

# **City of Manhattan Beach, California**



## **Comprehensive Annual Financial Report**

**Year Ended June 30, 2017**

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CITY OF MANHATTAN BEACH, CALIFORNIA  
*COMPREHENSIVE ANNUAL FINANCIAL REPORT*  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017



Prepared by the Finance Department

Bruce Moe, Finance Director

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 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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*January 16, 2018*

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, 2017. 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 2017.

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, 2017, 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 population<sup>1</sup> is 35,488. 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.

In 2016, the City Council adopted Ordinance No. 16-0026 to comply with Senate Bill No. 415, the California Voter Participation Rights Act, toward the goal of increasing voter turnout in municipal elections. After the next election on March 5, 2019, the City will combine its municipal elections scheduled in March 2021 and March 2023 with statewide elections scheduled in November 2020 and November 2022, respectively. The terms of City office holders elected in 2017 have been shortened to meet the timing of the November elections.

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).

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<sup>1</sup> State of California Department of Finance, January 2017

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	

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 employee 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 in June 2016, while the second year (FY 2017-2018) was approved at that time. The second year was subsequently adopted in June 2017 with modifications approved by the City Council.

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 1.7% unemployment rate, compared to Los Angeles County at 4.1% and the State of California at 4.6%<sup>2</sup>.

### *Long Term Planning*

Each year during the budget process, the City develops a five-year forecast of General Fund revenues and expenditures. During the most recent budget cycle, the forecast concluded that unassigned General Fund balances will remain in a range from an estimated \$20.7 million at the end of FY 2017-2018 to \$15.6 million in FY 2021-2022. 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 may 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 most recent five-year forecast can be found in the Budget Addendum document to the FY16/17 – FY17/18 Biennial Budget, available online at [www.cityymb.info/budget](http://www.cityymb.info/budget).

## **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.

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<sup>2</sup> State of California Employment Development Department, November (Preliminary) 2017

Construction of the Northeast parking structure began in 2017. The City continues to work closely with the developer and property owners on a schedule for construction of the project.

### *Sepulveda Corridor Plan*

The Sepulveda Boulevard corridor is a major transportation corridor for the South Bay region. In Manhattan Beach, this corridor runs north-south through the heart of the City, functions as a commercial corridor and houses major tenants such as the Manhattan Village Mall and Shopping Center, Target, Toyota, Skechers Headquarters, as well as medical facilities, financial institutions, salons, fitness studios, automotive shops and small local businesses.

At the November 7, 2017 City Council meeting, the City Council approved the Sepulveda Corridor Initiatives Work Plan and establishment of a Working Group. The various planning initiatives focused on economic vitality, planning, parking, traffic and corridor beautification. The Sepulveda Work Plan is a focused project with an anticipated completion date of August 2018.

### *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 and is working with Caltrans to finalize seismic retrofit plans in accordance with recent code changes. Grants totaling \$21.4 million are available for the project, and the preliminary cost estimate to complete the project is \$17 million.

### *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 and is currently awaiting approval by the California Coastal Commission before implementation.

## **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 2017 to 2016, the total fund balance increased by \$1.3 million. General Fund revenues exceeded expenditures by \$2.9 million. Other Financing Sources (transfers-in, transfers-out and sale of capital assets) netted out to a negative \$1.6 million. Transfers-in included \$170,422 from the County Parking Lot Fund in line with the contract with the County of Los Angeles and \$561,684 from the Information Technology Fund to reduce an excess of fund balance that built up over time. Offsetting this fund balance increase, transfers-out included \$230,296 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 \$967,382 to support operations (the remaining \$1,543 was revenue from the sale of capital assets). At the end of fiscal year 2017, the total General Fund balance equaled \$25.0 million, with an unassigned fund balance of \$23.4 million. Within the unassigned fund balance, City Council has established earmarks for financial policies and economic uncertainties of \$17.5 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 and Service Charges. This can be noted by the trends below:

Revenue Category	2017 Actual	2016 Actual	Increase/ (Decrease)	%
Property Tax	\$28,215,709	\$26,344,276	\$1,871,433	7.1%
Other Taxes (Sales, Hotel, Business License, etc.)	19,441,259	19,818,435	(\$377,176)	(1.9%)
Licenses and Permits (Building, Construction, Film Permits)	2,703,626	2,796,838	(\$93,212)	(3.3%)
Fines (Parking Citations, Vehicle Code Fines)	2,494,090	2,503,274	(\$9,184)	(0.4%)
Use of Money and Property (Interest, Rents and Ground Leases)	3,455,654	3,717,747	(\$262,093)	(7.0%)
Received From Other Agencies (Vehicle License Fees, Grants)	315,831	524,218	(\$208,387)	(39.8%)
Service Charges (Plan Check Fees, P&R Class, Ambulance Fees)	8,019,934	6,572,389	\$1,447,545	22.0%
Interfund Charges (Admin Service Charge)	2,996,532	2,996,532	-	0.0%
Miscellaneous*	1,709,522	1,495,286	\$214,236	14.3%
<b>Total</b>	<b>\$69,352,157</b>	<b>\$66,768,995</b>	<b>\$2,583,162</b>	<b>3.9%</b>

\*Includes proceeds from the Sale of Capital Assets in 2017 (\$1,543) and 2016 (\$828) and one-time Property Transfer Fees in 2017 (\$730,000) and 2016 (\$780,000).

Sales tax was down \$385,988 (4.1%) from the prior year's actual receipts. Business License Tax exceeded the prior year by \$182,402, or 5.2%. Building Plan Check fees outperformed the prior year by \$829,738 (78.0%) due to the Manhattan Village Mall project and other significant commercial projects throughout the City. Building Permits were below the prior year by \$76,519 or 4.5%. Real Estate Transfer Tax revenue of \$756,049 was below the prior year peak of \$792,829 by 4.6%. Housing prices and real estate market activity within the City remain strong. On an overall basis, total General Fund revenues (including sale of property) totaled \$69.4 million, up nearly \$2.6 million or 3.9% ahead of last year and exceeding budget estimates by \$2.0 million or 2.9%.



## **Other Funds**

### *Capital Improvement Fund*

The Capital Improvement Projects Fund (CIP) is designed to manage general governmental infrastructure and facilities capital projects. In FY 2017, CIP Fund total revenues were \$2.3 million and expenditures were \$4.2 million. It should be noted that on-going projected revenues less debt service result in a steady state excess of only \$1.8 million, and future General Fund transfers, grants or new revenues will be required to finance larger scale future projects.

At June 30, 2017, the total balance of the CIP Fund is \$8.0 million. Committed funds for defined major capital projects at year end include:

- \$1.5 million in various facilities improvements
- \$1.5 million for turf and light replacements at sports fields
- \$1.0 million for Downtown Traffic Signal Replacements
- \$908,869 for reimbursable Safe Routes to School Grant programs
- \$293,638 for design of the replacement Fire Station #2
- \$267,000 for renovation of the Ceramics Studio
- \$150,000 for the Sepulveda Boulevard Multi-Modal Streetscape Plan
- \$115,472 for reimbursable CDBG Access Ramp construction
- \$112,715 for Non-motorized crosswalks and bike lanes
- \$100,000 for the Parks Master Plan

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

This group includes the City's enterprises such as Water, Waste Water, Storm Water and Refuse funds; internal service funds such as Fleet, Insurance, Building Maintenance and Information Technology; and Special Revenue funds including Gas Tax, Proposition A & C, Grants, Measure R, Asset Forfeiture, etc. Among this group, several funds deserve attention.

The Water Fund continues to build the resources for planned capital improvements needed to sustain the utility's operation and infrastructure. Operating income from operations totaled \$3,982,639, a decline from the prior year which had net operating income of \$4,714,464. Revenue from sales increased by \$151,309 (1.0%), while operating expenses (labor, materials, services, etc.) rose by \$883,134 (9.0%). During FY 2010, the City Council approved increased water and waste water rates to support system infrastructure needs as well as to bolster the fiscal integrity of those funds. The new rate structure became effective in January 2010 and provided for annual increases each January through 2014. Even though the rate increases are in effect, revenue from sales has declined with lower consumption due to the City's successful conservation efforts. Accumulated fund balances provide resources for planned capital improvements to the utility's infrastructure, estimated at \$42.2 million over the next five years, including replacement of Peck Reservoir which is estimated to cost nearly \$24 million.

The Waste Water fund net operating income for FY 2016-2017 was \$1,893,302 versus \$1,929,973 in FY 2015-2016 - a net decrease of \$36,671, or 1.9%. Operating revenue increased \$12,033 (0.4%) and operating expenses increased \$48,704 (3.6%). Waste water rates were last adjusted along with the water rates in January 2010. Similar to the water utility, the new rates are being utilized to fund needed capital improvements to the waste water system. It is important to note that because Waste Water revenues are based on water consumption, water conservation efforts may result in lower Waste Water revenues without the benefit of lower operational costs as is the case in the Water fund where conservation results in less pumping and less Water being purchased.

The Storm Water Fund operating loss in FY 2016-2017 totaled \$656,955, reflecting prior year net losses in FY 2015-2016 (\$771,508), FY 2014-2015 (\$424,468), FY 2013-2014 (\$420,831) and FY 2012-2013 (\$57,093). The combination of fixed fees and rising costs requires General Fund subsidies (in FY 16-17 the General Fund provided \$967,382). 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 2016-2017, expenditures exceeded revenues by \$230,296. 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.

The Insurance Fund again received a cash transfer of \$667,000 from the General Fund to offset workers compensation claims and other accrued claims and judgments. The unpredictable nature of claims payments, compounded by rising medical costs and claim judgments, caused internal service fund charge-outs to fall behind funding needs. To accommodate both the increased expenses and noncurrent liabilities related to pensions and claim reserves, a phased fund transfer plan was approved by the City Council in 2015. General Fund transfers were completed in FY 15-16 and FY 16-17 for \$667,000. A third General Fund transfer of \$667,000 is scheduled for FY 17-18, however, the fund will require either increased charge-outs or transfers to reflect exposure and experience.

### *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, 2017, 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 five Utility Under-grounding Assessment Districts (UUAD). A 2017 review of existing UUAD debt has indicated that savings for the assessment payers may be achieved by refunding the existing bonds outstanding. The bonds for the five districts were issued with total interest cost of 4.72% to 4.92%. The effective interest rate of the refunding bonds is 2.53%. The economic benefit from the refunding plan accrues directly to the homeowners with outstanding assessments.



## CURRENT TRENDS AND EVENTS

The local economy remains strong after recovering from the last economic recession. The City's biggest General Fund revenue source, property tax, grew by 7.1% (\$1.9 million) in FY 2017 compared to FY 2016. Assessed valuations, which indicate tax revenue and help propel property tax growth, are projected to increase by 7.0% in FY 17-18 over the prior year, driven by the continued demand and resulting price escalations in the local housing market. Single-family homes valued at pre-1978 levels (before Proposition 13) continue to turn over, resulting in higher assessed valuations being added to the property tax rolls. Roughly 22% of single-family parcels within the City remain assessed at pre-1978 values.

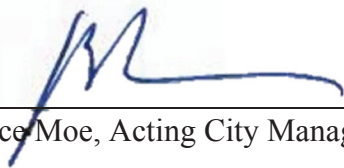
Sales tax revenues, which have been flat the past couple of years, are expected to continue that trend, and are conservatively budgeted at \$9.0 million, on par with FY 16-17 receipts. Transient Occupancy Tax, which increased 2.1% in FY 16-17 compared to the prior year, is expected to be flat or lower in FY 2017-2018 due to remodeling occurring at the City's largest hotel property. Once complete, modern upgrades throughout the rooms and conference spaces are expected to draw visitors back. Building activity remains stable, and tourism and travel is supported by a healthy mix of desirable hotels and retailers.

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 through December 2018. Two new bargaining units were recently formed representing a Mid-Management Employees Association (MEA) and Fire Management Association (FMA). Negotiations with MEA are currently underway; negotiations with FMA will commence in 2018.

