,914	1,915	24,882
Increase (decrease) in deferred pension related items	(14,016)	(18,013)	(2,756)	(2,756)	(37,541)
Total Adjustments	712,010	46,280	(27,975)	235,055	965,370
Net Cash Provided (Used) by Operating Activities	\$ (59,498)	\$ 178,399	\$ 184,199	\$ (420,809)	\$ (117,709)
Non-Cash Investing, Capital, and Financing Activities:					
Capital Contributions	\$ 850,000	\$ -	\$ -	\$ -	\$ 850,000

CITY OF MANHATTAN BEACH

JUNE 30, 2016

INTERNAL SERVICE FUNDS

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

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

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

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

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

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2016

	Governmental Activities - Internal Service Funds				Totals
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	
Assets:					
Current:					
Cash and investments	\$ 11,314,456	\$ 1,019,956	\$ 3,104,196	\$ 103,849	\$ 15,542,457
Receivables:					
Accounts	18	-	19,131	-	19,149
Prepaid costs	21,176	10,187	1,063	-	32,426
Inventories	-	-	-	82,810	82,810
Total Current Assets	11,335,650	1,030,143	3,124,390	186,659	15,676,842
Noncurrent:					
Prepaid other post-employment benefits	4,341	8,681	8,681	8,681	30,384
Capital assets - net of accumulated depreciation	-	-	5,230,379	-	5,230,379
Total Noncurrent Assets	4,341	8,681	5,239,060	8,681	5,260,763
Total Assets	11,339,991	1,038,824	8,363,450	195,340	20,937,605
Deferred Outflows of Resources:					
Deferred pension related items	64,160	180,709	82,692	90,960	418,521
Outflows of Resources	\$ 11,404,151	\$ 1,219,533	\$ 8,446,142	\$ 286,300	\$ 21,356,126
Liabilities and Net Position:					
Liabilities:					
Current:					
Accounts payable	\$ 27,728	\$ 35,691	\$ 113,173	\$ 97,672	\$ 274,264
Capital leases	-	-	193,718	-	193,718
Workers' compensation claims	7,268,221	-	-	-	7,268,221
Accrued claims and judgments	1,284,377	-	-	-	1,284,377
Total Current Liabilities	8,580,326	35,691	306,891	97,672	9,020,580
Noncurrent:					
Capital leases	-	-	147,506	-	147,506
Net pension liability	196,233	625,566	284,945	376,063	1,482,807
Workers' compensation claims	4,466,140	-	-	-	4,466,140
Accrued claims and judgments	468,111	-	-	-	468,111
Total Noncurrent Liabilities	5,130,484	625,566	432,451	376,063	6,564,564
Total Liabilities	13,710,810	661,257	739,342	473,735	15,585,144
Deferred Inflows of Resources:					
Deferred pension related items	61,577	201,967	90,972	125,020	479,536
Total Deferred Inflows of Resources	61,577	201,967	90,972	125,020	479,536
Net Position:					
Net investment in capital assets	-	-	4,889,155	-	4,889,155
Unrestricted	(2,368,236)	356,309	2,726,673	(312,455)	402,291
Total Net Position	(2,368,236)	356,309	7,615,828	(312,455)	5,291,446
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 11,404,151	\$ 1,219,533	\$ 8,446,142	\$ 286,300	\$ 21,356,126

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2016

	Governmental Activities - Internal Service Funds				Totals
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	
Operating Revenues:					
Sales and service charges	\$ 6,418,333	\$ 2,283,348	\$ 2,679,415	\$ 1,646,739	\$ 13,027,835
Miscellaneous	-	-	25	-	25
Total Operating Revenues	6,418,333	2,283,348	2,679,440	1,646,739	13,027,860
Operating Expenses:					
Salaries	202,017	669,412	247,203	284,040	1,402,672
Employee benefits	55,249	165,017	244,928	65,005	530,199
Contract for professional services	48,413	420,790	254,869	744,935	1,469,007
Materials and services	399,134	1,007,380	453,076	441,912	2,301,502
Utilities	8,774	2,779	-	107,849	119,402
Claims expense	6,656,552	-	-	-	6,656,552
Depreciation expense	-	-	925,361	-	925,361
Total Operating Expenses	7,370,139	2,265,378	2,125,437	1,643,741	13,404,695
Operating Income (Loss)	(951,806)	17,970	554,003	2,998	(376,835)
Nonoperating Revenues (Expenses):					
Interest expense	-	-	(7,265)	-	(7,265)
Gain on disposal of capital assets	-	-	29,138	-	29,138
Total Nonoperating Revenues (Expenses)	-	-	21,873	-	21,873
Income (Loss) Before Transfers	(951,806)	17,970	575,876	2,998	(354,962)
Transfers in	667,000	-	-	-	667,000
Changes in Net Position	(284,806)	17,970	575,876	2,998	312,038
Net Position:					
Beginning of Year	(2,083,430)	338,339	7,039,952	(315,453)	4,979,408
End of Fiscal Year	\$ (2,368,236)	\$ 356,309	\$ 7,615,828	\$ (312,455)	\$ 5,291,446

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2016

	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	\$ -	\$ -	\$ 25	\$ -	\$ 25
Cash received from/(paid to) interfund service provided	6,418,315	2,283,348	2,660,284	1,646,739	13,008,686
Cash paid to suppliers for goods and services	(5,753,062)	(1,340,386)	(770,147)	(1,267,263)	(9,130,858)
Cash paid to employees for services	(267,089)	(865,406)	(501,908)	(360,611)	(1,995,014)
Net Cash Provided (Used) by Operating Activities	398,164	77,556	1,388,254	18,865	1,882,839
Cash Flows from Non-Capital Financing Activities:					
Cash transfers in	667,000	-	-	-	667,000
Net Cash Provided (Used) by Non-Capital Financing Activities	667,000	-	-	-	667,000
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	-	-	(640,309)	-	(640,309)
Principal paid on capital debt	-	-	(190,596)	-	(190,596)
Interest paid on capital debt	-	-	(7,265)	-	(7,265)
Proceeds from sales of capital assets	-	-	53,046	-	53,046
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(785,124)	-	(785,124)
Net Increase (Decrease) in Cash and Cash Equivalents	1,065,164	77,556	603,130	18,865	1,764,715
Cash and Cash Equivalents at Beginning of Year	10,249,292	942,400	2,501,066	84,984	13,777,742
Cash and Cash Equivalents at End of Year	\$ 11,314,456	\$ 1,019,956	\$ 3,104,196	\$ 103,849	\$ 15,542,457
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ (951,806)	\$ 17,970	\$ 554,003	\$ 2,998	\$ (376,835)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	-	-	925,361	-	925,361
(Increase) decrease in accounts receivable	(18)	-	(19,131)	-	(19,149)
(Increase) decrease in prepaid expense	(21,176)	89,940	-	-	68,764
(Increase) decrease in prepaid other post-employment benefits	4,055	8,109	8,109	8,109	28,382
(Increase) decrease in inventory	-	-	-	14,745	14,745
Increase (decrease) in accounts payable	639	623	(62,202)	12,688	(48,252)
Increase (decrease) in net pension liability	27,579	69,436	34,576	29,729	161,320
Increase (decrease) in deferred pension related items	(41,457)	(108,522)	(52,462)	(49,404)	(251,845)
Increase (decrease) in workers' compensation claims	1,743,227	-	-	-	1,743,227
Increase (decrease) in claims and judgments	(362,879)	-	-	-	(362,879)
Total Adjustments	1,349,970	59,586	834,251	15,867	2,259,674
Net Cash Provided (Used) by Operating Activities	\$ 398,164	\$ 77,556	\$ 1,388,254	\$ 18,865	\$ 1,882,839

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, 2016

AGENCY FUNDS

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

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

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

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
 ALL AGENCY FUNDS
 JUNE 30, 2016

	<u>Special Assessment Redemption</u>	<u>Special Deposits</u>	<u>Totals</u>
Assets:			
Pooled cash and investments	\$ 844,405	\$ 589,914	\$ 1,434,319
Receivables:			
Accounts	23,024	-	23,024
Restricted assets:			
Cash and investments with fiscal agents	968,766	-	968,766
Total Assets	<u>\$ 1,836,195</u>	<u>\$ 589,914</u>	<u>\$ 2,426,109</u>
Liabilities:			
Art development fees	\$ -	\$ 535,619	\$ 535,619
Deposits payable	-	54,295	54,295
Due to bond holders	1,836,195	-	1,836,195
Total Liabilities	<u>\$ 1,836,195</u>	<u>\$ 589,914</u>	<u>\$ 2,426,109</u>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2016

	Balance 7/1/2015	Additions	Deductions	Balance 6/30/2016
<u>Special Assessment Redemption</u>				
Assets:				
Pooled cash and investments	\$ 841,797	\$ 963,049	\$ 960,441	\$ 844,405
Receivables:				
Accounts	22,901	23,023	22,900	23,024
Restricted assets:				
Cash and investments with fiscal agents	968,763	941,541	941,538	968,766
Total Assets	\$ 1,833,461	\$ 1,927,613	\$ 1,924,879	\$ 1,836,195
Liabilities:				
Due to bondholders	\$ 1,833,461	\$ 963,180	\$ 960,446	\$ 1,836,195
Total Liabilities	\$ 1,833,461	\$ 963,180	\$ 960,446	\$ 1,836,195
<u>Special Deposits</u>				
Assets:				
Pooled cash and investments	\$ 381,303	\$ 563,125	\$ 354,514	\$ 589,914
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 381,303	\$ 563,125	\$ 354,514	\$ 589,914
Liabilities:				
Accounts payable	\$ 70,566	\$ 25,995	\$ 96,561	\$ -
Art development fees	252,802	306,394	23,577	535,619
Deposits payable	57,935	190,390	194,030	54,295
Total Liabilities	\$ 381,303	\$ 522,779	\$ 314,168	\$ 589,914
<u>Totals - All Agency Funds</u>				
Assets:				
Pooled cash and investments	\$ 1,223,100	\$1,526,174	\$ 1,314,955	\$ 1,434,319
Receivables:				
Accounts	22,901	23,023	22,900	23,024
Restricted assets:				
Cash and investments with fiscal agents	968,763	941,541	941,538	968,766
Total Assets	\$ 2,214,764	\$ 2,490,738	\$ 2,279,393	\$ 2,426,109
Liabilities:				
Accounts payable	\$ 70,566	\$ 25,995	\$ 96,561	\$ -
Art development fees	252,802	306,394	23,577	535,619
Deposits payable	57,935	190,390	194,030	54,295
Due to bond holders	1,833,461	963,180	960,446	1,836,195
Total Liabilities	\$ 2,214,764	\$ 1,485,959	\$ 1,274,614	\$ 2,426,109



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Statistical Section (Unaudited)

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

Contents

Exhibits

Financial Trends

These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

A-2 to A-5

Revenue Capacity

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

A-6 to A-14

Debt Capacity

These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

A-15 to A-18

Demographic and Economic Information

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

A-19 to A-21

Operating & Other Information

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

A-22 to A-25

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



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Statistical Section

Financial Trends

These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

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

	Fiscal Year Ending				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities					
Net Investment in capital assets	\$ 93,644,407	\$ 94,464,084	\$ 95,603,960	\$ 94,713,693	\$ 93,795,303
Restricted:					
Debt Service & Restricted Cash	2,801,554	3,255,752	2,062,149	1,960,662	1,999,346
Special Revenue Funds	<u>5,209,486</u>	<u>5,291,992</u>	<u>6,003,666</u>	<u>6,651,292</u>	<u>7,479,933</u>
Total Restricted	8,011,040	8,547,744	8,065,815	8,611,954	9,479,279
Unrestricted (1)	<u>28,892,839</u>	<u>28,048,237</u>	<u>27,972,613</u>	<u>29,916,356</u>	<u>31,513,669</u>
Total governmental activities net position	<u>\$ 130,548,286</u>	<u>\$ 131,060,065</u>	<u>\$ 131,642,388</u>	<u>\$ 133,242,003</u>	<u>\$ 134,788,251</u>
Business-type activities					
Net Investment in capital assets	\$ 23,447,692	\$ 24,736,571	\$ 24,967,604	\$ 25,485,791	\$ 27,111,091
Restricted:					
Business Improvement district	536,856	555,569	598,329	508,617	517,072
Debt Service & Restricted Cash	<u>1,210,265</u>	<u>1,210,061</u>	<u>1,213,448</u>	<u>1,221,763</u>	<u>1,208,833</u>
Total Restricted	1,747,121	1,765,630	1,811,777	1,730,380	1,725,905
Unrestricted	<u>14,310,331</u>	<u>13,556,500</u>	<u>12,660,558</u>	<u>12,384,155</u>	<u>13,385,526</u>
Total business-type activities net position	<u>\$ 39,505,144</u>	<u>\$ 40,058,701</u>	<u>\$ 39,439,939</u>	<u>\$ 39,600,326</u>	<u>\$ 42,222,522</u>
Primary government					
Net Investment in capital assets	\$ 117,092,099	\$ 119,200,655	\$ 120,571,564	\$ 120,199,484	\$ 120,906,394
Restricted:					
Business Improvement district	536,856	555,569	598,329	508,617	517,072
Debt Service & Restricted Cash	4,011,819	4,465,813	3,275,597	3,182,425	3,208,179
Special Revenue Funds	<u>5,209,486</u>	<u>5,291,992</u>	<u>6,003,666</u>	<u>6,651,292</u>	<u>7,479,933</u>
Total Restricted	9,758,161	10,313,374	9,877,592	10,342,334	11,205,184
Unrestricted	<u>43,203,170</u>	<u>41,604,737</u>	<u>40,633,171</u>	<u>42,300,511</u>	<u>44,899,195</u>
Total primary government net position	<u>\$ 170,053,430</u>	<u>\$ 171,118,766</u>	<u>\$ 171,082,327</u>	<u>\$ 172,842,329</u>	<u>\$ 177,010,773</u>