Manhattan Beach has maintained a sound financial condition. In fact, Standard & Poor's reaffirmed the City's AAA Credit Rating on November 4, 2016. 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, Julie Bondarchuk and Libby Bretthauer. 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.



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Bruce Moe, Acting City Manager



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Steve S. Charelian, Acting Finance Director

## ELECTED OFFICIALS & EXECUTIVE STAFF

### ELECTED OFFICIALS

#### TERM ENDS

Mayor	Amy Thomas Howorth	March 2019
Mayor Pro-Tem	Steve Napolitano	November 2020
City Councilmembers	Nancy Hersman	November 2020
	Richard Montgomery	November 2020
	David J. Lesser	March 2019
City Treasurer	Tim Lilligren	November 2020

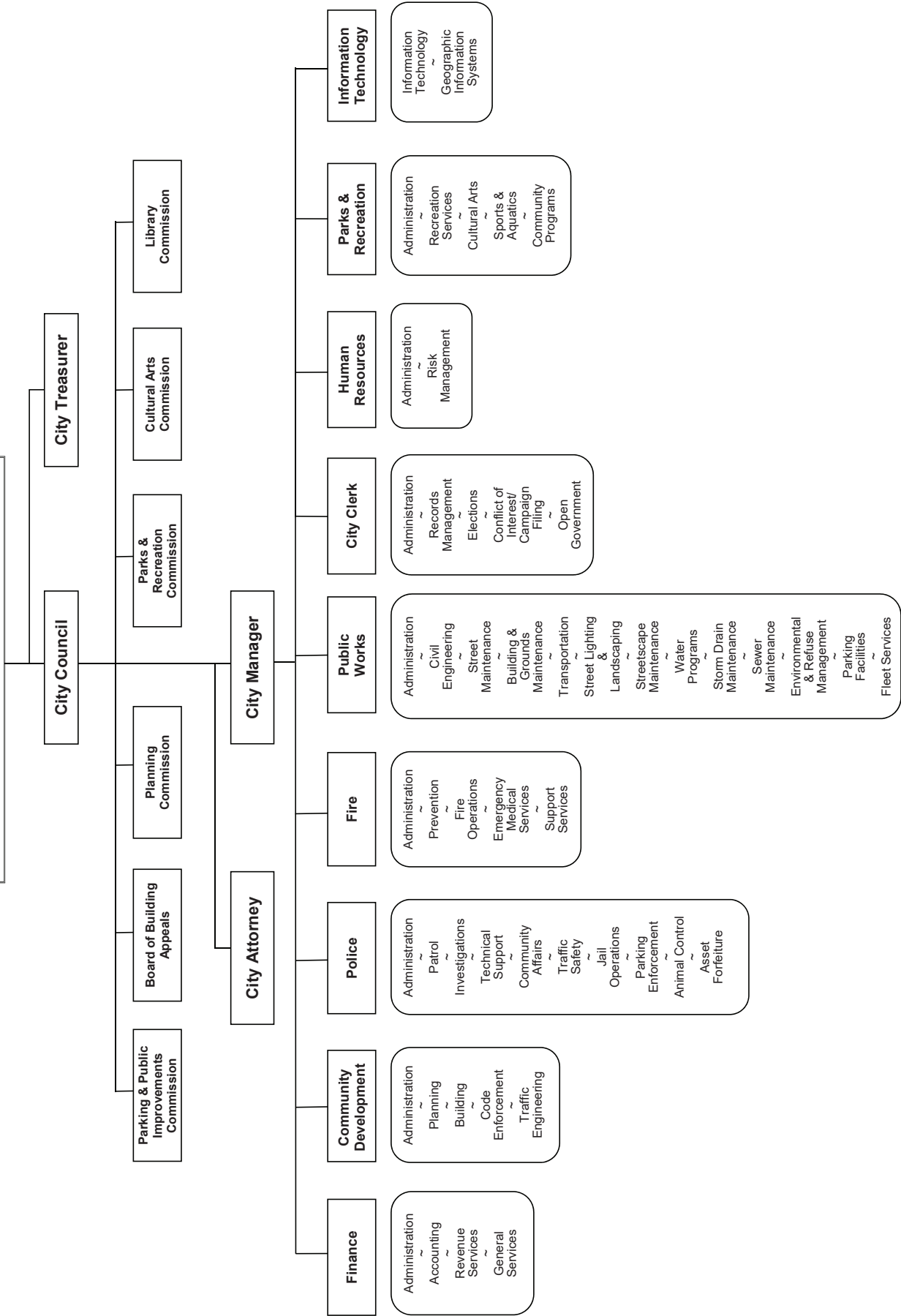
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### EXECUTIVE STAFF

Acting City Manager	Bruce Moe
City Clerk	Liza Tamura
City Attorney	Quinn M. Barrow
Acting Director of Finance	Steve S. Charelian
Director of Human Resources	Teresia Zadroga-Haase
Director of Parks & Recreation	Mark Leyman
Chief of Police	Derrick Abell
Fire Chief	Robert Espinosa
Director of Community Development	Anne McIntosh
Director of Public Works	Stephanie Katsouleas, P.E.
Director of Information Technology	Sanford Taylor

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# CITIZENS OF MANHATTAN BEACH





Government Finance Officers Association

**Certificate of  
Achievement  
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Presented to

**City of Manhattan Beach  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

*Christopher P. Morill*

Executive Director/CEO



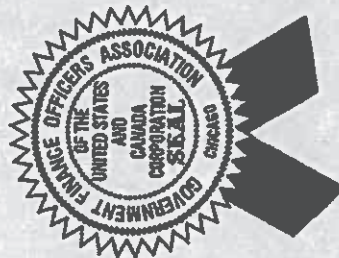
The Government Finance Officers Association  
of the United States and Canada

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

*Christopher P. Morill*

Date July 17, 2017

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## 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, (City) as of and for the year ended June 30, 2017, 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, 2017, 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 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 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 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.





CPAs AND ADVISORS

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Lance, Soll & Lughard, LLP*

Brea, California  
January 12, 2018

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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, 2017. 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 ix of this report.

## FINANCIAL HIGHLIGHTS

### *Government Wide Financial Basis*

- As of June 30, 2017, the City's total net position citywide (including all governmental and business type activities) totaled \$185,134,567, an increase from the prior fiscal year of \$7,763,445 or 4.4%. This is the net result of a positive change in net position of \$7,792,995 due to operations, less a prior period restatement of net position of negative \$29,550 due to the refund of prior year street sweeping fees, as described in Note 12.
  - Governmental net position for the fiscal year totaled \$98,583,961, an increase of \$1,355,688 or 1.4%. This increase is due to program revenues of \$24,141,631 and General Revenue of \$52,431,526 totaling \$76,573,157 less activity expenses of \$74,402,631 and transfers out of \$814,838.
  - Business-type activity net position totaled \$86,550,606, an increase of \$6,407,757 or 8.0%. This is the result of a change in net position of \$6,437,307 from operations, less the prior period restatement of negative \$29,550. 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 \$27,578,041. This is an increase of \$4,195,700 or 17.9% from FY 2015-2016 levels.
  - Governmental Unrestricted Net Position is negative \$16,091,037. 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 decreased from the prior year by \$493,484 due to increases in restricted uses (dedicated to special revenue uses) and increased investment in capital projects.
  - Business Type activities Unrestricted Net Position is \$43,669,078. The opening balance of Business type net position was restated to include the negative prior period adjustment of \$29,550. Unrestricted Net Position for Business Type activities increased from the prior year by \$4,689,184 mainly due to Water and Wastewater operations.
- Citywide capital assets (land, work in progress, completed) net of depreciation increased by \$1,612,165. Governmental net capital assets increased by \$537,276. Capital additions of \$5,011,777 were offset by depreciation expense (\$4,040,167) and the net book value of disposal of vehicles not fully depreciated (\$33,660) and an adjustment to Construction in Progress (\$400,674). Business-type net capital assets increased by \$1,074,889; additions were \$2,312,669, which were offset by an increase in accumulated depreciation of \$1,237,780. (See Note 5).
- The City's bond debt decreased by \$1,600,000 during FY 2016-2017. This decrease is attributable to the refunding of Marine Avenue Park Certificates of Participation (\$260,000) and the scheduled principal pay down of issued bonds by both governmental activities (\$745,000) and business-type activities (\$595,000). Capital lease obligations decreased from \$341,224 in fiscal year 2016 to \$147,506 in fiscal year 2017 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 \$377,772. Growth in workers compensation claims activity resulted in a reserve increase of \$1,141,419, while general liability claims activity resulted in a decrease to general liability reserves of \$763,647 (See Note 6).

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

- As of June 30, 2017, the General Fund balance was \$25,047,635. Fund revenues exceeded expenditures by \$2,929,920.
- Governmental Funds (General, Capital Improvement and Special Revenue) revenue totaled \$74,885,514, an increase of \$2,465,375 (3.4%) from FY 2015-2016. Higher property tax revenue as well as a one-time property transfer fee contributed to the increase.
- Governmental Funds expenditures totaled \$73,450,697, up \$2,927,028 (4.2%) from the prior year. This rise was driven by increased operational expenditures in the General Fund throughout all current categories of expenditures, mainly in Public Safety. Capital Improvement Fund expenditures increased by \$1,589,522 primarily due to increases in capital outlay and Public Works expenditures, while Other Governmental Fund expenditures decreased by \$827,158 primarily as a result of less spending on capital outlay.
- General Fund transfers-out totaled \$2,364,678. Transfers-out included \$967,382 to the Stormwater Fund, \$667,000 to the Insurance Fund, \$500,000 to the Capital Improvements Fund and \$230,296 to the Street Lighting and Landscape Fund. General Fund transfers-in included \$170,422 from the County Parking Fund and \$561,684 from the Information Technology Internal Service Fund. Transfers are required to maintain adequate funding levels or eliminate deficits (See Note 4 for more information).

## **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, Stormwater, 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 25 To 27 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 was adopted prior to the start of FY 2017-2018. 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 28 to 31 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, information technology 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, Stormwater, 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 106-133 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 41-87 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 \$185,134,567 at June 30, 2017 versus \$177,371,122 at June 30, 2016 – an increase of \$7,763,445. 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 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 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 (\$65,629,933) 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 \$64,013,900. Due to the significantly smaller employee population in Business-type activities, these funds have a much smaller net pension liability of \$1,616,033. Because of the significant impact of pension liabilities on the City's financial status, a thorough explanation is included at the end of the MD&A.

Net position of the City's *Governmental* activities amounted to \$98,583,961, an increase from the prior year of \$1,355,688. On the table of Net Position below, \$103,345,895 is net investment in capital assets<sup>1</sup> such as land, buildings, machinery, infrastructure, equipment and other improvements; \$11,329,103 is restricted for debt service or for Special Revenue Fund resources that are subject to external restrictions on use. Governmental activities' unrestricted net position decreased by \$493,484 from the prior year to negative \$16,091,037. Significant components of non-current liabilities and deferrals include 1) net pension liabilities of \$64,013,900, 2) bonds payable totaling \$14,614,991, 3) accrued workers compensation and liability claims and judgments of \$4,915,550, and 4) accrued employee benefits of \$2,676,068.

Net position of the City's *Business-type* activities totaled \$86,550,606. This represents an increase from FY 2015-2016 of \$6,407,757, including a restatement of Net Position of negative \$29,550 due to prior period refunds to customers as described in Note 12. \$42,329,262 represents net investment in capital assets (land, buildings, machinery, equipment, etc.), while \$552,266 is restricted for business improvement district use. Significant components of non-current liabilities and deferrals include: 1) bonds payable totaling \$10,143,326, 2) net pension liabilities of \$1,616,033, and 3) accrued employee benefits of \$54,347. Business-type activities' unrestricted net position increased by \$4,689,184 from the prior year, primarily a result of operations in the Water and Wastewater Funds.

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<sup>1</sup> 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	
	2017	2016	2017	2016	2017	2016
Current Assets	\$68,963,513	\$68,067,468	\$49,398,378	\$44,713,715	\$118,361,891	\$112,781,183
Total Capital Assets Net of Depreciation	118,386,671	117,849,395	53,092,588	52,017,699	171,479,259	169,867,094
Other Non-Current Assets	1,581,418	1,279,282	-	240,123	1,581,418	1,519,405
<b>Total Assets</b>	<b>\$188,931,602</b>	<b>\$187,196,145</b>	<b>\$102,490,966</b>	<b>\$96,971,537</b>	<b>\$291,422,568</b>	<b>\$284,167,682</b>
Deferred Charge on Refunding	\$466,721	\$498,909	-	-	\$466,721	\$498,909
Deferred Pension Related Items	19,850,125	9,409,571	629,220	362,512	20,479,345	9,772,083
<b>Deferred Outflows of Resources</b>	<b>\$20,316,846</b>	<b>\$9,908,480</b>	<b>\$629,220</b>	<b>\$362,512</b>	<b>\$20,946,066</b>	<b>\$10,270,992</b>
Current Liabilities	\$17,945,145	\$18,218,073	\$4,499,447	\$4,723,972	\$22,444,592	\$22,942,045
Non-Current Liabilities	86,483,358	71,453,280	11,813,706	12,078,780	98,297,064	83,532,060
<b>Total Liabilities</b>	<b>\$104,428,503</b>	<b>\$89,671,353</b>	<b>\$16,313,153</b>	<b>\$16,802,752</b>	<b>\$120,741,656</b>	<b>\$106,474,105</b>
Deferred Pension Related Items	\$6,235,984	\$10,204,999	\$256,427	388,448	\$6,492,411	\$10,593,447
<b>Deferred Inflows of Resources</b>	<b>\$6,235,984</b>	<b>\$10,204,999</b>	<b>\$256,427</b>	<b>\$388,448</b>	<b>\$6,492,411</b>	<b>\$10,593,447</b>
Net Investment in Capital Assets	\$103,345,895	\$102,028,495	\$42,329,262	\$40,621,092	\$145,675,157	\$142,649,587
Restricted	11,329,103	10,797,331	552,266	541,863	11,881,369	11,339,194
Unrestricted	(16,091,037)	(15,597,553)	43,669,078	38,979,894	27,578,041	23,382,341
<b>Total Net Position</b>	<b>\$98,583,961</b>	<b>\$97,228,273</b>	<b>\$86,550,606</b>	<b>\$80,142,849</b>	<b>\$185,134,567</b>	<b>\$177,371,122</b>

The City's total change in net position amounts to an increase of \$7,763,445. Governmental activities' total net position increased by \$1,355,688. Business-type activities' total net position increased by \$6,407,757, including a prior-period restatement of net position of \$29,550.

The following table condenses the Government-wide Statement of Activities and Change in Net Position for the fiscal years ending June 30, 2017 and June 30, 2016:

### City of Manhattan Beach Changes in Net Position

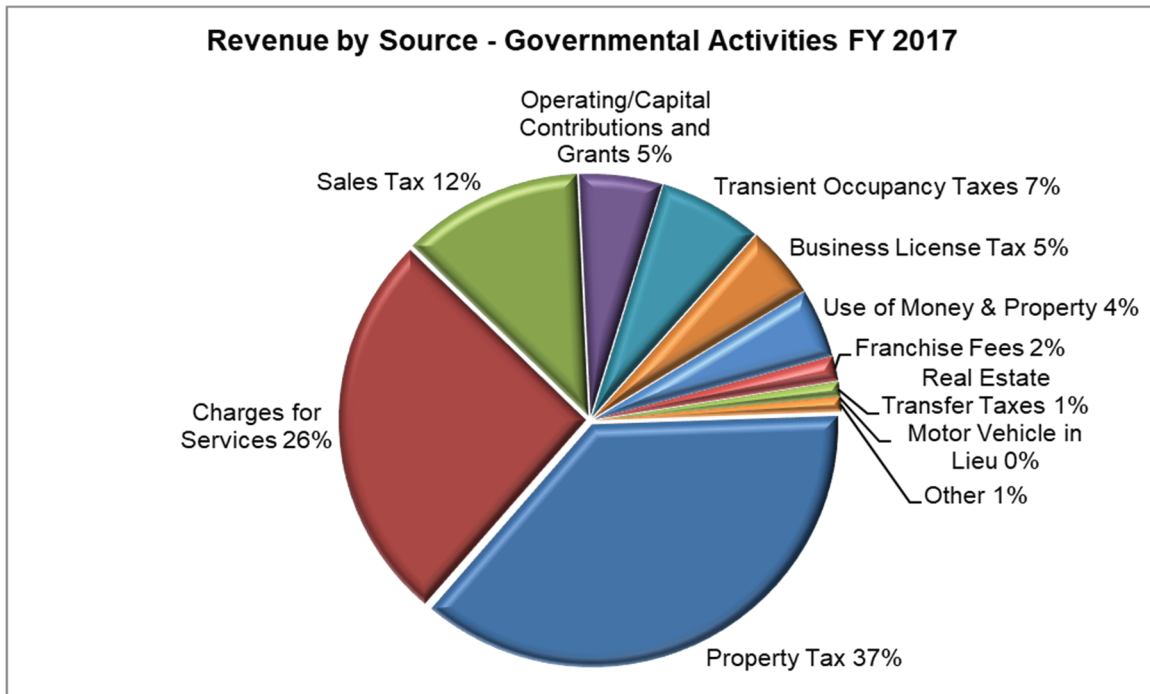
	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Program Revenues:</b>						
Charges for Services	\$19,986,174	\$17,430,137	\$26,234,114	\$26,211,728	\$46,220,288	\$43,641,865
Operating Contributions and Grants	2,304,536	1,587,534	9,353	19,611	2,313,889	1,607,145
Capital Contributions and Grants	1,850,921	2,316,956	-	850,000	1,850,921	3,166,956
<b>General Revenues:</b>						
Property Taxes	28,215,709	26,344,276	-	-	28,215,709	26,344,276
Other Taxes	19,980,637	19,732,915	-	-	19,980,637	19,732,915
Motor Vehicle in Lieu	15,812	14,430	-	-	15,812	14,430
Use of Money and Property	3,495,128	3,870,056	70,885	479,475	3,566,013	4,349,531
Other	735,485	780,000	258,030	60,678	993,515	840,678
Gain on sale of capital asset	(11,245)	29,976	-	-	(11,245)	29,976
<b>Total Revenues</b>	<b>\$76,573,157</b>	<b>\$72,106,280</b>	<b>\$26,572,382</b>	<b>\$27,621,492</b>	<b>\$103,145,539</b>	<b>\$99,727,772</b>
<b>Expenses:</b>						
General Government	\$13,812,252	\$13,318,679	-	-	\$13,812,252	\$13,318,679
Public Safety	41,381,149	37,458,469	-	-	41,381,149	37,458,469
Public Works	9,572,971	8,476,953	-	-	9,572,971	8,476,953
Culture & Recreation	9,020,080	8,396,503	-	-	9,020,080	8,396,503
Interest on Long-Term Debt	616,179	416,551	-	-	616,179	416,551
Water, Waste, Storm	-	-	13,165,533	12,352,302	13,165,533	12,352,302
Refuse	-	-	3,999,131	4,110,197	3,999,131	4,110,197
Parking	-	-	3,785,249	4,000,175	3,785,249	4,000,175
<b>Total Expenses</b>	<b>\$74,402,631</b>	<b>\$68,067,155</b>	<b>\$20,949,913</b>	<b>\$20,462,674</b>	<b>\$95,352,544</b>	<b>\$88,529,829</b>
Revenues Over Expenses	2,170,526	4,039,125	5,622,469	7,158,818	7,792,995	11,197,943
Transfers In (Out)	(814,838)	(643,506)	814,838	643,506	-	-
<b>Increase (Decrease) in Net Position</b>	<b>\$1,355,688</b>	<b>\$3,395,619</b>	<b>\$6,437,307</b>	<b>\$7,802,324</b>	<b>\$7,792,995</b>	<b>\$11,197,943</b>
<b>Net Position - Beginning</b>	<b>\$97,228,273</b>	<b>\$93,832,654</b>	<b>\$80,142,849</b>	<b>\$72,368,201</b>	<b>\$177,371,122</b>	<b>\$166,200,855</b>
Restatement of Net Position	-	-	(29,550)	(27,676)	(29,550)	(27,676)
<b>Net Position - June 30 (Year End)</b>	<b>\$98,583,961</b>	<b>\$97,228,273</b>	<b>\$86,550,606</b>	<b>\$80,142,849</b>	<b>\$185,134,567</b>	<b>\$177,371,122</b>

#### Changes in Net Position - Governmental Activities

The City's governmental activities in FY 2016-2017 increased net position by \$1,355,688 compared to an increase of \$3,395,619 in FY 2015-2016.

While total revenues increased by \$4,466,877, total expenses increased by \$6,335,476, which the City is closely monitoring in light of expected future increases in pension expenses. Significant revenue increases were realized in taxes and assessments totaling \$2.1 million, building plan check fees of \$0.8 million and grant revenues of \$1.7 million (deferred in fund statements). Significant increases in operational expenses throughout governmental activities included pension liabilities (\$3.9 million), salaries (\$1.6 million), benefits (\$280,000) and interest on long-term debt (\$200,000).

Total governmental activities revenue of \$76,573,157, excluding transfers-in of \$814,838, is broken out as follows:



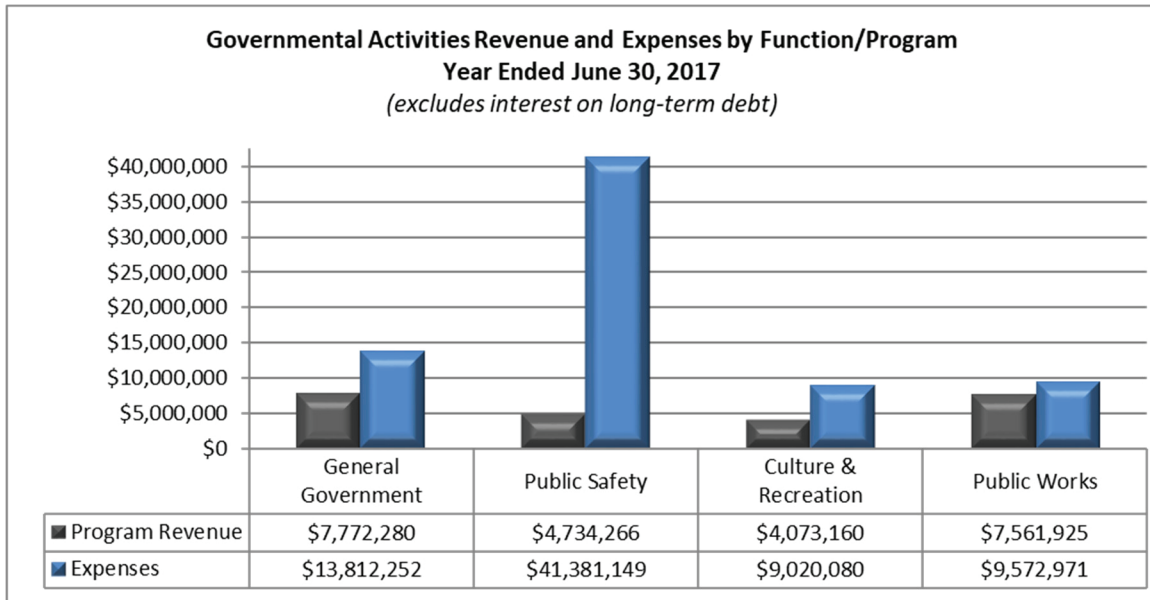
Functional expenses (excluding interest on debt) for the years ending June 30, 2017 and 2016 were as follows:

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
General Government	13,812,252	13,318,679	(6,039,972)	(7,313,825)
Public Safety	41,381,149	37,458,469	(36,646,883)	(32,853,567)
Culture and Recreation	9,020,080	8,476,953	(4,946,920)	(4,698,772)
Public Works	9,572,971	8,396,503	(2,011,046)	(1,449,813)
<b>Total</b>	<b>\$73,786,452</b>	<b>\$67,650,604</b>	<b>(\$49,644,821)</b>	<b>(\$46,315,977)</b>

*\*Excludes interest on long-term debt.*

The total cost of services increased from the prior year by \$6,135,848 (9.1%), while the net cost of services increased by \$3,328,844 (7.2%) from the prior year. Total cost of services for Public Safety increased by \$3,922,680, Culture and Recreation increased \$543,127, General Government increased by \$493,573, and Public Works increased by \$1,176,468.