(1) Starting in Fiscal Year ending June 30, 2015, activities reflect pension expense in accordance with GASB 68

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

Exhibit A-2

	Fiscal Year Ending				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities					
Net Investment in capital assets	\$ 93,795,301	\$ 98,930,447	\$ 100,924,816	\$ 101,159,813	\$ 102,028,495
Restricted:					
Debt Service & Restricted Cash	2,062,187	1,130,434	977,888	32,566	12,586
Special Revenue Funds	<u>9,122,955</u>	<u>9,065,922</u>	<u>10,266,913</u>	<u>10,186,991</u>	<u>10,784,745</u>
Total Restricted	11,185,142	10,196,356	11,244,801	10,219,557	10,797,331
Unrestricted (1)	<u>29,224,129</u>	<u>31,058,162</u>	<u>31,714,367</u>	<u>(17,546,716)</u>	<u>(15,597,553)</u>
Total governmental activities net position	<u>\$ 134,204,572</u>	<u>\$ 140,184,965</u>	<u>\$ 143,883,984</u>	<u>\$ 93,832,654</u>	<u>\$ 97,228,273</u>
Business-type activities					
Net Investment in capital assets	\$ 28,293,829	\$ 33,902,701	\$ 34,342,910	\$ 35,610,816	\$ 40,621,092
Restricted:					
Business Improvement district	523,928	520,514	532,510	546,317	541,863
Debt Service & Restricted Cash	<u>1,210,125</u>	<u>-</u>	<u>215,656</u>	<u>204,856</u>	<u>-</u>
Total Restricted	1,734,053	520,514	748,166	751,173	541,863
Unrestricted	<u>17,942,198</u>	<u>21,754,310</u>	<u>29,522,345</u>	<u>36,006,212</u>	<u>38,979,894</u>
Total business-type activities net position	<u>\$ 47,970,080</u>	<u>\$ 56,177,525</u>	<u>\$ 64,613,421</u>	<u>\$ 72,368,201</u>	<u>\$ 80,142,849</u>
Primary government					
Net Investment in capital assets	\$ 122,089,130	\$ 132,833,148	\$ 135,267,726	\$ 136,770,629	\$ 142,649,587
Restricted:					
Business Improvement district	523,928	520,514	532,510	546,317	541,863
Debt Service & Restricted Cash	3,272,312	1,130,434	1,193,544	237,422	12,586
Special Revenue Funds	<u>9,122,955</u>	<u>9,065,922</u>	<u>10,266,913</u>	<u>10,186,991</u>	<u>10,784,745</u>
Total Restricted	12,919,195	10,716,870	11,992,967	10,970,730	11,339,194
Unrestricted	<u>47,166,327</u>	<u>52,812,472</u>	<u>61,236,712</u>	<u>18,459,496</u>	<u>23,382,341</u>
Total primary government net position	<u>\$ 182,174,652</u>	<u>\$ 196,362,490</u>	<u>\$ 208,497,405</u>	<u>\$ 166,200,855</u>	<u>\$ 177,371,122</u>

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

	Fiscal Year Ending			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Expenses				
Governmental activities:				
General government	\$ 9,057,584	\$ 9,090,991	\$ 9,528,102	\$ 10,308,925
Public Safety	27,134,132	31,752,170	29,889,347	28,879,836
Culture and recreation	5,593,739	6,031,938	5,811,982	5,853,076
Public Works	19,721,241	8,675,214	8,460,078	7,906,172
Interest on long-term debt	990,298	1,178,065	954,861	811,710
Total governmental activities expenses	<u>62,496,994</u>	<u>56,728,378</u>	<u>54,644,370</u>	<u>53,759,719</u>
Business-type activities:				
Water	7,303,547	7,500,615	7,844,741	8,214,250
Stormwater	322,566	418,088	550,234	374,513
Wastewater	1,268,737	1,279,325	1,938,298	1,685,881
Refuse	3,858,401	3,888,615	4,212,176	4,282,026
Parking	1,973,300	2,392,802	2,082,830	2,190,580
Total business-type activities expenses	<u>14,726,551</u>	<u>15,479,445</u>	<u>16,628,279</u>	<u>16,747,250</u>
Total primary government expenses	<u>\$ 77,223,545</u>	<u>\$ 72,207,823</u>	<u>\$ 71,272,649</u>	<u>\$ 70,506,969</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	\$ 4,535,955	\$ 4,265,277	\$ 3,881,178	\$ 4,085,381
Public Safety	3,433,570	4,206,318	4,299,002	4,576,210
Parks and recreation	2,261,707	2,336,374	2,449,945	2,577,883
Public works	2,673,037	2,683,443	2,492,418	2,512,225
Operating grants and contributions	1,933,403	2,250,606	2,078,062	2,224,949
Capital grants and contributions	10,923,007	679,865	1,105,439	1,399,366
Total governmental activities program revenues	<u>25,760,679</u>	<u>16,421,883</u>	<u>16,306,044</u>	<u>17,376,014</u>
Business-type activities:				
Charges for services:				
Water	7,227,008	6,860,563	7,380,055	7,887,900
Stormwater	353,929	338,208	347,162	360,926
Wastewater	1,333,639	1,275,553	1,317,713	1,820,756
Refuse	3,866,381	3,816,699	4,082,292	4,110,342
Parking	2,108,255	2,066,617	2,094,179	2,544,834
Operating grants and contributions	10,861	90,853	458,769	-
Capital grants and contributions	-	900,000	-	57,398
Total business-type activities program revenues	<u>14,900,073</u>	<u>15,348,493</u>	<u>15,680,170</u>	<u>16,782,156</u>
Total primary government program revenues	<u>\$ 40,660,752</u>	<u>\$ 31,770,376</u>	<u>\$ 31,986,214</u>	<u>\$ 34,158,170</u>

Source: City of Manhattan Beach Finance Department

Fiscal Year Ending					
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 9,464,347	\$ 9,489,937	\$ 8,659,381	\$ 11,102,480	\$ 12,276,294	\$ 13,318,679
30,686,086	32,190,597	33,374,733	34,955,520	37,098,767	37,458,469
6,018,205	5,761,135	5,798,599	7,062,072	7,707,656	8,476,953
8,338,105	8,369,506	8,044,071	7,256,983	9,084,861	8,396,503
769,374	820,494	791,358	384,950	428,406	416,551
55,276,117	56,631,669	56,668,142	60,762,005	66,595,984	68,067,155
8,326,398	8,523,452	8,857,744	9,235,903	9,133,069	9,851,136
410,188	752,257	402,914	765,387	778,084	1,117,244
1,692,812	1,740,453	2,024,852	2,068,755	1,679,545	1,383,922
4,386,842	4,205,443	4,167,310	3,900,588	4,011,830	4,110,197
2,352,386	2,888,269	3,385,556	2,963,610	3,160,043	4,000,175
17,168,626	18,109,874	18,838,376	18,934,243	18,762,571	20,462,674
\$ 72,444,743	\$ 74,741,543	\$ 75,506,518	\$ 79,696,248	\$ 85,358,555	\$ 88,529,829
\$ 3,883,959	\$ 4,223,405	\$ 4,535,499	\$ 4,950,743	\$ 5,814,648	\$ 5,859,027
4,765,404	4,783,038	5,172,443	4,154,836	4,309,976	4,182,052
3,029,554	2,805,841	2,470,359	2,798,673	3,034,335	3,135,249
3,440,572	4,134,599	3,792,239	3,563,085	4,074,858	4,253,809
1,322,867	1,183,103	1,847,316	1,638,522	1,739,455	1,587,534
1,504,759	2,554,310	2,032,724	2,314,830	2,724,621	2,316,956
17,947,115	19,684,296	19,850,580	19,420,689	21,697,893	21,334,627
9,557,717	12,578,908	14,916,283	16,275,584	16,101,667	14,514,443
347,602	352,860	345,821	344,556	353,616	345,736
2,620,669	3,087,150	3,406,077	3,626,144	3,562,456	3,281,179
4,189,639	4,363,739	4,426,190	3,965,882	4,063,886	4,242,316
3,008,206	3,396,749	3,506,309	3,761,948	3,899,746	3,828,054
19,638	33,209	69,937	19,880	10,020	19,611
-	-	500,000	-	-	850,000
19,743,471	23,812,615	27,170,617	27,993,994	27,991,391	27,081,339
\$ 37,690,586	\$ 43,496,911	\$ 47,021,197	\$ 47,414,683	\$ 49,689,284	\$ 48,415,966

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

	Fiscal Year Ending			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net (Expense)/Revenue				
Governmental activities (1)	\$ (36,736,315)	\$ (40,306,495)	\$ (38,338,326)	\$ (36,383,705)
Business-type activities (1)	173,522	(130,952)	(948,109)	34,906
Total primary government net expense	<u>\$ (36,562,793)</u>	<u>\$ (40,437,447)</u>	<u>\$ (39,286,435)</u>	<u>\$ (36,348,799)</u>
General Revenues and Other Changes				
Governmental activities:				
Taxes				
Property taxes	\$ 14,748,616	\$ 18,567,451	\$ 19,930,492	\$ 20,006,558
Sales taxes	8,104,778	8,230,387	7,436,912	7,646,109
Transient occupancy tax	3,665,741	3,995,411	3,507,775	3,174,319
Motor vehicle in lieu tax	2,753,900	157,143	105,883	108,815
Business license tax	2,464,239	2,747,098	2,767,070	2,783,641
Franchise taxes	1,200,503	1,168,383	1,185,406	1,220,171
Real estate transfer taxes	788,348	439,104	325,001	356,367
Rental income	2,260,408	2,201,037	2,021,352	1,925,895
Investment earnings	2,075,875	2,088,549	1,385,481	476,463
Gain on Sale of capital asset	-	-	-	-
Other	-	1,254,482	145,047	150,229
Transfers	26,000	(30,771)	110,230	134,753
Total governmental activities	<u>\$ 38,088,408</u>	<u>\$ 40,818,274</u>	<u>\$ 38,920,649</u>	<u>\$ 37,983,320</u>
Business-type activities:				
Investment earnings	\$ 935,323	\$ 874,003	\$ 439,576	\$ 260,234
Transfers	(26,000)	30,771	(110,230)	(134,753)
Other	-	-	-	-
Total business-type activities	<u>\$ 909,323</u>	<u>\$ 904,774</u>	<u>\$ 329,346</u>	<u>\$ 125,481</u>
Total primary government	<u>\$ 38,997,731</u>	<u>\$ 41,723,048</u>	<u>\$ 39,249,995</u>	<u>\$ 38,108,801</u>
Change in Net Position				
Governmental activities	\$ 1,352,093	\$ 511,779	\$ 582,323	\$ 1,599,615
Business-type activities	1,082,845	773,822	(618,763)	160,387
Total primary government	<u>\$ 2,434,938</u>	<u>\$ 1,285,601</u>	<u>\$ (36,440)</u>	<u>\$ 1,760,002</u>