The following chart illustrates governmental revenues and expenses by function for the year ended June 30, 2017.



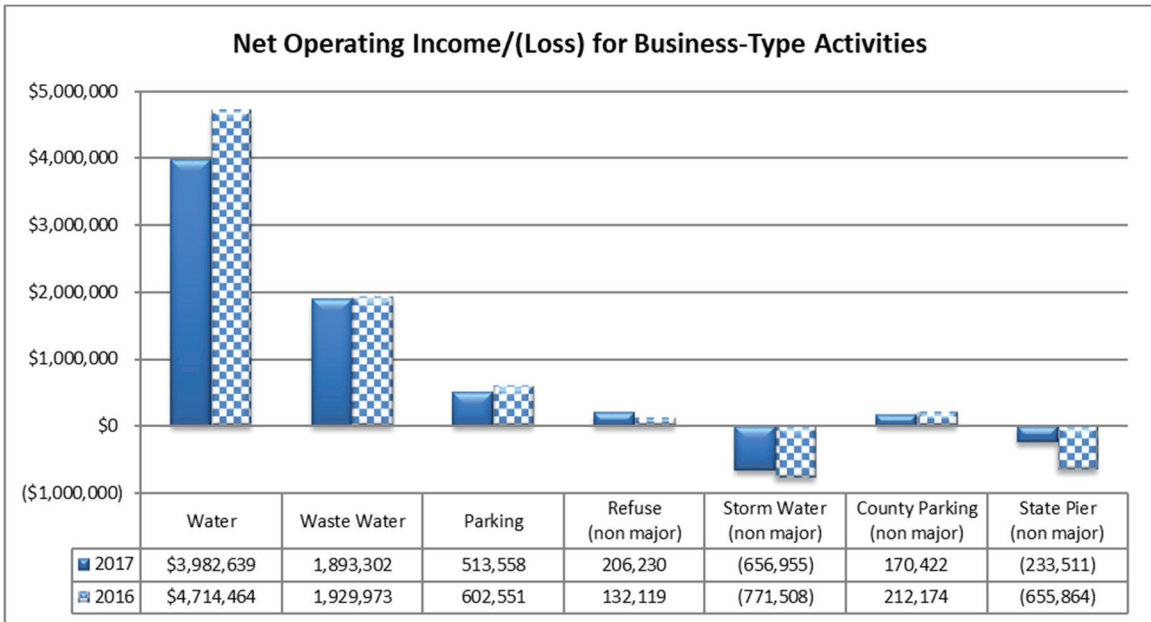
#### **Change in Net Position - Business Type Activities**

In fiscal year 2016-2017, total revenues for the City's business-type activities amounted to \$26,572,382. Program revenues totaled \$26,243,467, interest revenues totaled \$70,885, and other revenues totaled \$258,030. Expenses totaled \$20,949,913 of which operating expenses equaled \$20,613,180, and non-operating expenses (debt interest expense) totaled \$336,733. Total income from operations was \$5,875,685 while net income before transfers was \$5,622,469. After net transfers-in totaling \$814,838, net position increased by \$6,437,307 compared to an increase of \$7,802,324 in FY 2015-2016.

**Operating Revenues by Source - Business Type Activities FY 2017**



Operating Income varied across the business-type activities in FY 2017. 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 2017 fiscal year, the City's governmental funds ending fund balances totaled \$44,315,315, an increase of \$532,547 (1.2%) in comparison with the prior year.

Within the Governmental Funds total, \$23,345,095 (52.7%) constitutes unassigned fund balance. The remainder of the fund balance (\$20,970,220) 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 \$23.3 million unassigned governmental fund balance noted above, \$17.5 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 2016-2017 fiscal year, unassigned fund balance of the General Fund was \$23,367,583, while total fund balance was \$25,047,635. 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 4.2 months of total General Fund expenditures, while total fund balance represents 4.5 months of General Fund expenditures.

During the year, General Fund revenues (including proceeds from sale of capital assets) exceeded expenditures by \$2,929,920. The non-spendable portion of fund balance decreased \$2,173,950 due to a payoff in notes and loans receivable.

Net transfer activity in this fund totaled negative \$1,632,572 and included the following transfers:

- \$230,296 was transferred to the Street Lighting Fund to relieve a deficit fund balance.
- \$967,382 was transferred to the Stormwater Fund to relieve a deficit fund balance due to operations.
- \$667,000 was transferred to the Insurance Reserve Fund to support long-term liabilities.
- \$500,000 was transferred to the Capital Improvements Fund for future projects and maintenance.
- \$170,422 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.
- \$561,684 of excess revenues from the Information Technology Fund was transferred to the General Fund to relieve a build-up of fund balance.

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 2017, total fund balance of \$7,961,065 in the Capital Improvement Fund is committed to capital projects.

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

- \$1.5 million in various facilities improvements
- \$1.5 million for turf and light replacements at sports fields
- \$1.0 million for Downtown Traffic Signal Replacements
- \$908,869 for reimbursable Safe Routes to School Grant programs
- \$293,638 for design of the replacement Fire Station #2
- \$267,000 for renovation of the Ceramics Studio



- \$150,000 for a Sepulveda Blvd Multi-Modal Streetscape Plan
- \$115,472 for reimbursable CDBG Access Ramp construction
- \$112,715 for Non-motorized crosswalks and bike lanes
- \$100,000 for the Parks Master Plan.

During Fiscal Year 2016-2017, the Capital Improvement Project Fund balance decreased by \$1,309,165 (14.1%). Revenues of \$2,350,398 were offset by capital and maintenance expenditures of \$3,393,571 and debt service of \$765,992.

Of the \$2,350,398 in total revenues to the Capital Improvement Fund, certain dedicated revenues described below totaled \$1,558,901 in FY 2016-2017. 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 \$772,648 in revenue for the year, which is \$42,450 (5.8%) 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 \$680,689 this fiscal year, down \$7,701 or 1.1% from the prior year.

**Parking Citation Rates:** Most parking citations include four dollars dedicated to the CIP fund. For FY 2016-2017, revenue of \$105,564 was realized; a decrease of \$6,468 (5.8%) from the prior year.

Grant funds received as reimbursement for capital project expenditures totaled \$653,283.

Capital Improvement Fund expenditures equaled \$4,159,563 and included:

- \$765,992 – Debt service on the Police and Fire Facility
- \$1,784,255 – Strand Stairs Construction project
- \$443,370 – Skate Spot Park
- \$309,626 – Non-motorized Crosswalks and Bike Lanes
- \$297,360 – ADA Access Ramp Construction funded by CDBG
- \$141,718 – Traffic Signal Preemption Devices
- \$66,580 – Energy Efficiency implementation study

#### *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 2016-2017, expenditures exceeded revenues by \$230,296. 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 Stormwater, 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 \$86,550,606. Net investment in capital assets totaled \$42,329,262 and \$552,266 are restricted funds for a business improvement district. The balance of \$43,669,078 is unrestricted net position.

Overall, enterprise funds combined net income was \$5,622,469 before transfers. Operations resulted in a \$5,875,685 increase in net position. Transfer activity included an operating transfer-out of \$170,422 from the County Parking Lots Fund to the General Fund and an operating transfer-in of \$967,382 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 \$3,982,639, a decrease from the prior year which had net operating income of \$4,714,464. Revenue from sales increased by 1.1%, while operating expenses (labor, materials, services, etc.) increased by 9.0%. Accumulated fund balances provide resources for planned capital improvements to the utility's infrastructure, estimated at \$42.2 million over the next five years.
- The Wastewater fund net operating income for FY 2016-2017 was \$1,893,302 versus \$1,929,973 for FY 2015-2016 – a net decrease of \$36,671, or 1.9%. Operating revenue increased \$12,033 (0.4%) while operating expenses increased \$48,704 (3.6%). It is important to note that Wastewater revenues are based on water consumption, and increases or decreases in consumption due to water conservation efforts also impact Wastewater revenues.
- Refuse Fund net income from operations totaled \$206,230 in FY 2016-2017, an increase of \$74,111 from the prior year. Operating expenses decreased by \$111,066 (2.7%) and operating revenues decreased by \$36,955 (0.9%). 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. Street sweeping refunds continued in FY 14-15 (\$148,522), FY 15-16(\$27,676) and FY 16-17 (\$29,550), require restatements in each fiscal year. Fund balance at June 30, 2017 totaled \$645,916, an increase of \$188,579 from FY 15-16 year-end. Accumulated fund balance will be spent on capital improvement projects, including for City-owned refuse enclosures, in future years.
- The Stormwater Fund net operating loss in FY 2016-2017 totaled \$656,955, furthering prior year net losses in FY 2015-2016 (\$771,508), 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 \$967,382 in FY 2016-2017 to relieve the operational deficit and fund capital improvement commitments in the Stormwater Fund. Additional 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 \$426,633 with total net position of \$5,529,512 at year-end. Total net position increased by \$238,066 from the prior year.

In the Insurance Fund, net position at year-end was negative \$1,801,739, compared to negative \$2,368,236 in the prior year. Unrestricted net position improved as a result of transfers from the General Fund to offset workers compensation claims and other accrued claims and judgments. FY 2016-2017 workers compensation and liability claims expense totaled \$6.35 million. For comparison, prior year workers compensation and liability claims expense are below:

FY 2016-2017	\$6.35 million
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 \$84,636, to \$7,700,464, reflecting departmental charge-outs (revenues to the fund) for vehicles in advance of replacement purchases. Capital purchases totaled \$1,015,578 versus \$640,309 in FY 2015-2016.

Net position in the Building Maintenance and Operations Fund is negative \$327,504 due to the net pension liability of \$493,825. Operations are fully funded by charge-outs to other funds.

The Information Technology Fund also has a negative net position of \$41,709 as a result of a net pension liability of \$884,733. Net pension liability in this fund increased \$259,167 from FY 2015-2016. This negative net position will be alleviated in the future via increased charge-outs to accommodate payments toward amortization of the net pension liability. These increased charge-outs will be borne primarily by the General Fund.

### **General Fund Budgetary Highlights**

#### *Estimated Revenues*

General Fund revenues totaled \$70,084,263 including transfers-in from other funds and proceeds from the sale of capital assets. Not including bond proceeds and the premium related to the bond refunding, revenues outperformed the final budget by \$1,564,766. Tax revenues underperformed budget by \$231,092. Licenses and permits underperformed budget by \$330,764 although Charges for Services exceeded budget by \$1,541,596. These variances were largely due to a change in the fee structure. Fines and Forfeitures also underperformed the final budget by \$301,910 mainly due to lower parking citation revenue. Miscellaneous Revenue came in \$1,196,622 over budget, mainly due to a one-time Property Transfer Fee of \$730,000, while Interest and Rents exceeded budget by \$110,064. Although Capital Lease Proceeds were budgeted at \$400,000, the anticipated lease-purchase financing for policing equipment was not necessary when the City decided to purchase the equipment outright instead.

The Budgetary Comparison Schedule also includes unbudgeted revenues received from the Marine Avenue Park bond refunding. Bond proceeds totaled \$5,905,000 and the bond premium totaled \$438,570. The total (\$6,343,564) was paid to the refunded bond escrow agent.

### *Appropriations*

Not including the payment related to the bond refunding, the final amended General Fund budget reflects a net increase of \$836,981 over the adopted appropriations. Actual expenditures were under the final budget by \$1.5 million.

The majority of budget adjustments were carrying forward prior year encumbrances. Other significant budget adjustments approved by the City Council included:

- \$105,000 for a settlement agreement
- \$65,000 for security at large public special events (e.g. Manhattan Beach Open Volleyball tournament)
- \$61,415 for consulting services to assist with selecting a new Enterprise Resource Planning (ERP) vendor.

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

**Capital Assets:** Government-wide, the City's investment in capital assets (net of accumulated depreciation) as of June 30, 2017 is \$171,479,259. This is an increase from the prior year of \$161,216,165. 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	
	2017	2016	2017	2016	2017	2016
Land	\$33,634,565	\$33,634,565	\$2,607,434	\$2,607,434	\$36,241,999	\$36,241,999
Buildings	32,207,612	33,068,112	15,267,497	15,198,094	47,475,109	48,266,206
Machinery & Equipment	1,292,531	1,324,165	890,854	165,551	2,183,385	1,489,716
Vehicles	5,250,385	5,230,379	-	-	5,250,385	5,230,379
Infrastructure	36,475,478	35,798,758	24,624,754	22,345,533	61,100,232	58,144,291
Invested in Joint Venture (RCC)	1,981,195	1,922,320	-	-	1,981,195	1,922,320
Work in Progress	7,544,905	6,871,096	9,702,049	11,701,087	17,246,954	18,572,183
<b>Total</b>	<b>\$118,386,671</b>	<b>\$117,849,395</b>	<b>\$53,092,588</b>	<b>\$52,017,699</b>	<b>\$171,479,259</b>	<b>\$169,867,094</b>

### *Governmental*

During Fiscal Year 2016-2017, governmental capital expenditures included:

- \$1,015,578 for vehicle purchases
- \$425,118 for machinery and equipment.

### *Business-type*

During the fiscal year, Business-type capitalized net expenditures totaled \$2,312,669 for projects in progress. This increase was offset by depreciation of \$1,237,780, resulting in a net increase in assets of \$1,074,889.

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 \$42,374,328, a decrease of \$1,234,015 from fiscal 2015-2016. Governmental liabilities decreased by \$633,537 or 1.9% while business type liabilities decreased by \$600,478 or 5.4%. The following table is a condensation of Footnote 6.

**City of Manhattan Beach Outstanding Liabilities (Excluding Bond Premium)**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Marine Avenue COPs*	-	\$6,445,000	-	-	-	\$6,445,000
Marine Avenue Park Refunding COPs	\$5,905,000	-	-	-	5,905,000	-
Capital Equipment Lease	147,506	341,224	-	-	147,506	341,224
Police & Fire Facility Refunding COPs	8,660,000	9,125,000	-	-	8,660,000	9,125,000
Accrued Employee Leave & Benefits	3,432,492	3,245,083	69,709	75,187	3,502,201	3,320,270
Water and Wastewater Refunding COPs	-	-	1,995,000	2,180,000	1,995,000	2,180,000
Metlox Parking Refunding COPs	-	-	8,300,000	8,710,000	8,300,000	8,710,000
Pension Obligation Bonds	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-
Insurance Claim Reserves	13,864,621	13,486,849	-	-	13,864,621	13,486,849
<b>Total Long Term Liabilities</b>	<b>\$32,009,619</b>	<b>\$32,643,156</b>	<b>\$10,364,709</b>	<b>\$10,965,187</b>	<b>\$42,374,328</b>	<b>\$43,608,343</b>
Current portion of Long Term (due within one year)	10,598,001	10,127,030	635,362	609,729	11,233,363	10,736,759
<b>Long Term Liabilities - Non Current</b>	<b>\$21,411,618</b>	<b>\$22,516,126</b>	<b>\$9,729,347</b>	<b>\$10,355,458</b>	<b>\$31,140,965</b>	<b>\$32,871,584</b>

\* Defeased

*Governmental*

Principal obligations for existing long-term bonded debt were reduced in accordance with existing debt service schedules. For the Marine Avenue Certificates of Participation, a scheduled principal payment of \$280,000 was paid in August 2016 before the City refinanced the balance (\$6,165,000) in January 2017. At the time of refunding, the new Certificates of Participation were sold at a premium resulting in a reduction of \$260,000 in total principal. The outstanding liability for the Marine Avenue Park Refunding Certificates of Participation as of June 30, 2017 is \$5,905,000.

Increases in Insurance Claim Reserves resulting from extraordinary cases in workers compensation claims and an increase in Accrued Employee Leave and Benefits partially offset the decreases in outstanding debt for governmental activities.

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 2016-2017) is \$615,000,000.

*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.

## **EFFECT OF PENSION ACTIVITY ON NET POSITION**

The City contracts with the California Public Employees Retirement System (CalPERS) to provide retirement benefits for all full time employees and qualified part time employees. City plans cover qualified miscellaneous and safety employees as further described in Footnote 8.

The implementation of GASB 68 in fiscal year 2014-15 fundamentally changed the presentation of financial statements. Public agencies are required to recognize net pension liabilities (NPL), which are equal to the gross pension liability less fiduciary assets. Further, public agencies rely on CalPERS to provide valuations of these pension-related fiduciary assets and liabilities. Due to the timing of CalPERS valuation reports, the measurement date for the City's retirement reporting lags by one year.

CalPERS makes actuarial assumptions and projections regarding the population of employees such as salary progression, expected date of retirement, mortality, turnover and, most importantly, the rate of return on investments. With this information, CalPERS actuaries determine the accrued pension liability. CalPERS also determines the value of its fiduciary net position (cash and investments). Ideally, the difference between the accrued pension liability and fiduciary net position would be zero. However, in recent years CalPERS actual results have deviated significantly from assumptions and investment return projections. Differences between CalPERS assumed results and actual results are factored into the City's NPL, which caused it to rise to \$65,629,933 as of June 30, 2017 (using the latest available measurement date as of 6/30/16). To compare, the City's CalPERS NPL as of June 30, 2016 (using a measurement date as of 6/30/15) was \$49,612,699 - a difference of \$16,017,234.

The City's pension expense increased by \$4.1 million to \$7.4 million in FY 2016-2017 due to City Contributions, changes in NPL and changes in net deferrals. It is important to note the deferral of CalPERS investment losses will be expensed in future years. In addition to current year service contributions, the City makes annual payments toward its unfunded liability. The City's contribution to CalPERS in FY 2016-2017 was \$6.2 million, compared to \$5.9 million in FY 2015-2016. Contributions in FY 2017-2018 are budgeted at \$6.9 million. Managing the growing NPL and meeting retirement obligations remain some of the City's biggest challenges. Nearly 98% of retirement costs are attributable to the City's Governmental Funds, and growing pension costs certainly have the potential to crowd out other funding needs.

Footnote 8 provides a breakdown by group (Miscellaneous and Public Safety) and other relevant information. Of particular importance is the sensitivity analysis table indicating outcomes of changes to CalPERS assumed discount rate. For the fiscal year ending June 30, 2017, the discount used for measurement purposes was 7.65%. CalPERS adopted a phased plan to reduce its assumed rate of return to 7% over a three year span, which will further increase the City's NPL in future years. As indicated in the sensitivity analysis table, any reduction in discount rates leads to an increased net pension liability as well as greater current service costs. The City recognizes these rising costs and is working on mitigating impacts to City services.

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

The City continues to see overall economic stability. 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 is supported by a healthy mix of desirable hotels and retailers.

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 second year of the biennial budget in June 2017 for FY 2017-2018. The original budget estimates General Fund revenues at \$71,013,648 and expenditures of \$70,400,265, resulting in a surplus of \$613,383 in FY 2017-18.

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 2017-2018 by 6.99% over FY 2016-2017 actual receipts. Sales tax is projected to remain flat to slightly higher from FY 2016-2017. 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 be flat or lower than FY 2016-2017 due to significant remodeling and upgrades at the Marriott Hotel property that temporarily impacted room occupancy and bookings for large events.

As a service organization, labor accounts for most of our costs - approximately 70% (\$47.1million) 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. A new bargaining unit for mid-level management employees was formed in FY 2016-2017, with a new agreement currently being negotiated. Finally, a new labor group, the Fire Management Association, was formed in FY 2017-2018, and represents Fire Battalion Chiefs.

The City continues its focus on capital improvements. \$125.0 million (including carryover projects) is planned over the next five years for utility, street and facility projects. \$66.0 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 \$20.7 million has been budgeted for street and roadway needs, \$19.2 for general facilities (including parking facilities), and \$19.0 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, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 60,828,485	\$ 47,687,228	\$ 108,515,713
Receivables:			
Accounts	601,399	1,322,483	1,923,882
Taxes	3,193,166	-	3,193,166
Accrued interest	423,965	-	423,965
Prepaid costs	155,505	499	156,004
Due from other governments	2,890,811	-	2,890,811
Due from OPEB Trust Fund	134,449	-	134,449
Inventories	82,786	206,612	289,398
Restricted assets:			
Cash with fiscal agent	652,947	181,556	834,503
<b>Total Current Assets</b>	<b>68,963,513</b>	<b>49,398,378</b>	<b>118,361,891</b>
Notes and loans	1,581,418	-	1,581,418
Capital assets not being depreciated	41,179,470	12,309,483	53,488,953
Capital assets, net of depreciation	77,207,201	40,783,105	117,990,306
<b>Total Noncurrent Assets</b>	<b>119,968,089</b>	<b>53,092,588</b>	<b>173,060,677</b>
<b>Total Assets</b>	<b>188,931,602</b>	<b>102,490,966</b>	<b>291,422,568</b>
<b>Deferred Outflows of Resources:</b>			
Deferred charge on refunding	466,721	-	466,721
Deferred pension related items	19,850,125	629,220	20,479,345
<b>Total Deferred Outflows of Resources</b>	<b>20,316,846</b>	<b>629,220</b>	<b>20,946,066</b>
<b>Liabilities:</b>			
Accounts payable	2,788,334	2,547,406	5,335,740
Accrued liabilities	192,715	98,929	291,644
Accrued payroll	460,171	-	460,171
Payroll liabilities	759,999	-	759,999
Accrued interest	261,887	181,556	443,443
Unearned revenue	1,128,992	-	1,128,992
Deposits payable	1,755,046	1,036,194	2,791,240
Long-term liabilities due within one year:			
Leases Payable	147,506	-	147,506
Bonds Payable	745,000	620,000	1,365,000
Accrued workers comp/liability claims and judgments	8,949,071	-	8,949,071
Accrued employee benefits	756,424	15,362	771,786
<b>Total Current Liabilities</b>	<b>17,945,145</b>	<b>4,499,447</b>	<b>22,444,592</b>
Noncurrent liabilities:			
Long term liabilities due in more than one year			
Bonds payable	14,614,991	10,143,326	24,758,317
Net pension liability - PERS	64,013,900	1,616,033	65,629,933
Net pension liability - City Plans	262,849	-	262,849
Accrued workers comp/liability claims and judgments	4,915,550	-	4,915,550
Accrued employee benefits	2,676,068	54,347	2,730,415
<b>Total Noncurrent Liabilities</b>	<b>86,483,358</b>	<b>11,813,706</b>	<b>98,297,064</b>
<b>Total Liabilities</b>	<b>104,428,503</b>	<b>16,313,153</b>	<b>120,741,656</b>
<b>Deferred Inflows of Resources:</b>			
Deferred pension related items	6,235,984	256,427	6,492,411
<b>Total Deferred Inflows of Resources</b>	<b>6,235,984</b>	<b>256,427</b>	<b>6,492,411</b>
<b>Net Position:</b>			
Net investment in capital assets	103,345,895	42,329,262	145,675,157
Restricted for:			
Public safety	809,361	-	809,361
Public works	5,495,829	-	5,495,829
Capital projects	5,023,913	-	5,023,913
Business improvement districts	-	552,266	552,266
Unrestricted	(16,091,037)	43,669,078	27,578,041
<b>Total Net Position</b>	<b>\$ 98,583,961</b>	<b>\$ 86,550,606</b>	<b>\$ 185,134,567</b>