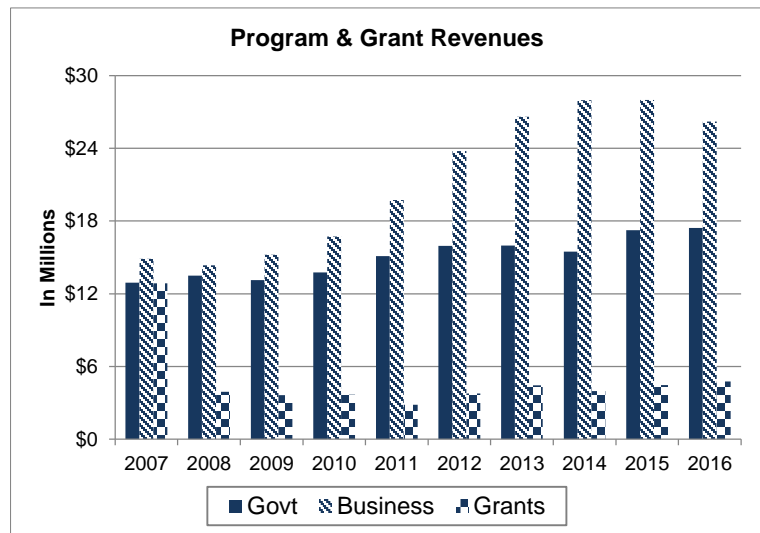
(1) Starting in Fiscal Year ending June 30, 2015, activities reflect pension expense in accordance with GASB 68

Source: City of Manhattan Beach Finance Department

Fiscal Year Ending					
2011	2012	2013	2014	2015	2016
\$ (37,329,002)	\$ (36,947,373)	\$ (36,817,562)	\$ (41,341,316)	\$ (44,898,091)	\$ (46,732,528)
2,574,845	5,702,741	8,332,241	9,059,751	9,228,820	6,618,665
<u>\$ (34,754,157)</u>	<u>\$ (31,244,632)</u>	<u>\$ (28,485,321)</u>	<u>\$ (32,281,565)</u>	<u>\$ (35,669,271)</u>	<u>\$ (40,113,863)</u>
\$ 19,791,425	\$ 20,408,314	\$ 21,626,173	\$ 23,353,743	\$ 24,435,184	\$ 26,344,276
8,148,688	8,788,599	9,103,160	8,921,346	9,268,657	8,826,767
3,229,823	3,240,364	3,881,174	4,289,009	4,809,421	5,139,425
118,296	95,915	18,887	15,631	15,099	14,430
2,844,066	3,018,177	3,124,644	3,140,273	3,376,113	3,475,792
1,289,443	1,335,815	1,471,197	1,441,769	1,539,453	1,439,957
473,275	521,274	587,399	642,718	720,826	850,974
2,029,355	2,087,648	2,406,174	2,554,820	2,751,302	2,899,919
696,066	603,334	226,951	480,568	433,200	970,137
-	-	-	-	100,543	29,976
148,451	151,219	151,613	-	10,839	780,000
106,362	99,884	200,583	200,458	250,324	(643,506)
<u>\$ 38,875,250</u>	<u>\$ 40,350,543</u>	<u>\$ 42,797,955</u>	<u>\$ 45,040,335</u>	<u>\$ 47,710,961</u>	<u>\$ 50,128,147</u>
\$ 153,713	\$ 144,701	\$ 56,266	\$ 151,923	\$ 273,944	\$ 479,475
(106,362)	(99,884)	(200,583)	(200,458)	(250,324)	643,506
-	-	19,521	43,388	74,643	60,678
<u>\$ 47,351</u>	<u>\$ 44,817</u>	<u>\$ (124,796)</u>	<u>\$ (5,147)</u>	<u>\$ 98,263</u>	<u>\$ 1,183,659</u>
<u>\$ 38,922,601</u>	<u>\$ 40,395,360</u>	<u>\$ 42,673,159</u>	<u>\$ 45,035,188</u>	<u>\$ 47,809,224</u>	<u>\$ 51,311,806</u>
\$ 1,546,248	\$ 3,403,170	\$ 5,980,393	\$ 3,699,019	\$ 2,812,870	\$ 3,395,619
2,622,196	5,747,558	8,207,445	9,054,604	9,327,083	7,802,324
<u>\$ 4,168,444</u>	<u>\$ 9,150,728</u>	<u>\$ 14,187,838</u>	<u>\$ 12,753,623</u>	<u>\$ 12,139,953</u>	<u>\$ 11,197,943</u>

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

	Fiscal Year				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General Government	\$ 4,535,955	\$ 4,265,277	\$ 3,881,178	\$ 4,085,381	\$ 3,883,959
Public Safety	3,433,570	4,206,318	4,299,002	4,576,210	4,765,404
Culture and recreation	2,261,707	2,336,374	2,449,945	2,577,883	3,029,554
Public works	2,673,037	2,683,443	2,492,418	2,512,225	3,440,572
Operating grants and contributions	1,933,403	2,250,606	2,078,062	2,224,949	1,322,867
Capital grants and contributions	10,923,007	679,865	1,105,439	1,399,366	1,504,759
Total governmental activities program revenues	25,760,679	16,421,883	16,306,044	17,376,014	17,947,115
Business-type activities:					
Charges for services:					
Water	\$ 7,227,008	\$ 6,860,563	\$ 7,380,055	\$ 7,887,900	\$ 9,557,717
Stormwater	353,929	338,208	347,162	360,926	347,602
Wastewater	1,333,639	1,275,553	1,317,713	1,820,756	2,620,669
Refuse	2,108,255	3,816,699	4,082,292	4,110,342	4,189,639
Parking	3,866,381	2,066,617	2,094,179	2,544,834	3,008,206
Operating grants and contributions	10,861	90,853	458,769	-	19,638
Capital grants and contributions	-	900,000	-	57,398	-
Total business-type activities program revenues	14,900,073	15,348,493	15,680,170	16,782,156	19,743,471
Total primary government program revenues	\$ 40,660,752	\$ 31,770,376	\$ 31,986,214	\$ 34,158,170	\$ 37,690,586



Source: City of Manhattan Beach Finance department historical CAFRs

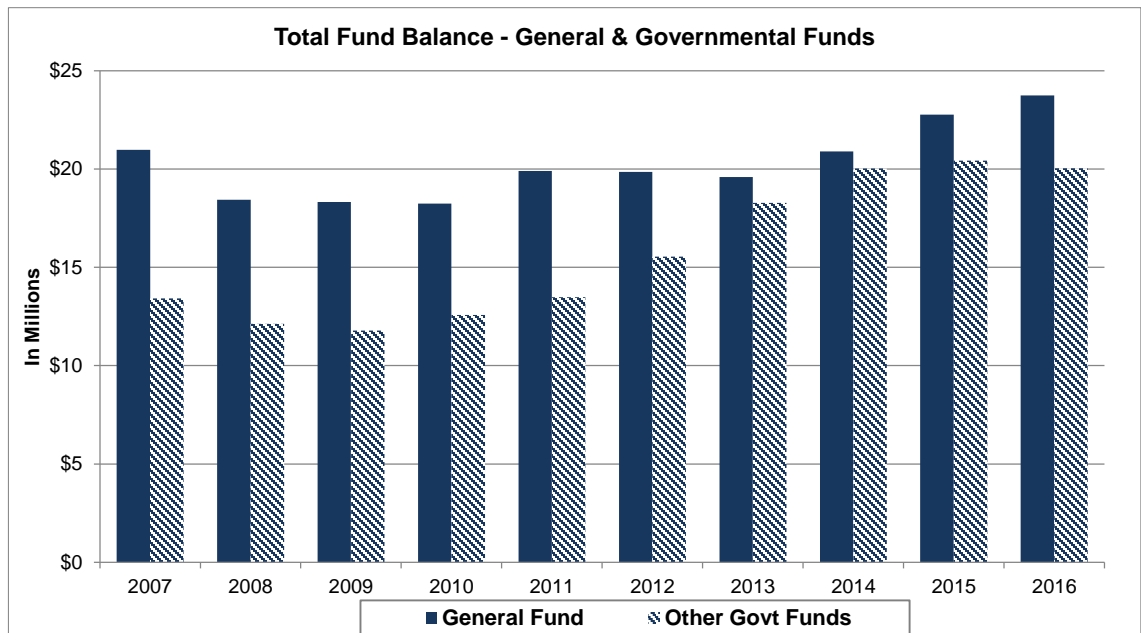
City of Manhattan Beach
Program Revenues by Function/Program,
Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit A-4

	Fiscal Year				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General Government	\$ 4,223,405	\$ 4,535,499	\$ 4,950,743	\$ 5,814,648	\$ 5,859,027
Public Safety	4,783,038	5,172,443	4,154,836	4,309,976	4,182,052
Culture and recreation	2,805,841	2,470,359	2,798,673	3,034,335	3,135,249
Public works	4,134,599	3,792,239	3,563,085	4,074,858	4,253,809
Operating grants and contributions	1,183,103	1,847,316	1,638,522	1,739,455	1,587,534
Capital grants and contributions	2,554,310	2,032,724	2,314,830	2,724,621	2,316,956
Total governmental activities program revenues	19,684,296	19,850,580	19,420,689	21,697,893	21,334,627
Business-type activities:					
Charges for services:					
Water	\$ 12,578,908	\$ 14,916,283	\$ 16,275,584	\$ 16,101,667	\$ 14,514,443
Stormwater	352,860	345,821	344,556	353,616	345,736
Wastewater	3,087,150	3,406,077	3,626,144	3,562,456	3,281,179
Refuse	4,363,739	4,426,190	3,965,882	4,063,886	4,242,316
Parking	3,396,749	3,506,309	3,761,948	3,899,746	3,828,054
Operating grants and contributions	33,209	69,937	19,880	10,020	19,611
Capital grants and contributions	-	500,000	-	-	850,000
Total business-type activities program revenues	23,812,615	27,170,617	27,993,994	27,991,391	27,081,339
Total primary government program revenues	\$ 43,496,911	\$ 47,021,197	\$ 47,414,683	\$ 49,689,284	\$ 48,415,966

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

	Fiscal Year Ending			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund				
Reserved				
Debt service & restricted cash	\$ 972,422	\$ 1,355,530	\$ 1,244,971	\$ 1,143,587
Encumbrances & other items	507,096	495,646	373,980	213,938
Unreserved	19,499,495	16,585,982	16,710,818	16,888,308
Nonspendable				
Prepaid costs				
Notes and loans				
Advances to other funds				
Restricted				
Debt service & restricted cash				
Unassigned				
Total General fund	20,979,013	18,437,158	18,329,769	18,245,833
All Other Governmental Funds				
Reserved				
Continuing Projects	\$6,094,070	\$4,642,305	\$4,618,592	\$6,755,397
Debt service & restricted cash	817,081	817,076	817,178	817,075
Encumbrances & other items	9,427	40,925	71,887	393,852
Unreserved, reported in:				
Special revenue funds	2,842,097	2,748,609	2,340,055	2,692,575
Capital projects funds	3,657,446	3,878,706	3,934,840	1,925,704
Nonspendable				
Notes and loans				
Advances to other funds				
Restricted				
Public safety				
Parks and recreation				
Public works				
Capital projects				
Debt service				
Committed				
Capital projects				
Unassigned				
Total all other governmental funds	13,420,121	12,127,621	11,782,552	12,584,603
Total all governmental funds	\$ 34,399,134	\$ 30,564,779	\$ 30,112,321	\$ 30,830,436



Source: City of Manhattan Beach Finance department historical CAFRs

Fiscal Year Ending					
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 19,519	\$ 48,989	\$ 42,514	\$ 46,823	\$ 46,080	\$ 82,138
432,000	432,000	432,000	1,700,000	1,649,129	3,771,864
-	-	22,488	-	-	-
1,182,271	1,245,112	1,130,434	813,407	32,566	12,586
18,270,832	18,134,492	17,961,324	18,338,105	21,036,975	19,883,693
19,904,622	19,860,593	19,588,760	20,898,335	22,764,750	23,750,281
\$ 42,744	\$ 38,336	\$ 45,052	\$ -	\$ 58,232	\$ -
1,073,000	771,100	469,200	-	-	-
1,247,014	1,187,562	1,073,789	1,084,541	1,000,434	873,595
80,284	107,428	179,663	-	-	-
3,324,947	4,558,434	4,826,828	4,546,040	4,613,796	5,272,830
2,827,688	3,269,531	3,572,234	4,636,332	4,572,761	4,638,320
817,075	817,075	8,278	164,481	-	-
4,089,866	4,823,535	8,122,690	9,617,146	10,208,481	9,270,230
(22,488)	(22,488)	(22,488)	(22,488)	(22,488)	(22,488)
13,480,130	15,550,513	18,275,246	20,026,052	20,431,216	20,032,487
\$ 33,384,752	\$ 35,411,106	\$ 37,864,006	\$ 40,924,387	\$ 43,195,966	\$ 43,782,768



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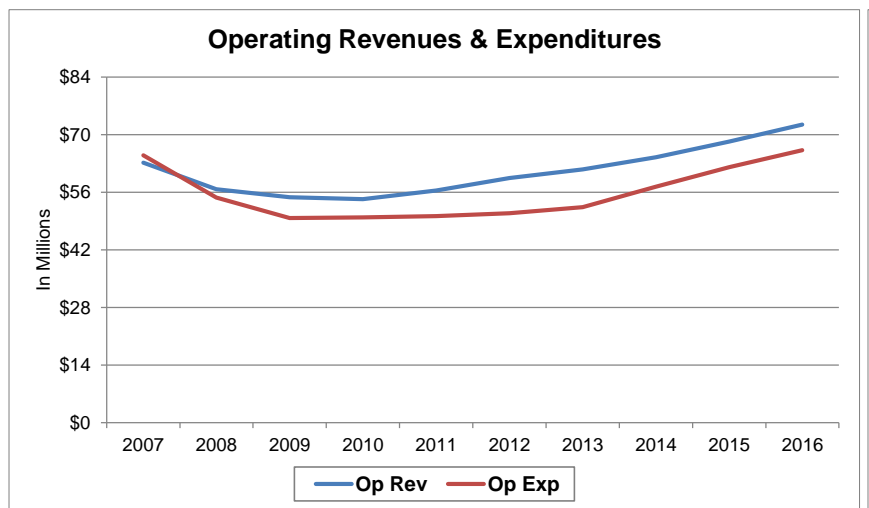
Statistical Section

Revenue Capacity

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

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

	Fiscal Year Ending				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues					
Tax and assessments	\$ 35,261,246	\$ 36,933,447	\$ 36,839,471	\$ 36,582,239	\$ 37,697,637
Licenses, fees, and permits	1,686,922	1,463,207	1,200,529	1,200,347	1,289,183
Intergovernmental	3,007,764	2,147,817	2,072,660	2,638,044	1,749,382
Charges for services	7,812,110	8,013,155	8,202,164	8,291,275	9,396,606
Interest and Rents	3,845,001	3,939,191	3,607,997	2,344,105	2,723,666
Fines and forfeitures	2,153,078	2,169,402	2,400,483	2,984,868	2,867,072
Contributions from property owner	8,498,306	-	-	-	-
Net change fair value investments	353,642	350,394	(201,163)	58,253	(21,680)
Other revenues	553,241	1,707,735	634,524	192,965	751,112
Total revenues	63,171,310	56,724,348	54,756,665	54,292,096	56,452,978
Expenditures					
General government	8,646,822	9,808,544	9,215,265	9,785,663	8,660,865
Public Safety	33,302,747	31,354,970	28,727,983	28,461,175	29,176,141
Culture and recreation	5,328,693	6,027,462	5,599,052	5,699,228	6,192,471
Public works	17,737,634	7,500,615	6,207,990	5,923,828	6,149,939
Total operating expenditures	65,015,896	54,691,591	49,750,290	49,869,894	50,179,416
Excess of revenue over expenditures	(1,844,586)	2,032,757	5,006,375	4,422,202	6,273,562
Capital outlay	7,764,994	3,405,258	3,124,353	1,705,513	1,510,341
Debt service					
Interest	1,035,878	1,178,066	1,192,716	811,711	896,096
Principal	515,000	1,235,000	1,235,000	1,325,000	1,425,000
Cost of Issuance	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-	-
Total Non Operating expenditures	9,315,872	5,818,324	5,552,069	3,842,224	3,831,437
Excess of revenues over expenditures	(11,160,458)	(3,785,567)	(545,694)	579,978	2,442,125
Other financing sources (Uses)					
Bonds issued	6,634,179	-	-	-	-
Premium on bonds issues	163,120	-	-	-	-
Proceeds from sale of capital assets	-	-	3,006	3,384	5,829
Transfers in	4,179,102	215,047	331,183	424,211	830,712
Transfers out	(5,497,006)	(263,835)	(220,953)	(289,458)	(724,350)
Other financing sources	-	-	-	-	-
Other financing uses	-	-	-	-	-
Total other financing sources (uses)	5,479,395	(48,788)	113,236	138,137	112,191
Prior Period Adjustment	202,807	-	(20,000)	-	-
Net change in fund balances	(5,478,256)	(3,834,355)	(452,458)	718,115	2,554,316
Debt - % of Operating Expenditures & Debt	2.3%	4.2%	4.7%	4.1%	4.4%

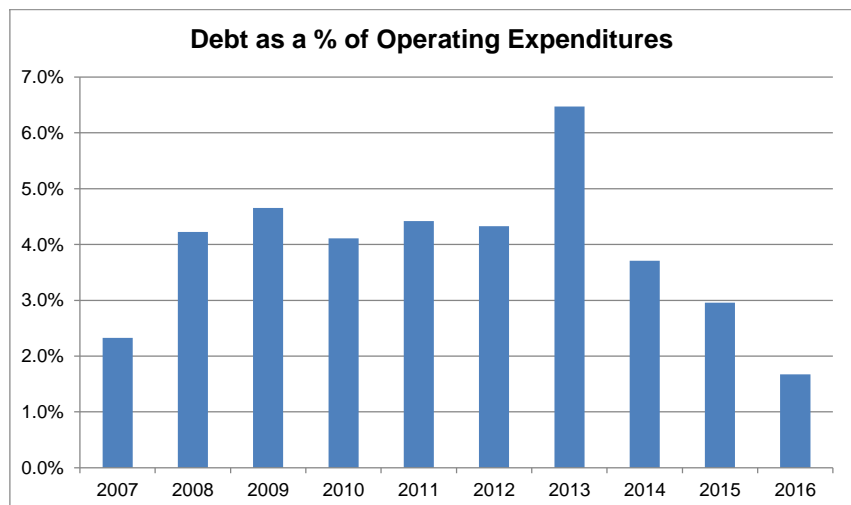


Source: City of Manhattan Beach Finance Department Historical CAFRs

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

Exhibit A-6

	Fiscal Year Ending				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues					
Tax and assessments	\$ 39,389,241	\$ 42,273,666	\$ 44,213,347	\$ 46,601,118	\$ 48,908,825
Licenses, fees, and permits	1,418,230	1,513,821	1,759,180	2,185,871	2,812,480
Intergovernmental	2,566,478	1,599,821	2,183,990	2,495,207	2,406,440
Charges for services	9,706,289	9,202,436	10,253,540	10,362,276	10,284,762
Interest and Rents	2,692,576	2,633,124	3,048,749	3,184,502	3,870,056
Fines and forfeitures	2,805,559	2,588,865	2,566,436	2,637,538	2,615,306
Contributions from property owner	-	-	-	-	-
Net change fair value investments	(21,265)	(95,900)	30,910	13,651	254,377
Other revenues	878,475	1,867,612	490,870	820,295	1,267,893
Total revenues	59,435,583	61,583,445	64,547,022	68,300,458	72,420,139
Expenditures					
General government	8,560,273	9,101,953	10,467,524	11,838,504	13,360,320
Public Safety	30,449,560	30,470,567	33,525,828	34,897,663	37,189,782
Culture and recreation	5,552,632	5,680,001	6,831,568	7,349,487	8,335,111
Public works	6,369,092	7,155,292	6,527,537	8,026,650	7,356,842
Total operating expenditures	50,931,557	52,407,813	57,352,457	62,112,304	66,242,055
Excess of revenue over expenditures	8,504,026	9,175,632	7,194,565	6,188,154	6,178,084
Capital outlay	4,272,496	2,485,027	2,819,131	2,275,709	3,153,156
Debt service					
Interest	820,494	640,413	379,123	412,240	403,458
Principal	1,485,000	2,985,000	1,830,000	1,480,000	725,000
Cost of Issuance	-	150,944	-	-	-
Payment to refunding bond escrow agent	-	821,153	-	-	-
Total Non Operating expenditures	6,577,990	7,082,537	5,028,254	4,167,949	4,281,614
Excess of revenues over expenditures	1,926,036	2,093,095	2,166,311	2,020,205	1,896,470
Other financing sources (Uses)					
Bonds issued					
Premium on bonds issues					
Proceeds from sale of capital assets	434	-	693,612	1,050	838
Transfers in	3,353,075	3,770,569	1,260,327	534,480	714,082
Transfers out	(3,253,191)	(3,569,986)	(1,059,869)	(284,156)	(2,024,588)
Other financing sources	-	11,010,846	-	-	-
Other financing uses	-	(10,851,624)	-	-	-
Total other financing sources (uses)	100,318	359,805	894,070	251,374	(1,309,668)
Prior Period Adjustment					
Net change in fund balances	2,026,354	2,452,900	3,060,381	2,271,579	586,802
Debt - % of Operating Expenditures & Debt	4.3%	6.5%	3.7%	3.0%	1.7%



Source: City of Manhattan Beach Finance Department Historical CAFRs

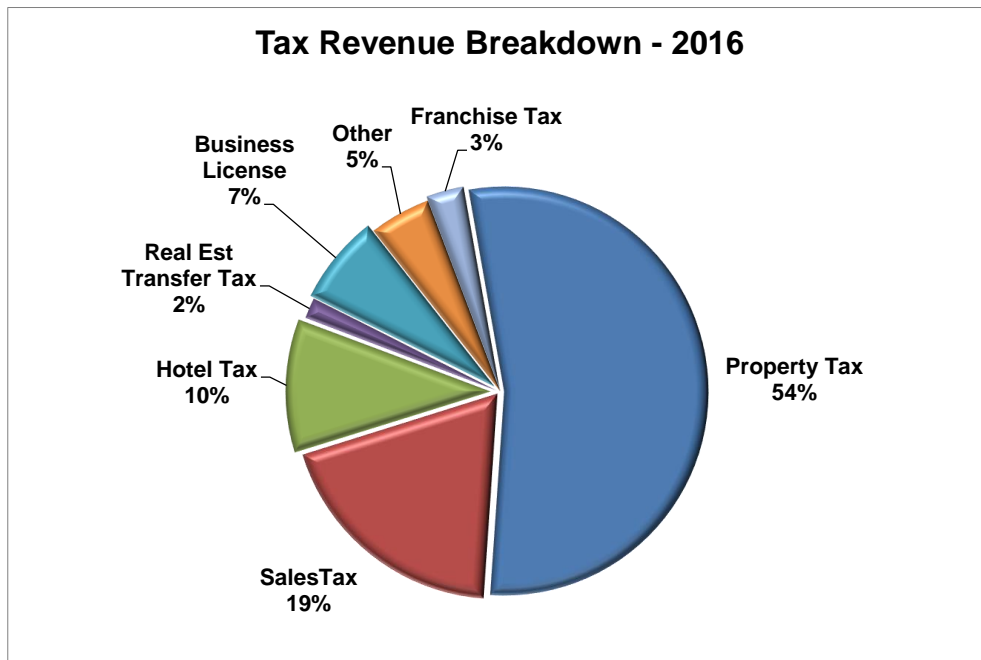


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City of Manhattan Beach
Taxes & Assessment Revenues by Source, Governmental Funds, and Assessment
Last Ten Fiscal Years
(modified accrual basis of accounting)

Exhibit A-7

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales & Use</u>	<u>Hotel</u>	<u>Franchise</u>	<u>Real Est Transfer</u>	<u>Business License</u>	<u>Other Taxes Assessments</u>	<u>Total</u>
2016	\$26,344,276	\$9,348,605	\$5,139,425	\$1,439,957	\$792,829	\$3,475,792	\$2,367,941	\$48,908,825
2015	24,435,184	9,171,515	4,809,421	1,539,453	720,826	3,376,113	2,548,606	46,601,118
2014	23,353,743	9,135,806	4,289,009	1,441,769	642,718	3,140,273	2,210,029	44,213,347
2013	21,626,173	9,103,160	3,881,174	1,471,197	587,399	3,124,644	2,479,919	42,273,666
2012	20,408,314	8,788,599	3,240,364	1,335,815	521,274	3,018,177	2,076,698	39,389,241
2011	19,791,425	8,148,688	3,229,823	1,289,443	473,280	2,844,066	1,920,912	37,697,637
2010	20,006,558	7,301,378	3,174,319	1,220,171	356,367	2,783,641	1,739,805	36,582,239
2009	19,930,492	7,480,516	3,507,774	1,185,406	325,001	2,767,070	1,643,212	36,839,471
2008	18,567,451	8,230,387	3,995,411	1,168,383	450,299	2,747,098	1,774,418	36,933,447
2007	17,116,975	8,416,844	3,665,741	1,200,503	788,347	2,464,239	1,608,597	35,261,246
Change 2007-2016	53.9%	11.1%	40.2%	19.9%	0.6%	41.0%	47.2%	38.7%