CITY OF MANHATTAN BEACH

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Functions/Programs</b>				
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 13,812,252	\$ 7,099,310	\$ 672,970	\$ -
Public safety	41,381,149	4,173,082	561,184	-
Culture and recreation	9,020,080	3,420,580	652,580	-
Public works	9,572,971	5,293,202	417,802	1,850,921
Interest on long-term debt	616,179	-	-	-
<b>Total Governmental Activities</b>	<b>74,402,631</b>	<b>19,986,174</b>	<b>2,304,536</b>	<b>1,850,921</b>
Business-Type Activities:				
Water	10,729,445	14,670,316	-	-
Stormwater	1,005,835	348,880	-	-
Wastewater	1,430,253	3,293,933	-	-
Refuse	3,999,131	4,205,361	9,353	-
Parking	2,225,608	2,426,605	-	-
County Parking Lot	540,681	711,103	-	-
State Pier and Parking Lot	1,018,960	577,916	-	-
<b>Total Business-Type Activities</b>	<b>20,949,913</b>	<b>26,234,114</b>	<b>9,353</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 95,352,544</b>	<b>\$ 46,220,288</b>	<b>\$ 2,313,889</b>	<b>\$ 1,850,921</b>

**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**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (6,039,972)	\$ -	\$ (6,039,972)
(36,646,883)	-	(36,646,883)
(4,946,920)	-	(4,946,920)
(2,011,046)	-	(2,011,046)
(616,179)	-	(616,179)
<b>(50,261,000)</b>	<b>-</b>	<b>(50,261,000)</b>
-	3,940,871	3,940,871
-	(656,955)	(656,955)
-	1,863,680	1,863,680
-	215,583	215,583
-	200,997	200,997
-	170,422	170,422
-	(441,044)	(441,044)
-	<b>5,293,554</b>	<b>5,293,554</b>
<b>(50,261,000)</b>	<b>5,293,554</b>	<b>(44,967,446)</b>
28,215,709	-	28,215,709
5,201,518	-	5,201,518
9,088,502	-	9,088,502
1,256,125	-	1,256,125
3,658,194	-	3,658,194
776,298	-	776,298
15,812	-	15,812
3,495,128	70,885	3,566,013
735,485	258,030	993,515
(11,245)	-	(11,245)
(814,838)	814,838	-
<b>51,616,688</b>	<b>1,143,753</b>	<b>52,760,441</b>
1,355,688	6,437,307	7,792,995
97,228,273	80,142,849	177,371,122
-	(29,550)	(29,550)
<b>\$ 98,583,961</b>	<b>\$ 86,550,606</b>	<b>\$ 185,134,567</b>

CITY OF MANHATTAN BEACH

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<u>General</u>	<u>Capital Projects Fund Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Pooled cash and investments	\$ 25,134,110	\$ 8,519,564	\$ 11,178,533	\$ 44,832,207
Receivables:				
Accounts	587,821	4,063	9,512	601,396
Taxes	3,127,883	65,283	-	3,193,166
Notes and loans	1,546,266	35,152	-	1,581,418
Accrued interest	423,965	-	-	423,965
Prepaid costs	133,786	-	-	133,786
Due from other funds	22,488	-	-	22,488
Due from other governments	196,125	1,899,693	794,993	2,890,811
Due from OPEB Trust Fund	134,449	-	-	134,449
Restricted assets:				
Cash and investments with fiscal agents	115,706	146,181	391,060	652,947
<b>Total Assets</b>	<b>\$ 31,422,599</b>	<b>\$ 10,669,936</b>	<b>\$ 12,374,098</b>	<b>\$ 54,466,633</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,756,755	\$ 627,751	\$ 138,919	\$ 2,523,425
Accrued payables	12,597	36,446	143,672	192,715
Accrued payroll	460,171	-	-	460,171
Payroll liabilities	759,999	-	-	759,999
Interest payable	115,706	146,181	-	261,887
Unearned revenues	1,128,992	-	-	1,128,992
Deposits payable	1,753,305	-	1,741	1,755,046
Due to other funds	-	-	22,488	22,488
<b>Total Liabilities</b>	<b>5,987,525</b>	<b>810,378</b>	<b>306,820</b>	<b>7,104,723</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	387,439	1,898,493	760,663	3,046,595
<b>Total Deferred Inflows of Resources</b>	<b>387,439</b>	<b>1,898,493</b>	<b>760,663</b>	<b>3,046,595</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepaid costs	133,786	-	-	133,786
Notes and loans	1,546,266	-	-	1,546,266
<b>Restricted for:</b>				
Public safety	-	-	809,361	809,361
Public works	-	-	5,495,829	5,495,829
Capital Projects	-	-	5,023,913	5,023,913
<b>Committed to:</b>				
Capital Projects	-	7,961,065	-	7,961,065
<b>Unassigned</b>	<b>23,367,583</b>	<b>-</b>	<b>(22,488)</b>	<b>23,345,095</b>
<b>Total Fund Balances</b>	<b>25,047,635</b>	<b>7,961,065</b>	<b>11,306,615</b>	<b>44,315,315</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 31,422,599</b>	<b>\$ 10,669,936</b>	<b>\$ 12,374,098</b>	<b>\$ 54,466,633</b>

CITY OF MANHATTAN BEACH

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

Fund balances of governmental funds		\$ 44,315,315
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		
Capital assets	\$ 165,917,299	
Accumulated depreciation	<u>(52,781,013)</u>	113,136,286
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.		
		466,721
Governmental funds report all pension contributions as expenditures. However, the net pension liability has a measurement date of June 30, 2016, and pension contributions subsequent to the measurement date are reclassified as deferred outflows of resources.		
		5,803,612
Deferred inflows of resources reported for the pension plan for government-wide statements are amortized:		
Net difference between projected and actual earnings		12,025,128
Adjustment due to difference in proportions		1,174,407
Difference in proportionate share		38,732
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
COPS payable	(14,565,000)	
Compensated Absences	(3,432,492)	
Unamortized bond premiums/discounts	<u>(794,991)</u>	(18,792,483)
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.		
		(62,224,267)
Deferred inflows of resources reported for the pension plan for government-wide statements are amortized:		
Changes in assumptions	(782,107)	
Differences between expected and actual experiences	(1,561,279)	
Net difference between projected and actual earnings on pension plan investmentsx	(2,021,389)	
Adjustment due to difference in proportions	(629,144)	
Difference in proportionate share	<u>(941,677)</u>	(5,935,596)
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.		
		3,046,595
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>5,529,511</u>
<b>Net Position of governmental activities</b>		<b><u>\$ 98,583,961</u></b>

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Capital Projects Fund Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes and assessments	\$ 47,656,968	\$ 772,648	\$ 1,975,900	\$ 50,405,516
Licenses and permits	2,703,626	34,523	-	2,738,149
Intergovernmental	315,831	653,283	1,124,297	2,093,411
Charges for services	11,016,466	680,689	27,658	11,724,813
Use of money and property	3,455,654	1,526	37,948	3,495,128
Fines and forfeitures	2,494,090	105,564	-	2,599,654
Miscellaneous Revenues	1,709,522	102,165	17,156	1,828,843
<b>Total Revenues</b>	<b>69,352,157</b>	<b>2,350,398</b>	<b>3,182,959</b>	<b>74,885,514</b>
<b>Expenditures:</b>				
Current:				
General government	13,290,308	-	-	13,290,308
Public safety	38,321,484	-	201,398	38,522,882
Culture and recreation	7,755,958	-	900,575	8,656,533
Public works	6,232,637	888,268	992,479	8,113,384
Capital outlay	389,392	2,505,303	774,445	3,669,140
Debt service:				
Principal retirement	280,000	465,000	-	745,000
Interest and fiscal charges	141,124	300,992	-	442,116
Payment to refunded bond escrow agent	11,334	-	-	11,334
<b>Total Expenditures</b>	<b>66,422,237</b>	<b>4,159,563</b>	<b>2,868,897</b>	<b>73,450,697</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,929,920	(1,809,165)	314,062	1,434,817
<b>Other Financing Sources (Uses):</b>				
Transfers in	732,106	500,000	452,899	1,685,005
Transfers out	(2,364,678)	-	(222,603)	(2,587,281)
Refunding bonds issued	5,905,000	-	-	5,905,000
Bond premium	438,570	-	-	438,570
Payment to refunded bond escrow agent	(6,343,564)	-	-	(6,343,564)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,632,566)</b>	<b>500,000</b>	<b>230,296</b>	<b>(902,270)</b>
Net Change in Fund Balances	1,297,354	(1,309,165)	544,358	532,547
Fund Balances, Beginning of Year	23,750,281	9,270,230	10,762,257	43,782,768
<b>Fund Balances, End of Year</b>	<b>\$ 25,047,635</b>	<b>\$ 7,961,065</b>	<b>\$ 11,306,615</b>	<b>\$ 44,315,315</b>

**CITY OF MANHATTAN BEACH**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

Net change in fund balances - total governmental funds \$ 532,547

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

Governmental funds report capital outlays as expenditures. However, in the statement as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Cost of assets capitalized	\$ 3,996,199	
Depreciation expense	(3,078,255)	
Disposal of capital assets	<u>(400,674)</u>	517,270

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:		
Marine Avenue Park 2002 Refunding Certificates of Participation	280,000	
Police & Fire Facility 2013 Refunding Certificates of Participation	465,000	
Defeasance of long term debt		
Marine Avenue Park 2002 Refunding Certificates of Participation	6,354,898	
Issuance of long-term debt		
Marine Avenue Park 2016 Refunding Certificates of Participation	(5,905,000)	
Premuim on bond issued	(438,570)	
Amortization of bond premiums - Police Fire Facility bonds refunding	(137,733)	
Amortization of deferred charges on refunding	<u>(32,189)</u>	586,406

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. (187,409)

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. (1,337,809)

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. (692,270)

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. 1,698,888

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. 238,065

**Change in net position of governmental activities \$ 1,355,688**

CITY OF MANHATTAN BEACH

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Parking</u>
<b>Assets:</b>			
Current:			
Cash and investments	\$ 31,825,406	\$ 8,904,714	\$ 1,864,686
Receivables:			
Accounts	801,174	221,798	1,431
Prepaid costs	499	-	-
Inventories	206,612	-	-
Restricted:			
Cash with fiscal agent	23,107	11,368	147,081
<b>Total Current Assets</b>	<u>32,856,798</u>	<u>9,137,880</u>	<u>2,013,198</u>
Noncurrent:			
Capital assets - net of accumulated depreciation	21,950,570	8,476,880	17,989,785
<b>Total Noncurrent Assets</b>	<u>21,950,570</u>	<u>8,476,880</u>	<u>17,989,785</u>
<b>Total Assets</b>	<u>54,807,368</u>	<u>17,614,760</u>	<u>20,002,983</u>
<b>Deferred Outflows of Resources:</b>			
Deferred pension related items	369,624	113,473	35,941
<b>Total Deferred Outflows of Resources</b>	<u>369,624</u>	<u>113,473</u>	<u>35,941</u>
<b>Liabilities:</b>			
Current:			
Accounts payable	816,847	386,129	113,204
Accrued payables	5,850	72,177	-
Accrued interest	23,107	11,368	147,081
Deposits payable	1,410	-	91,775
Accrued compensated absences	15,362	-	-
Workers' compensation claims	-	-	-
Accrued claims and judgments	-	-	-
Bonds, notes, and capital leases	127,347	62,653	430,000
<b>Total Current Liabilities</b>	<u>989,923</u>	<u>532,327</u>	<u>782,060</u>
Noncurrent:			
Net pension liability	931,021	298,608	90,722
Accrued compensated absences	54,347	-	-
Workers' compensation claims	-	-	-
Accrued claims and judgments	-	-	-
Bonds, notes, and capital leases	1,292,157	635,715	8,215,454
<b>Total Noncurrent Liabilities</b>	<u>2,277,525</u>	<u>934,323</u>	<u>8,306,176</u>
<b>Total Liabilities</b>	<u>3,267,448</u>	<u>1,466,650</u>	<u>9,088,236</u>
<b>Deferred Inflows of Resources:</b>			
Deferred pension related items	148,928	51,101	9,901
<b>Total Deferred Inflows of Resources</b>	<u>148,928</u>	<u>51,101</u>	<u>9,901</u>
<b>Net Position:</b>			
Net investment in capital assets	20,531,066	7,778,512	9,344,331
Restricted for business improvement district	-	-	552,266
Unrestricted	31,229,550	8,431,970	1,044,190
<b>Total Net Position</b>	<u>\$ 51,760,616</u>	<u>\$ 16,210,482</u>	<u>\$ 10,940,787</u>

CITY OF MANHATTAN BEACH

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2017

	Business-Type Activities - Enterprise Funds		Governmental Activities - Internal Services Funds
	Other Enterprise Funds	Totals	
<b>Assets:</b>			
Current:			
Cash and investments	\$ 5,092,422	\$ 47,687,228	\$ 15,996,278
Receivables:			
Accounts	298,080	1,322,483	3
Prepaid costs	-	499	21,719
Inventories	-	206,612	82,786
Restricted:			
Cash with fiscal agent	-	181,556	-
<b>Total Current Assets</b>	<b>5,390,502</b>	<b>49,398,378</b>	<b>16,100,786</b>
Noncurrent:			
Capital assets - net of accumulated depreciation	4,675,353	53,092,588	5,250,385
<b>Total Noncurrent Assets</b>	<b>4,675,353</b>	<b>53,092,588</b>	<b>5,250,385</b>
<b>Total Assets</b>	<b>10,065,855</b>	<b>102,490,966</b>	<b>21,351,171</b>
<b>Deferred Outflows of Resources:</b>			
Deferred pension related items	110,182	629,220	808,247
<b>Total Deferred Outflows of Resources</b>	<b>110,182</b>	<b>629,220</b>	<b>808,247</b>
<b>Liabilities:</b>			
Current:			
Accounts payable	1,231,226	2,547,406	264,909
Accrued payables	20,902	98,929	-
Accrued interest	-	181,556	-
Deposits payable	943,009	1,036,194	-
Accrued compensated absences	-	15,362	-
Workers' compensation claims	-	-	8,264,852
Accrued claims and judgments	-	-	684,219
Bonds, notes, and capital leases	-	620,000	147,506
<b>Total Current Liabilities</b>	<b>2,195,137</b>	<b>4,499,447</b>	<b>9,361,486</b>
Noncurrent:			
Net pension liability	295,682	1,616,033	2,052,482
Accrued compensated absences	-	54,347	-
Workers' compensation claims	-	-	4,610,928
Accrued claims and judgments	-	-	304,622
Bonds, notes, and capital leases	-	10,143,326	-
<b>Total Noncurrent Liabilities</b>	<b>295,682</b>	<b>11,813,706</b>	<b>6,968,032</b>
<b>Total Liabilities</b>	<b>2,490,819</b>	<b>16,313,153</b>	<b>16,329,518</b>
<b>Deferred Inflows of Resources:</b>			
Deferred pension related items	46,497	256,427	300,388
<b>Total Deferred Inflows of Resources</b>	<b>46,497</b>	<b>256,427</b>	<b>300,388</b>
<b>Net Position:</b>			
Net investment in capital assets	4,675,353	42,329,262	5,102,879
Restricted for business improvement district	-	552,266	-
Unrestricted	2,963,368	43,669,078	426,633
<b>Total Net Position</b>	<b>\$ 7,638,721</b>	<b>\$ 86,550,606</b>	<b>\$ 5,529,512</b>

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Parking</u>
<b>Operating Revenues:</b>			
Sales and service charges	\$ 14,667,037	\$ 3,293,933	\$ 2,426,605
Miscellaneous	6,042	10,433	34,022
<b>Total Operating Revenues</b>	<b>14,673,079</b>	<b>3,304,366</b>	<b>2,460,627</b>
<b>Operating Expenses:</b>			
Salaries	720,404	238,292	81,075
Employee benefits	418,927	181,770	113,055
Contract and professional services	6,467,872	152,918	486,540
Materials and services	577,441	154,188	520,288
Utilities	273,090	18,152	92,794
Administrative service charges	1,643,523	433,030	393,431
Leases and rents	-	-	-
Claims expense	-	-	-
Depreciation expense	589,183	232,714	259,886
<b>Total Operating Expenses</b>	<b>10,690,440</b>	<b>1,411,064</b>	<b>1,947,069</b>
Operating Income (Loss)	3,982,639	1,893,302	513,558
<b>Nonoperating Revenues (Expenses):</b>			
Interest revenue	52,052	17,321	(3,242)
Interest expense	(39,005)	(19,189)	(278,539)
Grant revenue	-	-	-
Gain (loss) on disposal of capital assets	3,279	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>16,326</b>	<b>(1,868)</b>	<b>(281,781)</b>
Income (Loss) Before Transfers and Contributions	3,998,965	1,891,434	231,777
Transfers in	15,317	-	2,561
Transfers out	-	-	-
Changes in Net Position	<u>\$ 4,014,282</u>	<u>\$ 1,891,434</u>	<u>\$ 234,338</u>
<b>Net Position:</b>			
Beginning of Fiscal Year, as originally reported	\$ 47,746,334	\$ 14,319,048	\$ 10,706,449
Restatements	-	-	-
Beginning of Fiscal Year, as restated	47,746,334	14,319,048	10,706,449
Changes in Net Position	4,014,282	1,891,434	234,338
<b>End of Fiscal Year</b>	<b>\$ 51,760,616</b>	<b>\$ 16,210,482</b>	<b>\$ 10,940,787</b>



CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
<b>Operating Revenues:</b>			
Sales and service charges	\$ 5,830,016	\$ 26,217,591	\$ 13,002,990
Miscellaneous	220,777	271,274	29,384
<b>Total Operating Revenues</b>	<b>6,050,793</b>	<b>26,488,865</b>	<b>13,032,374</b>
<b>Operating Expenses:</b>			
Salaries	239,917	1,279,688	1,723,798
Employee benefits	78,308	792,060	588,897
Contract and professional services	4,316,316	11,423,646	1,215,788
Materials and services	1,005,817	2,257,734	1,899,632
Utilities	60,585	444,621	124,045
Administrative service charges	316,560	2,786,544	-
Leases and rents	391,107	391,107	-
Claims expense	-	-	6,352,288
Depreciation expense	155,997	1,237,780	961,912
<b>Total Operating Expenses</b>	<b>6,564,607</b>	<b>20,613,180</b>	<b>12,866,360</b>
Operating Income (Loss)	(513,814)	5,875,685	166,014
<b>Nonoperating Revenues (Expenses):</b>			
Interest revenue	4,754	70,885	-
Interest expense	-	(336,733)	(4,141)
Grant revenue	9,353	9,353	-
Gain (loss) on disposal of capital assets	-	3,279	(11,245)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>14,107</b>	<b>(253,216)</b>	<b>(15,386)</b>
Income (Loss) Before Transfers and Contributions	(499,707)	5,622,469	150,628
Transfers in	967,382	985,260	687,438
Transfers out	(170,422)	(170,422)	(600,000)
Changes in Net Position	\$ 297,253	\$ 6,437,307	\$ 238,066
<b>Net Position:</b>			
Beginning of Fiscal Year, as originally reported	\$ 7,371,018	\$ 80,142,849	\$ 5,291,446
Restatements	(29,550)	(29,550)	-
Beginning of Fiscal Year, as restated	7,341,468	80,113,299	5,291,446
Changes in Net Position	297,253	6,437,307	238,066
<b>End of Fiscal Year</b>	<b>\$ 7,638,721</b>	<b>\$ 86,550,606</b>	<b>\$ 5,529,512</b>

## CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Parking</u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 14,638,212	\$ 3,294,685	\$ 2,462,875
Cash received from/(paid to) interfund service provided	-	-	-
Cash paid to suppliers for goods and services	(9,534,867)	(528,159)	(1,942,409)
Cash paid to employees for services	(1,114,628)	(412,905)	(191,484)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>3,988,717</u></b>	<b><u>2,353,621</u></b>	<b><u>328,982</u></b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash transfers out	15,317	-	2,561
Cash transfers in	-	-	-
Grant subsidy	-	-	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b><u>15,317</u></b>	<b><u>-</u></b>	<b><u>2,561</u></b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(737,729)	(995,957)	(296,520)
Principal paid on capital debt	(123,996)	(61,004)	(410,000)
Interest paid on capital debt	(51,174)	(25,176)	(310,563)
Cash from sale of property	3,279	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b><u>(909,620)</u></b>	<b><u>(1,082,137)</u></b>	<b><u>(1,017,083)</u></b>
<b>Cash Flows from Investing Activities:</b>			
Interest received	52,052	17,321	(3,242)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b><u>52,052</u></b>	<b><u>17,321</u></b>	<b><u>(3,242)</u></b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b><u>3,146,466</u></b>	<b><u>1,288,805</u></b>	<b><u>(688,782)</u></b>
Cash and Cash Equivalents at Beginning of Year	28,702,047	7,627,277	2,700,549
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 31,848,513</u></b>	<b><u>\$ 8,916,082</u></b>	<b><u>\$ 2,011,767</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 3,982,639	\$ 1,893,302	\$ 513,558
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>			
Net position restatement for street sweeping fee refunds	-	-	-
Depreciation	589,183	232,714	259,886
(Increase) decrease in accounts receivable	(34,447)	(9,681)	3,358
(Increase) decrease in prepaid expense	(499)	-	111,484
(Increase) decrease in inventory	(1,055)	-	-
(Increase) decrease in prepaid other post-employment benefits	29,842	7,054	2,605
Increase (decrease) in accounts payable	(411,387)	196,765	(522,426)
Increase (decrease) in accounts payable	(160,000)	33,364	(38,414)
Increase (decrease) in deposits payable	(420)	-	(1,110)
Increase (decrease) in net pension liability	222,663	68,153	32,620
Increase (decrease) in deferred pension related items	(222,324)	(68,050)	(32,579)
Increase (decrease) in workers' compensation claims	-	-	-
Increase (decrease) in claims and judgments	-	-	-
Increase (decrease) in compensated absences	(5,478)	-	-
<b>Total Adjustments</b>	<b><u>6,078</u></b>	<b><u>460,319</u></b>	<b><u>(184,576)</u></b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ 3,988,717</u></b>	<b><u>\$ 2,353,621</u></b>	<b><u>\$ 328,982</u></b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>			
Bond premium amortization	\$ 9,689	\$ 4,767	\$ 23,824

## CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 6,551,990	\$ 26,947,762	\$ 29,384
Cash received from/(paid to) interfund service provided	-	-	13,022,136
Cash paid to suppliers for goods and services	(5,944,662)	(17,950,097)	(9,211,706)
Cash paid to employees for services	(310,953)	(2,029,970)	(2,282,408)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>296,375</b>	<b>6,967,695</b>	<b>1,557,406</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash transfers out	(170,422)	(152,544)	(600,000)
Cash transfers in	967,382	967,382	687,437
Grant subsidy	9,353	9,353	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>806,313</b>	<b>824,191</b>	<b>87,437</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(282,464)	(2,312,670)	(1,015,578)
Principal paid on capital debt	-	(595,000)	(193,718)
Interest paid on capital debt	-	(386,913)	(4,141)
Cash from sale of property	-	3,279	22,415
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(282,464)</b>	<b>(3,291,304)</b>	<b>(1,191,022)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest received	4,754	70,885	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>4,754</b>	<b>70,885</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>824,978</b>	<b>4,571,467</b>	<b>453,821</b>
Cash and Cash Equivalents at Beginning of Year	4,267,444	43,297,317	15,542,457
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 5,092,422</b>	<b>\$ 47,868,784</b>	<b>\$ 15,996,278</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (513,814)	\$ 5,875,685	\$ 166,014
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>			
Net position restatement for street sweeping fee refunds	(29,550)	(29,550)	-
Depreciation	155,997	1,237,780	961,912
(Increase) decrease in accounts receivable	11,100	(29,670)	19,146
(Increase) decrease in prepaid expense	-	110,985	10,707
(Increase) decrease in inventory	-	(1,055)	30,384
(Increase) decrease in prepaid other post-employment benefits	7,166	46,667	24
Increase (decrease) in accounts payable	197,371	(539,677)	1,309
Increase (decrease) in accounts payable	(7,019)	(172,069)	(10,663)
Increase (decrease) in deposits payable	475,018	473,488	-
Increase (decrease) in net pension liability	75,882	399,318	569,675
Increase (decrease) in deferred pension related items	(75,776)	(398,729)	(568,874)
Increase (decrease) in workers' compensation claims	-	-	1,141,419
Increase (decrease) in claims and judgments	-	-	(763,647)
Increase (decrease) in compensated absences	-	(5,478)	-
<b>Total Adjustments</b>	<b>810,189</b>	<b>1,092,010</b>	<b>1,391,392</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 296,375</b>	<b>\$ 6,967,695</b>	<b>\$ 1,557,406</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>			
Bond premium amortization	\$ -	\$ 38,280	\$ -