Source: City of Manhattan Beach Finance Department Historical CAFRs

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

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property	Total Assessed Value
2007	\$ 8,572,299,055	\$ 745,453,370	\$ 219,928,225	\$ 711,825,301	\$ 10,249,505,951
2008	9,427,136,444	796,972,539	224,326,781	737,961,261	11,186,397,025
2009	10,136,131,042	847,686,744	280,998,547	758,566,064	12,023,382,397
2010	10,279,360,710	870,969,553	286,618,511	760,569,467	12,197,518,241
2011	10,310,125,299	857,387,446	272,285,842	798,171,374	12,237,969,961
2012	10,639,403,753	900,787,632	355,749,068	624,994,067	12,520,934,520
2013	11,115,348,658	873,633,618	273,166,539	782,689,333	13,044,838,148
2014	11,778,259,052	922,429,548	275,869,861	810,528,769	13,787,087,230
2015	12,500,544,975	959,518,199	281,151,363	791,941,297	14,533,155,834
2016	13,616,966,542	1,012,547,408	293,730,521	765,998,032	15,689,242,503

Exhibit A-8

Tax-Exempt Property	Total Direct Tax Rate	Net Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
\$ 301,140,884	0.15697%	\$ 9,925,464,834	103.265%
301,140,740	0.15793%	10,861,350,753	102.993%
301,140,740	0.15857%	11,697,899,600	102.782%
301,140,740	0.15842%	11,871,677,111	102.745%
301,140,740	0.15619%	11,913,602,319	102.723%
301,140,740	0.15928%	12,190,853,653	102.708%
301,114,939	0.15951%	12,713,329,765	102.608%
301,114,939	0.16012%	13,453,303,900	102.481%
301,114,939	0.16059%	14,196,903,333	102.368%
301,114,939	0.16127%	15,352,495,483	102.193%

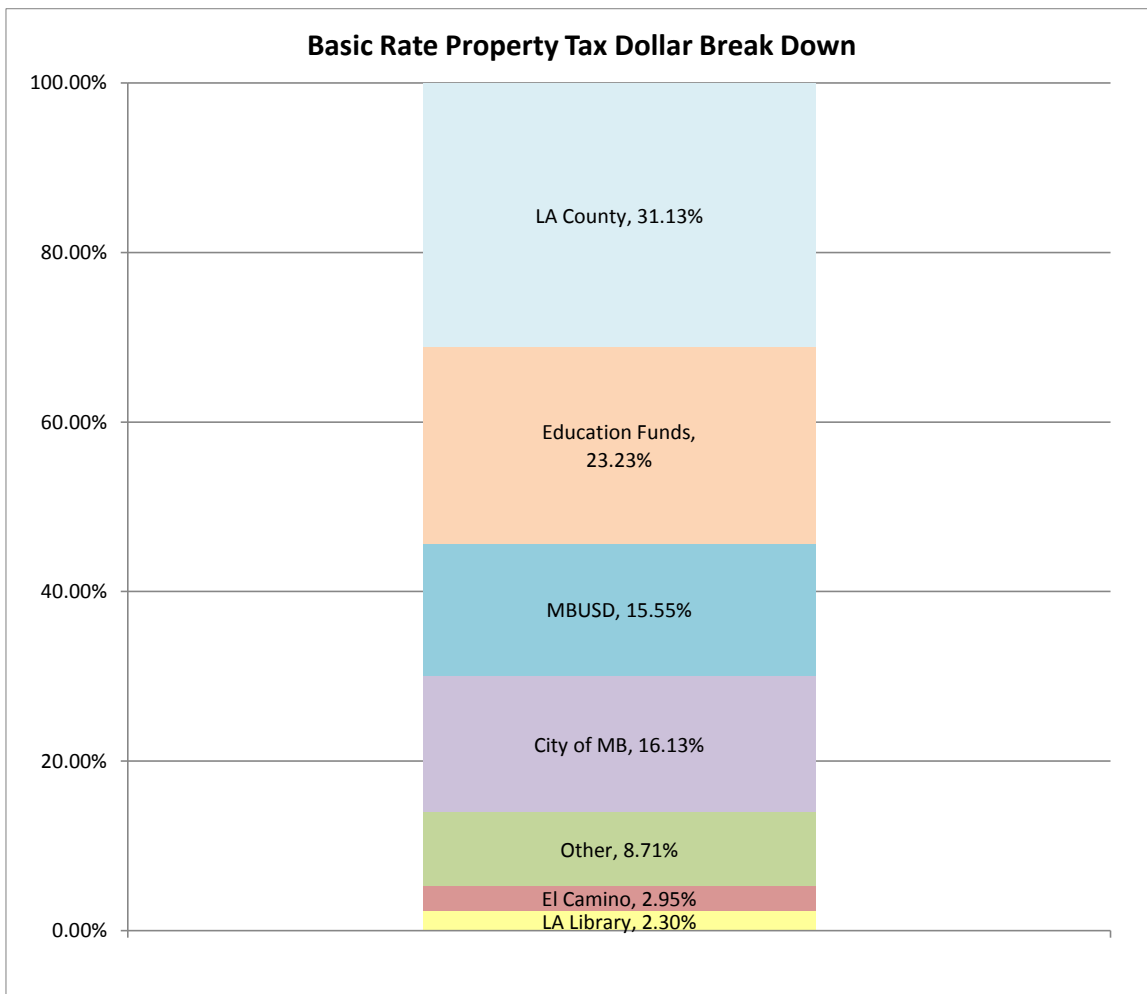


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**City of Manhattan Beach
Direct and Overlapping Property Tax Rates,
Last Ten Fiscal Years**

Exhibit A-9

Fiscal Year	City Direct Rates		Overlapping Rates					General Levy	Total Rate
	General Levy (Basic Rate)	City Direct Rate	LA County	Colleges & School Districts	Metro Water District	Flood Control District	Total Overlap Rate		
2007	1.00000%	0.15697%	0.00066	0.07427	0.00470	0.00005	0.07968	1.00000	1.07968
2008	1.00000%	0.15793%	0.00000	0.05351	0.00450	0.00000	0.05801	1.00000	1.05801
2009	1.00000%	0.15857%	0.00000	0.05377	0.00430	0.00000	0.05807	1.00000	1.05807
2010	1.00000%	0.15842%	0.00000	0.05497	0.00430	0.00000	0.05927	1.00000	1.05927
2011	1.00000%	0.15619%	0.00000	0.05907	0.00370	0.00000	0.06277	1.00000	1.06277
2012	1.00000%	0.15928%	0.00000	0.06489	0.00370	0.00000	0.06859	1.00000	1.06859
2013	1.00000%	0.15951%	0.00000	0.07998	0.00350	0.00000	0.08348	1.00000	1.08348
2014	1.00000%	0.16012%	0.00000	0.08755	0.00350	0.00000	0.09105	1.00000	1.09105
2015	1.00000%	0.16059%	0.00000	0.08928	0.00350	0.00000	0.09278	1.00000	1.09278
2016	1.00000%	0.16127%	0.00000	0.08403	0.00350	0.00000	0.08753	1.00000	1.08753



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

<u>Taxpayer</u>	2016	
	<u>Net Value</u>	<u>Percentage of Total City Net Value</u>
Rreef America Reit II Corporation BBB	\$ 168,057,533	1.09%
CRP MB Studios LLC	153,838,882	1.00%
Northrop Grumman Systems Corp	151,061,405	0.98%
Host Marriott MB LP	89,108,066	0.58%
Parstem Realty Company Inc.	69,870,790	0.46%
Onni Manhattan Towers LP	61,347,540	0.40%
Skechers USA Inc.	41,846,650	0.27%
WH Manhattan Beach LP	33,731,896	0.22%
Jeffrey K Hepper Company Trust	32,665,772	0.21%
St Paul Fire and Marine Insurance Co	31,967,482	0.21%
Top Ten Total	<u>\$ 833,496,016</u>	<u>5.42%</u>
City Total	<u><u>\$ 15,352,495,483</u></u>	

<u>Taxpayer</u>	2007	
	Net Value	Percentage of Total City Net Value
Northrop Grumman Systems Corp	\$ 187,227,890	1.89%
Reef America Reit II Corporation BBB	146,791,447	1.48%
CRP MB Studios LLC	96,900,000	0.98%
Wells Operating Partnership II LP	93,505,950	0.94%
Pastem Realty Company Inc.	61,448,120	0.62%
TRW Inc	61,373,372	0.62%
Host Marriott Corporation Interstate	35,280,000	0.36%
Skechers USA	34,116,827	0.34%
Sun Manhattan LLC	32,416,038	0.33%
St Paul Properties Inc.	28,113,922	0.28%
	<u>\$ 777,173,566</u>	<u>7.85%</u>
	<u><u>\$ 9,925,464,834</u></u>	

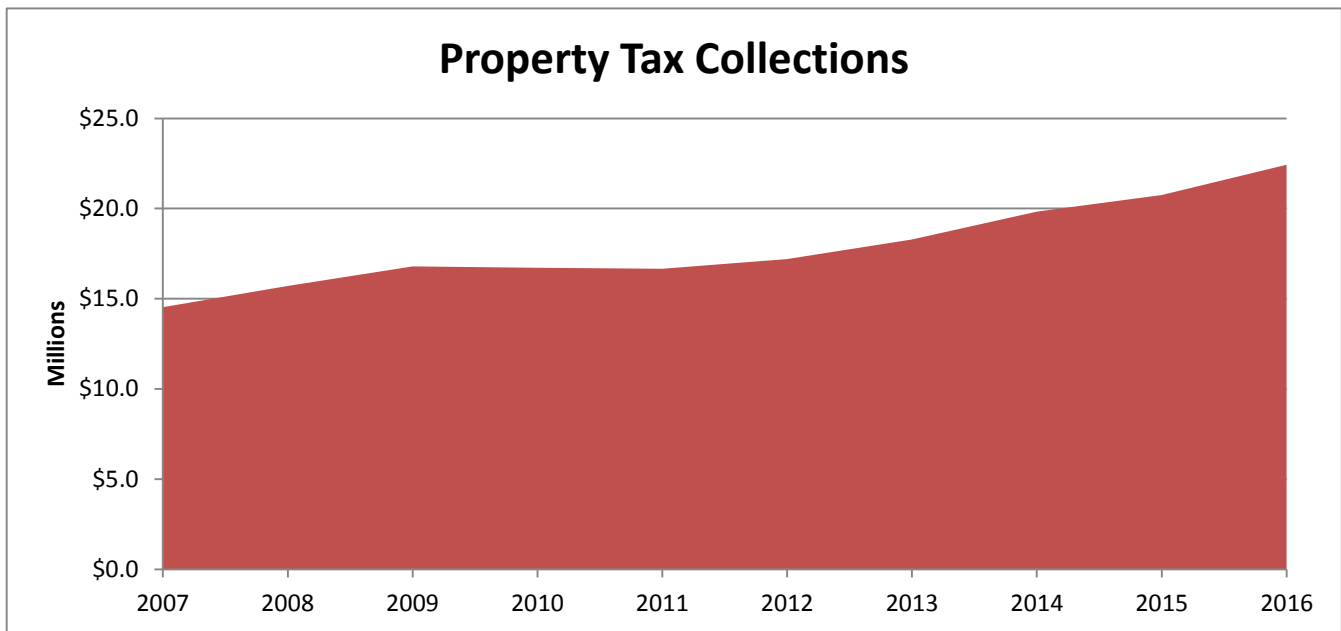


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**City of Manhattan Beach
Property Tax Levies and Collections,
Last Ten Fiscal Years**

Exhibit A-11

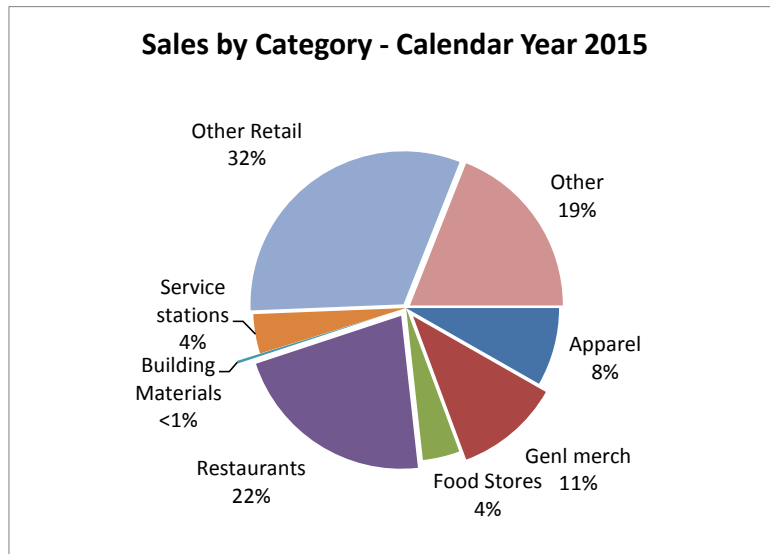
Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Prior Year	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 14,197,925	\$ 13,311,119	93.75%	\$ 1,219,824	\$ 14,530,943	102.35%
2008	15,564,989	14,643,132	94.08%	1,065,305	15,708,437	100.92%
2009	16,795,932	15,888,783	94.60%	902,280	16,791,063	99.97%
2010	17,041,081	16,054,348	94.21%	661,930	16,716,278	98.09%
2011	16,836,854	16,056,305	95.36%	604,649	16,660,953	98.96%
2012	17,529,077	16,865,345	96.21%	334,117	17,199,461	98.12%
2013	18,294,098	17,716,515	96.84%	569,183	18,285,698	99.95%
2014	19,402,284	19,103,356	98.46%	725,598	19,828,955	102.20%
2015	20,507,194	19,991,754	97.49%	757,337	20,749,092	101.18%
2016	22,195,519	21,697,312	97.76%	730,794	22,428,105	101.05%



Percent of levy may be over 100% since collections include current and pror years

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

	Calendar Year					
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Apparel stores	\$74,377	\$73,898	\$68,634	\$62,365	\$66,897	\$70,362
General merchandise	114,822	118,772	112,692	104,754	101,289	103,670
Food stores	32,141	31,401	32,001	32,259	32,006	31,896
Eating and drinking establishments	137,030	139,470	146,456	143,156	148,428	159,362
Building Materials	3,229	2,994	2,592	1,975	1,951	2,359
Auto dealers and supplies						
Service stations	34,576	33,604	37,572	28,355	28,571	34,707
Other retail stores	298,617	303,760	291,730	265,219	280,340	286,774
All other outlets	<u>126,286</u>	<u>123,670</u>	<u>118,163</u>	<u>104,142</u>	<u>166,591</u>	<u>219,791</u>
Total	<u>\$ 821,078</u>	<u>\$ 827,569</u>	<u>\$ 809,840</u>	<u>\$ 742,225</u>	<u>\$ 826,073</u>	<u>\$ 908,921</u>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%



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

Exhibit A-12

	Calendar Year			
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Apparel stores	\$72,769	\$73,454	\$73,477	\$75,987
General merchandise	104,281	106,028	104,283	102,328
Food stores	32,761	34,089	34,364	35,949
Eating and drinking establishments	171,607	179,893	188,374	199,738
Building Materials	2,256	2,416	2,723	2,598
Auto dealers and supplies	-	-	-	-
Service stations	41,650	44,441	44,402	38,387
Other retail stores	301,383	303,442	283,720	291,498
All other outlets	<u>245,480</u>	<u>250,965</u>	<u>253,585</u>	<u>175,224</u>
Total	<u>\$ 972,187</u>	<u>\$ 994,728</u>	<u>\$ 984,928</u>	<u>\$ 921,709</u>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%

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

Exhibit A-13

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>L.A. County</u>
2016	1.00%	.25%
2015	1.00%	.25%
2014	1.00%	.25%
2013	1.00%	.25%
2012	1.00%	.25%
2011	1.00%	.25%
2010	1.00%	.25%
2009	1.00%	.25%
2008	1.00%	.25%
2007	1.00%	.25%

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

Exhibit A-14

Tax Remitter

2016

Apple
AT&T Mobility
Barnes & Noble
BevMo
Chevron
Circle K
CVS Pharmacy
Frys Electronics
Houston's
Macys
Manhattan Beach Marriott
Manhattan Beach Toyota Scion
Nick's
Old Navy
Olive Garden
Pottery Barn
Ralphs Fresh Fare
REI
Sephora
Strand House Standbar
Target
Tin Roof Bistro
Toyota Lease Trust
Trader Joes
Vons

2007

Apple
Barnes & Noble
Bristol Farms
California Pizza Kitchen
Chase Auto Leasing Corporation
Chevron
CVS Pharmacy
Frys Electronics
Houston's
Kwik Gas
Macys
Manhattan Beach Marriott
Manhattan Beach Toyota Scion
Mobil Oil
Office Depot
Old Navy
Olive Garden
Ralphs Fresh Fare
REI
Rock 'N Fish
Sephora
Target
Trader Joes
TRW Space & Electronics
Williams Sonoma

* Listed Alphabetically



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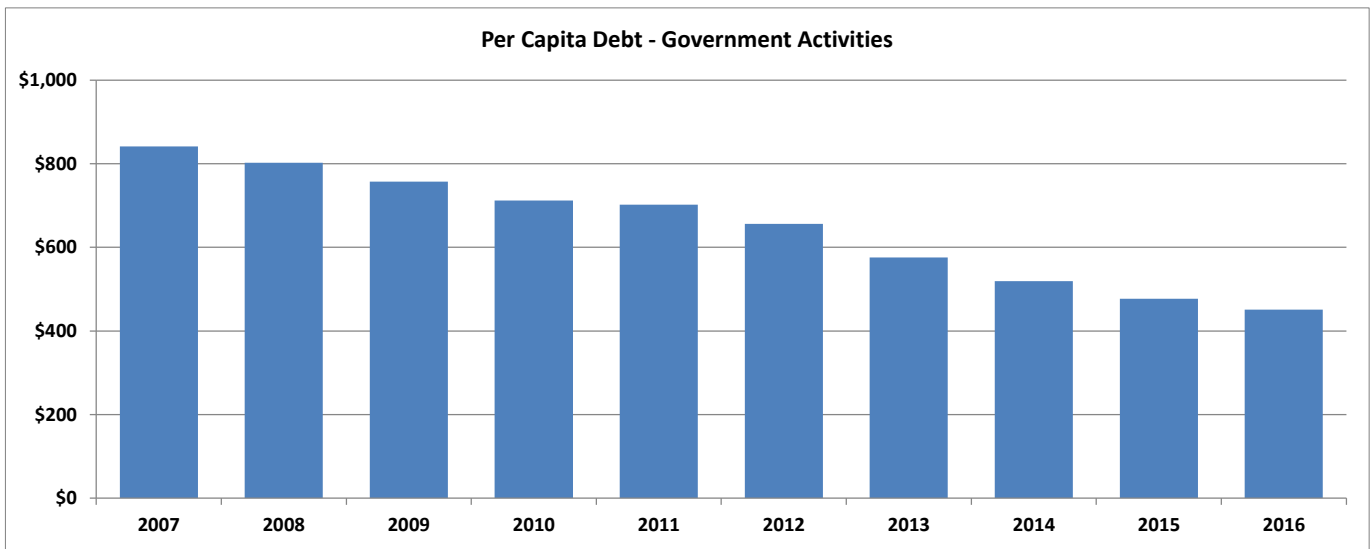
Statistical Section

Debt Capacity

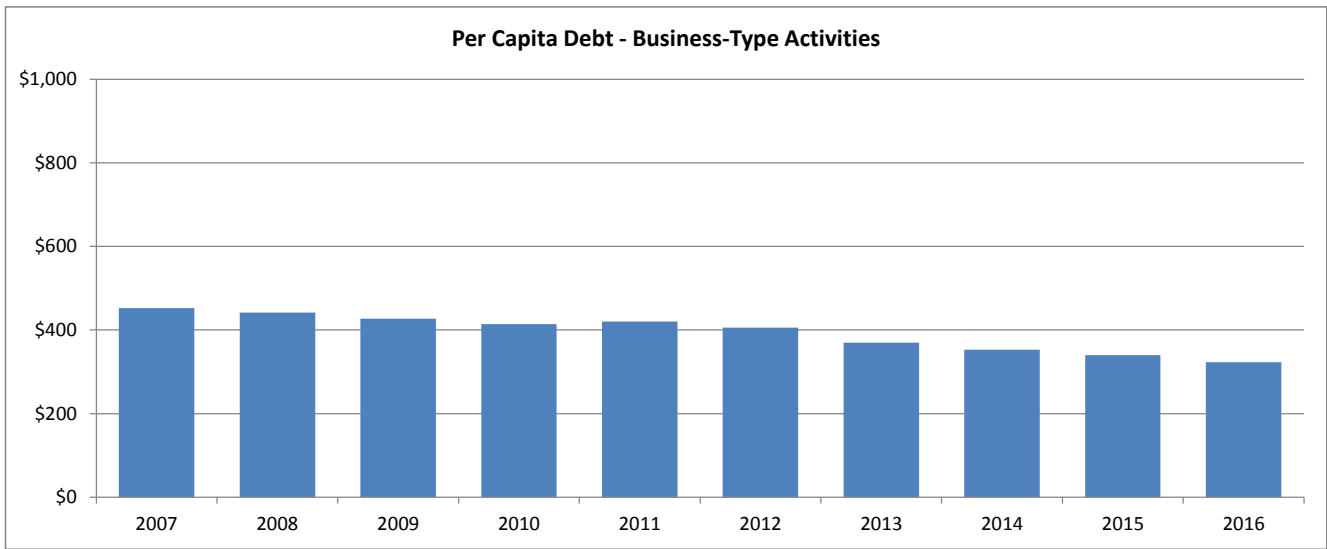
These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

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

Fiscal Year	RCC Facility	Governmental Activities					Capital Leases	Total Governmental	Total Per Capita
		Pension Obligation Bonds	Marine Certificates of Participation	Police/Fire Certificates of Participation	Police/Fire Refunding Bonds				
2007	\$1,830,000	\$6,800,000	\$8,580,000	\$12,740,000	\$ -	\$558,370	\$30,508,370	\$842	
2008	1,750,000	6,095,000	8,375,000	12,495,000	-	390,008	29,105,008	803	
2009	1,670,000	5,400,000	8,165,000	12,245,000	-	215,949	27,695,949	757	
2010	1,585,000	4,635,000	7,945,000	11,990,000	-	35,807	26,190,807	712	
2011	1,495,000	3,795,000	7,715,000	11,725,000	-	-	24,730,000	702	
2012	1,445,000	2,870,000	7,480,000	11,450,000	-	-	23,245,000	656	
2013	-	1,860,000	7,235,000	-	10,510,000	903,841	20,508,841	576	
2014	-	765,000	6,980,000	-	10,030,000	719,342	18,494,342	519	
2015	-	-	6,715,000	-	9,580,000	531,820	16,826,820	477	
2016	-	-	6,445,000	-	9,125,000	341,224	15,911,224	451	



Business-type Activities						Total		
Utility Revenue Bonds	Metlox Certificates of Participation	Utility Refunding Certificates of Participation	Metlox Refunding Certificates of Participation	Total Business Type	Total Per Capita	Total Primary Government	Percentage of Personal Income	Total Per Capita
\$3,820,000	\$12,570,000	\$ -	\$ -	\$16,390,000	\$452	\$46,898,370	1.81%	\$1,294
3,715,000	12,300,000	-	-	16,015,000	442	45,120,008	1.67%	1,244
3,605,000	12,020,000	-	-	15,625,000	427	43,320,949	1.63%	1,184
3,490,000	11,735,000	-	-	15,225,000	414	41,415,807	1.46%	1,126
3,370,000	11,435,000	-	-	14,805,000	420	39,535,000	1.41%	1,122
3,240,000	11,125,000	-	-	14,365,000	406	37,610,000	1.32%	1,062
-	-	2,860,695	10,290,752	13,151,447	369	33,660,288	1.14%	945
-	-	2,686,239	9,896,927	12,583,166	353	31,077,508	1.08%	872
-	-	2,506,784	9,498,103	12,004,887	340	28,831,707	0.99%	817
-	-	2,317,328	9,079,279	11,396,607	323	27,307,831	0.94%	774





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**City of Manhattan Beach
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016**

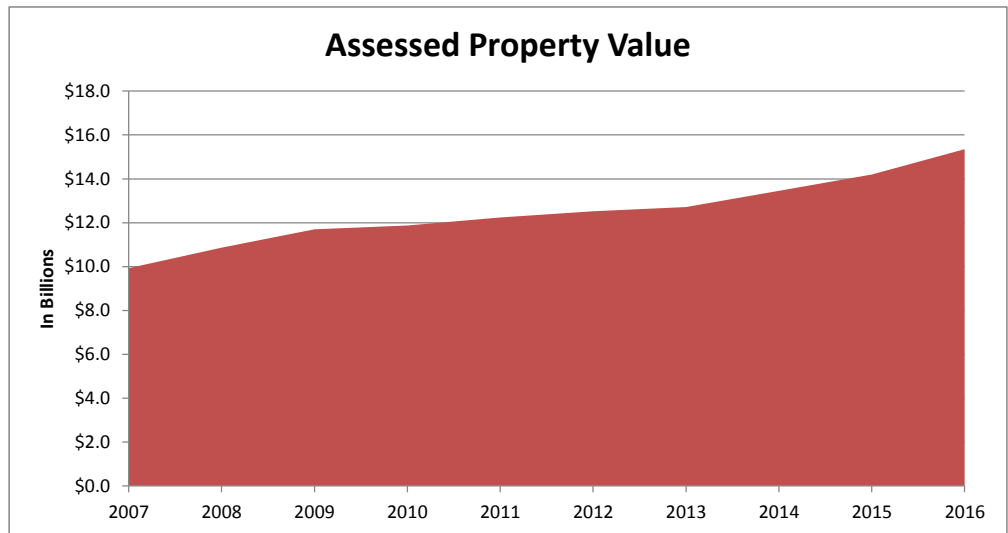
Exhibit A-16

<u>Governmental Unit</u>	<u>Gross Bonded Debt Balance</u>	<u>Percentage Applicable To City</u>	<u>Net Bonded Debt</u>
Direct Debt			
City of Manhattan Beach:			
Certificates of Participation Marine Avenue Park	6,445,000	100.000%	6,445,000
Refunding Certificates of Participation Police/Fire	9,125,000	100.000%	9,125,000
Obligation under Capital Leases	341,224	100.000%	341,224
Total Direct Debt			<u>\$15,911,224</u>
Overlapping Debt			
Manhattan Beach UNIF 96 SER A DS	\$4,142,042	100.000%	\$4,142,042
Manhattan Beach UNIF DS 1998 SER B	4,982,212	100.000%	4,982,212
Manhattan Beach USD DS 1999 SER C	2,616,229	100.000%	2,616,229
Manhattan Beach USD DS 2001 SER D	3,487,563	100.000%	3,487,563
Manhattan Beach USD DS 1995 SER E	4,628,829	100.000%	4,628,829
Manhattan Beach USD DS 2000 SER B	6,177,916	100.000%	6,177,916
Manhattan Beach USD DS 2008, 2011 SER C	7,651,589	100.000%	7,651,589
Manhattan Beach USD DS 2008 2012 SER D	9,738,877	100.000%	9,738,877
Manhattan Beach USD DS 2008 2012 SER E	9,265,000	100.000%	9,265,000
Manhattan Beach USD DS 2008 2013 SER F	12,405,000	100.000%	12,405,000
Manhattan Beach USD DS 2013 REF 2000 SER A	27,900,000	100.000%	27,900,000
Metropolitan Water District	44,916,916	1.493%	670,427
El Camino CCD DS 2016	185,825,000	16.419%	30,510,328
El Camino CCS DS 2002 SER 2006B	5,090,000	16.419%	835,719
El Camino CCS DS 2002 SER 2012C	180,631,166	16.419%	29,657,560
El Camino CCS DS 2012 REF BONDS	41,490,000	16.419%	6,812,181
Total Overlapping Debt			<u>\$161,481,472</u>
Total Direct and Overlapping Debt			<u>\$ 177,392,696</u>

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

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

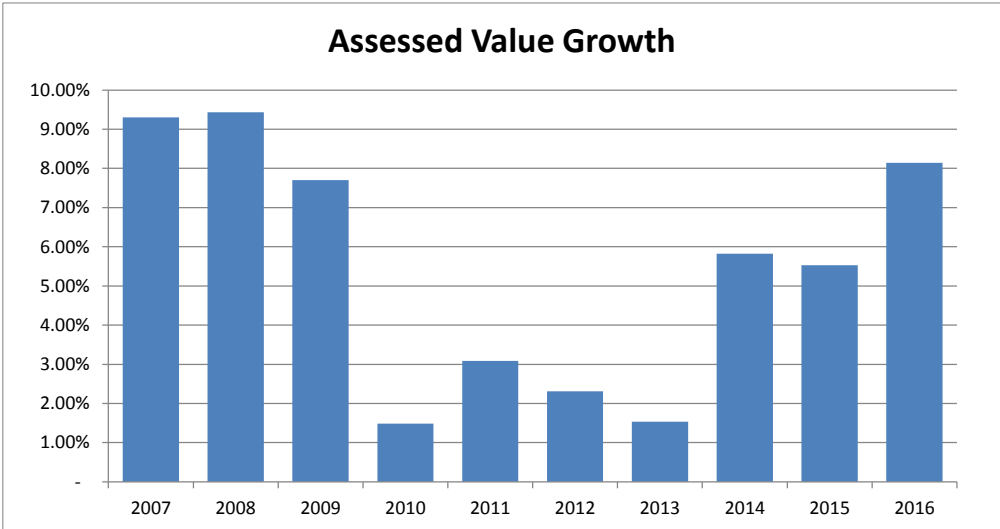
	Fiscal Year				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Total Assessed Value	\$ 9,925,464,834	\$ 10,861,350,753	\$ 11,697,899,600	\$ 11,871,677,111	\$ 11,913,602,319
Legal debt limit (3.75%)	372,204,931	407,300,653	438,671,235	445,187,892	446,760,087
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 372,204,931</u>	<u>\$ 407,300,653</u>	<u>\$ 438,671,235</u>	<u>\$ 445,187,892</u>	<u>\$ 446,760,087</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%
Assessed Value Growth	9.30%	9.43%	7.70%	1.49%	0.35%



Fiscal Year				
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 12,190,853,653	\$ 12,713,329,765	\$ 13,453,303,900	\$ 14,196,903,333	\$ 15,352,495,483
457,157,012	476,749,866	504,498,896	532,383,875	575,718,581
-	-	-	-	-
<u>\$ 457,157,012</u>	<u>\$ 476,749,866</u>	<u>\$ 504,498,896</u>	<u>\$ 532,383,875</u>	<u>\$ 575,718,581</u>

0.00%	0.00%	0.00%	0.00%	0.00%
-------	-------	-------	-------	-------

2.33%	4.29%	5.82%	5.53%	8.14%
-------	-------	-------	-------	-------



Source: City of Manhattan Beach Finance Department Historical CAFRs

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

Water - Wastewater Debt Service Principal and Interest

Fiscal Year	Utility Service Charges	(a) Less: Operating Expenses	Net Available Revenue	Debt Service		Times Coverage
				Principal	Interest	
2007	8,560,647	7,864,351	696,296	100,000	218,804	2.18
2008	8,136,116	8,053,961	82,155	105,000	213,205	0.26
2009	8,697,768	9,060,376	(362,608)	110,000	218,235	(1.10)
2010	9,668,966	9,129,202	539,764	115,000	212,345	1.65
2011	12,149,167	9,230,873	2,918,294	120,000	205,769	8.96
2012	15,572,398	9,431,747	6,140,651	130,000	201,090	18.55
2013 (c)	18,322,360	10,105,431	8,216,929	85,000	93,150	46.12
2014	19,908,104	10,611,569	9,296,535	160,000	93,150	36.72
2015	19,674,895	10,082,087	9,592,808	165,000	89,950 (b)	37.63
2016	17,814,103	10,389,899	7,424,204	175,000	83,350 (b)	28.74

(a) Operating Expense less depreciation expense

(b) Interest "expense" for this purpose reflects Footnote 5 Debt Service Requirements as presented in prior years' CAFRs and is present

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

Parking Debt Service Principal and Interest					
Parking Fund Revenue	(a) Less: Operating Expenses	Net Available Revenue	Debt Service		Times Coverage
			Principal	Interest	
1,411,406	693,207	718,199	265,000	584,590	0.85
1,355,513	644,225	711,288	270,000	577,896	0.84
1,735,739	664,415	1,071,324	280,000	585,311	1.24
1,591,919	789,917	802,002	285,000	575,046	0.93
2,094,783	765,202	1,329,581	300,000	564,432	1.54
2,302,557	988,324	1,314,233	310,000	552,580	1.52
2,305,348	1,326,796	978,552	360,000	342,475	1.39
2,432,958	1,356,782	1,076,176	370,000	348,762	1.50
2,566,403	1,505,208	1,061,195	375,000	341,363 (b)	1.48
2,533,935	1,676,685	857,250	395,000	326,362 (b)	1.19

ated on a cash basis



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Statistical Section

Demographic and Economic Information

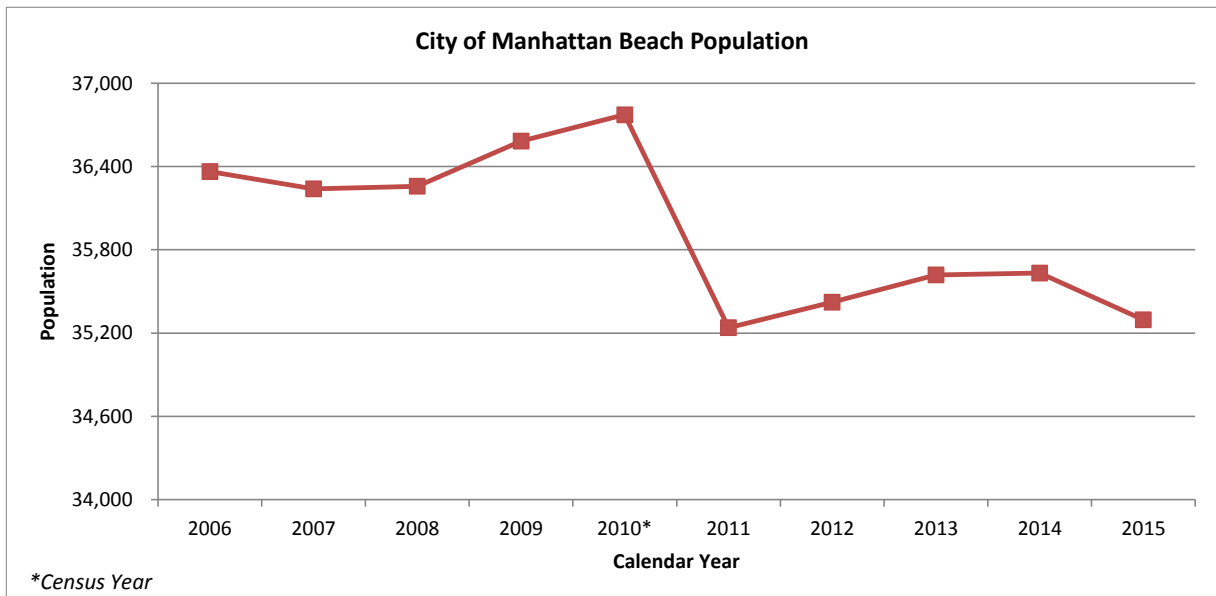
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.

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

Exhibit A-19

Calendar Year	Population	Man Beach Personal Income (in thousands)	Personal Income L.A. County¹ (in thousands)	Per Capita Personal Income L.A. County¹	Per Capita Personal Income Man Beach	Unempl Rate	School Enrollment
2006	36,364	\$ 2,601,304	\$ 370,860,000	\$ 36,196	\$ 71,535	1.6%	6,266
2007	36,240	2,675,144	379,824,000	36,762	73,817	1.7%	6,307
2008	36,258	2,695,604	411,000,000	39,657	74,345	2.6%	6,282
2009	36,583	2,659,307	392,000,000	37,718	72,692	4.1%	6,560
2010*	36,773	2,830,050	405,000,000	38,789	76,960	4.5%	6,602
2011	35,239	2,802,945	420,900,000	42,696	79,541	4.4%	6,651
2012	35,423	2,850,383	435,300,000	43,916	80,467	3.2%	6,768
2013	35,619	2,945,228	451,100,000	45,024	82,687	2.6%	6,814
2014	35,633	2,864,394	487,900,000	48,456	80,386	3.4%	6,787
2015	35,297	2,906,208	510,500,000 ^F	50,460 ^F	82,335	2.7%	6,687

Source: HdL Companies, County of Los Angeles Comprehensive Annual Financial Report
¹ Represents fiscal year ended June 30th.



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

City of Manhattan Beach
Principal Employers
Current Year

Exhibit A-20

<u>Employer</u>	<u>2016</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>
Northrop Grumman Corp.	2,043	17.26%
Manhattan Beach Unified School District	732	6.18%
Kinecta Federal Credit Union	550	4.65%
Target Corporation	405	3.42%
Skechers USA Inc	355	3.00%
City of Manhattan Beach	294	2.48%
Fry's Electronics, Inc.	264	2.23%
Manhattan Beach Marriott	233	1.97%
Skechers U.S.A., Inc.	230	1.94%
Ralphs Grocery Company	167	1.41%
Skechers USA, Inc.	148	1.25%
Bristol Farms	129	1.09%
The Olive Garden #1723	117	0.99%
Houston's Restaurant	115	0.97%
24 Hour Fitness #163	108	0.91%
California Pizza Kitchen	106	0.90%
Tecolote Research, Inc	100	0.84%
Il Fornaio	99	0.84%
Manhattan Country Club	90	0.76%
Chili's Grill & Bar	85	0.72%
Boston Consulting Group, Inc	85	0.72%
Western America	84	0.71%
Manhattan Beach Toyota	82	0.69%
Islands Fine Burgers & Drinks	75	0.63%
Recreational Equipment Inc-REI	75	0.63%
Total	<u>6,771</u>	<u>57.20%</u>



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

Exhibit A-21

Full-time Authorized Employees as of June 30

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General government										
Management services	13	14	14	14	14	13	12	13	13	17
Finance*	21	21	21	20	20	20	20	25	25	17
Information Technology*	-	-	-	-	-	-	-	-	-	9
Human Resources	7	7	7	7	7	6	6	6	6	8
Planning & Building	22	22	22	20	20	19	20	21	22	24
Parks and Recreation	19	19	19	20	20	20	20	21	23	25
Police										
Officers	65	65	65	63	64	62	65	65	65	65
Civilians	35	35	35	35	34	35	36	39.8	39.8	39.8
Fire										
Firefighters & officers	30	30	30	30	30	30	30	30	31	30
Civilians	1	1	1	1	1	1	1	1.2	1.2	1.2
Public works										
Engineering	7	7	9	8	8	8	8.2	7.25	7.25	7.5
Water	13	13	13	13.5	14.25	14.25	11.7	11.2	11.2	11.2
Wastewater	4	4	3	3.1	3.35	3.35	3.3	3.2	3.2	3.2
Other	37	37	38	36	34.4	34.4	34.8	34.35	34.35	34.1
Total	<u>274</u>	<u>275</u>	<u>277</u>	<u>270.6</u>	<u>270</u>	<u>266</u>	<u>268</u>	<u>278</u>	<u>282</u>	<u>292</u>



Source: City of Manhattan Beach Finance Department

CITY OF MANHATTAN BEACH
SCHEDULE OF INSURANCE IN FORCE

June 30, 2016

<u>TYPE OF COVERAGE</u>	<u>POLICY NUMBER</u>	<u>FROM</u>
Liability		
Self-Insured - MOC		07/01/15
Excess Liability		
Independent Cities Risk Management ICRMA (Pool) - MOC	ICRMA 2015-ICAPL-1014	07/01/15
Evanston Insurance Company	MPEREV00731500	07/01/15
Lexington Insurance Company	19210505	07/01/15
SCOR Reinsurance Company	F151479	07/01/15
Building & Property (All City excluding EQ/FL to public safety building)		
London - Primary	B1353DP1500214000	07/01/15
Other Carriers	Various	07/01/15
Building & Property Public Safety Building EQ/FL		
Various Carriers - Public Safety Bldg	Various	07/01/15
Princeton E&S	B2A3IM0001407-05	
Everest Indemnity Insurance	8100003075-151	
Empire Indemnity Insurance	BPP1057619	
Workers' Comp.		
Self-Insured	-	07/01/15
Excess Workers' Comp.		
ICRMA (Pool) - MOC	ICRMA2015-1WC	07/01/15
Safety National	SP 4053361	07/01/15
Employee Dishonesty (Crime), Replaces Public Officials (National Union Fire Insurance Co.)	01-424-67-84	07/01/15
Inland Marine - Fine Arts (Travelers Property and Casualty)	QT-660-7A065752-TIL-15	07/02/15
Cyber Risk (Illinois Union Insurance Co.)	EON G23685188 002	7/1/2015

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

June 30, 2016

<u>TO</u>	<u>LIMITS OF COVERAGE</u>	<u>ANNUAL PREMIUM</u>
07/01/16	\$500,000 per occurrence	\$847,768
07/01/16	\$5,000,000 excess of \$500,000	Included in above
07/01/16	\$5,000,000 excess of \$5,000,000 with \$1,000,000 corridor	Included in above
07/01/16	\$10,000,000 excess of \$10,000,000	Included in above
07/01/16	\$10,000,000 excess of \$20,000,000	Included in above
07/01/16	\$25,000,000 Primary	\$346,215
07/01/16	\$125,000,000 excess of \$25,000,000 Primary Earthquake & Flood shared proportionally	Included in above
07/01/16	\$31,312,467	Included in above
	\$10,000,000 p/o \$15MM	Included in above
	\$5,000,000 p/o \$15MM	Included in above
	\$16,312,467 xs. \$15MM - 2nd Layer	Included in above
07/01/16	\$750,000 per occurrence	\$305,522
07/01/16	\$5,000,000 excess of \$750,000	Included in above
07/01/16	Statutory limits	Included in above
07/01/16	\$2,000,000	\$3,124
07/02/16	\$250,000	\$3,000
7/1/2016	\$5,000,000	\$6,495

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

Exhibit A-23

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government										
Building permits issued	3,477	1,142	1,077	1,254	1,318	1,484	1,339	1,673	1,847	1,853
Building inspections conducted	18,021	14,634	11,401	9,544	9,676	10,298	11,165	13,370	14,708	14,630
Police										
Arrests	1,359	1,247	1,242	1,224	1,007	1,387	1,173	1,367	1,383	1,590
Parking citations	57,807	57,356	71,810	72,789	70,001	68,080	63,624	61,651	63,423	66,255
Traffic citations	6,461	6,726	6,674	9,513	8,591	9,605	6,890	6,339	4,222	4,723
Fire (a)										
Emergency responses	2,831	2,958	3,158	3,036	3,100	3,254	3,176	3,379	3,434	3,690
Fires extinguished	103	126	124	94	98	94	95	76	56	63
Inspections	975	995	1,155	1,300	973	1,650	933	1,078	536	852
Refuse collection										
Refuse collected (tons per day)	63.0	58.7	58.09	62.33	60.27	47.78	43.55	42.05	49.48	52.72
Recyclables collected (tons per day)	61.0	52.2	39.22	42.44	44.07	45.18	48.16	50.19	53.05	47.7
Other public works										
Street resurfacing (miles)	1.2	1.2	3.6	8.5	6.6	3.9	-	1.0	3.0	1.0
Parks and recreation										
Athletic field permits issued	2,949	4,464	4,246	4,501	4,887	5,901	7,002	7,779	10,369	9,912
Community center admissions*	150,041	153,628	143,441	134,144	147,630	41,374	89,134	107,632	76,860	52,424
Water										
Water main breaks	10	2	-	-	4	3	4	6	7	4
Average daily consumption (thousands of gallons)	6,020	6,018	4,819	5,096	4,900	4,920	5,123	4,929	4,468	4,021
Peak daily consumption (thousands of gallons)	7,265	7,168	5,783	7,644	7,350	6,712	6,989	7,169	5,344	5,344
Transportation										
Total route miles	32,940	46,749	43,406	51,736	65,517	43,461	38,995	41,680	44,067	46,175
Passengers	9,785	11,911	12,842	14,945	18,831	18,899	16,039	17,059	20,065	22,067

(a) Represents calendar year data.

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

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

Exhibit A-24

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	23	23	23	23	23	23	23	23	23	23
Fire stations	2	2	2	2	2	2	2	2	2	2
Other public works										
Streets (miles)	110	110	110	110	110	108	108	108	108	108
Highways (miles)	10	10	10	10	10	10	10	10	10	10
Parks and recreation										
Acreage	80.88	80.88	80.88	80.88	80.88	80.88	80.88	80.88	80.88	80.88
Baseball/softball diamonds	13	13	13	13	13	13	13	18	18	18
Soccer/football fields	15	15	15	15	15	15	15	19	19	19
Community centers	2	2	2	2	2	2	2	3	3	3
Water										
Water mains (miles)	106	106	106	106	106	106	106	106	106	106
Fire hydrants	669	670	671	775	774	774	774	774	774	774
Storage capacity (1000s Gallons)	9,830	9,830	9,830	9,830	9,800	9,800	9,800	9,800	9,800	9,800
Wastewater										
Sanitary sewers (miles)	84.0	84.0	84.0	84.0	81.6	82.0	82.0	82.0	82.0	82.0
Storm sewers (miles)	16.0	16.0	16.0	16.0	25.0	25.0	25.0	25.0	25.0	25.0
Transportation—minibuses	4	4	4	4	4	4	4	4	4	4

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

Population distribution by ethnic group (one race):

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

Household Type:

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

Population distribution by age group:

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

Population distribution by gender:

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

Bond Disclosure Section

Continuing Disclosure Requirements

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

Continuing Disclosure Requirements

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

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

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

Reporting of Events with Respect to Debt Issuance during Fiscal Year 2015-2016

None.

Delinquencies of Underground Assessment District Bonds for Fiscal Year 2015-2016

As of June 30, 2016

PARCEL	TAX LEVIED	TAX PAID	Delinquencies
Agency 20482 (District 05-2)			
4169003019	3,164.49	1,582.24	1,582.25
4169007013	2,043.04	1,021.52	1,021.52
Agency 20482 Total			2,603.77
Agency 20483 (District 05-6)			
4178004026	1,340.33	-	1,340.33
4178013081	1,340.33	-	1,340.33
4179030045	1,810.08	905.04	905.04
4178004001	1,810.08	905.04	905.04
Agency 20483 Total			4,490.74
Agency 20492 (District 04-1)			
4175025010	849.83	-	849.83
Agency 20492 Total			849.83
Agency 20493 (District 04-3)			
4175024007	637.72	-	637.72
4176021008	516.38	-	516.38
4176024022	637.72	318.86	318.86
4176022014	637.72	318.86	318.86
Agency 20493 Total			1,791.82
Agency 20494 (District 04-5)			
None			
Agency 20494 Total			-
TOTAL DELIQUENCIES			\$9,736.16

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

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

Table 12 – Variable Rate Bonds Credit Enhancement

Table 12 - Variable Rate Bonds Credit Enhancement

As of June 30, 2016

Bond	Outstanding Principal	Letter of Credit Provider	Scheduled Expiration of Letters of Credit
None for FY 2015-2016			

Table 13 – Investment Portfolio Summary

As of June 30, 2016

Type of Investment	Market Value
Cash	\$3,556,860
Local Government Fund	31,719,693
US Treasury & Agency Notes	47,732,860
Medium-Term Notes	14,826,880
Certificates of Deposit	4,637,248
Funds Held by Fiscal Agent	1,718,852
Petty Cash	4,912
Total	\$104,197,305

Table 14 – Unrepresented Unit and Employee Associations

As of June 30, 2016

Employee Unit	No. Full-Time Employees*	Percent of Workforce
Manhattan Beach Fire Association	25	9.2%
Manhattan Beach Police Officers' Association	58	21.4%
Manhattan Beach Police Management Association	7	2.6%
Miscellaneous Unit - Teamsters Local 911	119	43.9%
Management/Confidential (not represented)	62	22.9%
Total	271	100.0%

* Excludes elected officials.

Additional Information

Fitch Ratings

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

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



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