CITY OF MANHATTAN BEACH

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2017

	<u>Agency Funds</u>	<u>Pension Trust Fund</u>
<b>Assets:</b>		
Pooled cash and investments	\$ 1,573,746	\$ 33,456
Receivables:		
Accounts	23,326	-
Due from other governments	-	157,771
Restricted assets:		
Cash and investments with fiscal agents	969,189	-
<b>Total Assets</b>	<b><u>\$ 2,566,261</u></b>	<b><u>191,227</u></b>
<b>Liabilities:</b>		
Accounts payable	\$ 1,500	-
Art development fees	660,008	-
Deposits payable	35,628	-
Due to bond holders	1,869,125	-
<b>Total Liabilities</b>	<b><u>\$ 2,566,261</u></b>	<b><u>-</u></b>
<b>Net Position:</b>		
Held in trust for pension		191,227
<b>Total Net Position</b>		<b><u>\$ 191,227</u></b>

CITY OF MANHATTAN BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2017

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	<b>Pension Trust Fund</b>
<b>Additions:</b>	
Investment income	\$ (2,191)
Refund of contributions	157,771
<b>Total Additions</b>	<b>155,580</b>
<b>Deductions:</b>	
Benefit payments	232,039
<b>Total Deductions</b>	<b>232,039</b>
<b>Changes in Net Position</b>	<b>(76,459)</b>
Net Position - Beginning of the Year	267,686
<b>Net Position - End of the Year</b>	<b>\$ 191,227</b>

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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. In November 2016, the entity issued \$5,905,000 Certificates of Participation (Marine field Refunding) Series 2016 to refund the Variable Rate Demand Refunding Certificates of Participation (Marine Sports Field Capital Lease Refinancing) Series 2002. 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 acquisition 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 \$8,949,071 and \$4,915,550 respectively, are recorded in the Insurance Reserve Fund.

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

**l. Vacation and Sick Leave**

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

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

**m. Allocation of Interest Income**

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



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

**n. Other Accounting Policies**

*Inventories*

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

*Prepays*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**o. Estimates**

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

**p. Net Position Flow Assumption**

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

**q. Fund Balance Flow Assumption**

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

**r. Fund Balance Policy**

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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

**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			
Culture and Recreation	\$ 7,755,958	\$ 7,729,674	\$ 26,284

**b. Deficit Fund Balance and Net Position**

At June 30, 2017, 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, the information Systems Fund and the Building Maintenance and Operations Fund have deficit net position of \$(1,801,739), \$(41,709) and \$(327,504) respectively. These deficits will be resolved by future contributions from other funds.

**Note 3: Cash and Investments**

As of June 30, 2017, cash and investments were reported in the accompanying financial statements as follows:

Governmental Funds	\$ 45,485,154
Internal Service	15,996,278
Business-type activities	47,868,784
Agency	2,542,935
Pension Trust	<u>33,456</u>
Total Cash and Investments	<u><u>\$ 111,926,607</u></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, 2017, the carrying amount of the City's deposits was \$2,245,512 and the bank balance was \$3,666,028. The \$1,420,516 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 \$28,700,000 whose pro-rata share of fair value was estimated by the State Treasurer to be \$28,669,597.

**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, 2017, the fair value exceeded the book value of investments by \$651,055.

**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, 2017, 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, 2017, 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, 2017, 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, 2017, the City is in compliance with its investment policy's restrictions.

In accordance with GASB Statement No. 40, if the city has invested more than 5% of its total investments in any one issuer then it is exposed to credit risk. The following issuers are above the 5% of total investments: Federal Home Loan Bank (10.04%), Federal Farm Credit (11.89%), Federal Home Loan Mortgage Corporation (10.98%), Federal National Mortgage Association (12.77%) and Tennessee Valley Authority (5.56%). 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, 2017

**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, 2017:

Investment Type	Totals	Investments not Measured at Fair Value	Level		
			1	2	3
Local Agency Investment Fund (LAIF)	\$ 28,669,597	\$ 28,669,597	\$ -	\$ -	\$ -
Certificates of Deposit	1,959,713	-	-	1,959,713	-
US Treasury and Agency Notes	55,885,900	-	-	55,885,900	-
Medium-Term Corporate Notes	20,753,744	-	-	20,753,744	-
Investments with Fiscal Agent:					
Money Market Funds	1,803,692	1,803,692	-	-	-
<b>Total Investments</b>	<b>\$ 109,072,646</b>	<b>\$ 30,473,289</b>	<b>\$ -</b>	<b>\$ 78,599,357</b>	<b>\$ -</b>

As of June 30, 2017, 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	
<b><u>Pooled Investments:</u></b>					
Local Government Fund	\$ 28,669,597	\$ -	\$ -	\$ -	\$ 28,669,597
Certificate of Deposit	1,225,154	734,559	-	-	1,959,713
US Treasury and agency notes	14,007,260	2,046,720	12,055,600	27,776,320	55,885,900
Medium-term notes	3,998,150	4,205,804	4,035,640	8,514,150	20,753,744
	<u>\$ 47,900,161</u>	<u>\$ 6,987,083</u>	<u>\$ 16,091,240</u>	<u>\$ 36,290,470</u>	<u>107,268,954</u>
<b><u>Investment with Fiscal Agents:</u></b>					
Utility Undergrounding					1,360,250
Water/Wastewater, Metlox Refunding bonds					181,555
Marine certificates of participation					115,706
Police & Fire certificate of participation refunding bonds					146,181
					<u>1,803,692</u>
Demand deposits					2,245,512
Other deposits					606,647
Petty cash					1,802
					<u>2,853,961</u>
<b>Grand Total</b>					<u><u>\$ 111,926,607</u></u>

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**Note 4: Interfund Transactions**

**Due To/From Other Funds**

	Due To Other Funds
	Nonmajor Governmental Funds
Due From Other Funds	
General Fund	\$ 22,488

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, 2017, are presented below:

Transfers Out	Transfers In						Total	
	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Water Fund	Parking Fund	Nonmajor Proprietary Funds		Internal Service Funds
General Fund	\$ -	\$ 500,000	\$ 230,296	\$ -	\$ -	\$ 967,382	\$ 667,000	\$ 2,364,678
Nonmajor Governmental Funds	-	-	222,603	-	-	-	-	222,603
Nonmajor Proprietary Funds	170,422	-	-	-	-	-	-	170,422
Internal Service Funds	561,684	-	-	15,317	2,561	-	20,438	600,000
Total	\$ 732,106	\$ 500,000	\$ 452,899	\$ 15,317	\$ 2,561	\$ 967,382	\$ 687,438	\$ 3,357,703

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

- The County Parking Lot fund transferred \$170,422 to the General Fund for recreation purposes.
- The General Fund transferred \$230,296 to the Street Lighting Fund to relieve a deficit fund balance.
- The General Fund transferred \$967,382 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 \$222,603 to the Measure A to relieve negative fund balance.
- The Information Technology Fund transferred a total of \$600,000 to other funds to eliminate an excess of fund balance that built up over time.
- The General Fund transferred \$500,000 to the Capital Improvements Funds for future projects.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2017**

**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, 2017:

	Ending Balance July 1, 2016	Adjustments	Adjusted Beginning Balance	Transfers	Increases additions	Decreases (deletions)	Ending Balance June 30, 2017
<b>Governmental Activities</b>							
Land	\$ 33,634,565	\$ -	\$ 33,634,565	\$ -	\$ -	\$ -	\$ 33,634,565
Construction-in-progress							
Streets / Roadways	6,069,652	-	6,069,652	(1,845,671)	1,087,298	(279,374)	5,031,905
Recreation	801,444	-	801,444	(445,170)	2,278,026	(121,300)	2,513,000
<b>Total Capital Assets, Not Being Depreciated</b>	<b>40,505,661</b>	<b>-</b>	<b>40,505,661</b>	<b>(2,290,841)</b>	<b>3,365,324</b>	<b>(400,674)</b>	<b>41,179,470</b>
Buildings and structures	43,458,144		43,458,144	-	-	-	43,458,144
Machinery and equipment	7,609,232	(3,832,840)	3,776,392	-	425,118	-	4,201,510
Vehicles	11,034,434	-	11,034,434	-	1,015,578	(295,563)	11,754,449
Infrastructure							
Streets / Roadways	52,951,811		52,951,811	1,845,671	-	-	54,797,482
Parks & Recreation	18,486,877		18,486,877	445,170	-	-	18,932,047
Investment in Joint Venture (RCC)	3,183,250	-	3,183,250	-	205,757	(40,361)	3,348,646
<b>Total Capital Assets, Being Depreciated</b>	<b>136,723,748</b>	<b>(3,832,840)</b>	<b>132,890,908</b>	<b>2,290,841</b>	<b>1,646,453</b>	<b>(335,924)</b>	<b>136,492,278</b>
Less Accumulated Depreciation:							
Buildings and Structures	(10,390,032)	-	(10,390,032)	-	(860,500)	-	(11,250,532)
Machinery and Equipment	(6,285,067)	3,832,840	(2,452,227)	-	(456,752)	-	(2,908,979)
Vehicles	(5,804,055)	-	(5,804,055)	-	(961,912)	261,903	(6,504,064)
Infrastructure							
Streets / Roadways	(29,738,217)		(29,738,217)	-	(1,280,943)	-	(31,019,160)
Parks & Recreation	(5,901,713)	-	(5,901,713)	-	(333,178)	-	(6,234,891)
Investment in Joint Venture (RCC)	(1,260,930)	-	(1,260,930)	-	(146,882)	40,361	(1,367,451)
<b>Total Accumulated Depreciation</b>	<b>(59,380,014)</b>	<b>3,832,840</b>	<b>(55,547,174)</b>	<b>-</b>	<b>(4,040,167)</b>	<b>302,264</b>	<b>(59,285,077)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>77,343,734</b>	<b>-</b>	<b>77,343,734</b>	<b>2,290,841</b>	<b>(2,393,714)</b>	<b>(33,660)</b>	<b>77,207,201</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 117,849,395</b>	<b>\$ -</b>	<b>\$ 117,849,395</b>	<b>\$ -</b>	<b>\$ 971,610</b>	<b>\$ (434,334)</b>	<b>\$ 118,386,671</b>

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**Note 5: Capital Assets and Depreciation (Continued)**

	Ending Balance June 30, 2016	Transfers	Increases additions	Decreases (deletions)	Ending Balance June 30, 2017
<b>Business-Type Activities:</b>					
Capital assets, not being depreciated:					
Land - water	\$ 307,967	\$ -	\$ -	\$ -	\$ 307,967
Land - storm water	857,650	-	-	-	857,650
Land - parking	1,441,817	-	-	-	1,441,817
Construction-in-progress	11,701,087	(4,311,707)	2,312,669	-	9,702,049
<b>Total Capital Assets, Not Being Depreciated</b>	<b>14,308,521</b>	<b>(4,311,707)</b>	<b>2,312,669</b>	<b>-</b>	<b>12,309,483</b>
Capital assets, being depreciated:					
Buildings and structures - parking	17,186,603	-	-	-	17,186,603
Machinery and equipment - parking	1,137,266	1,054,592	-	-	2,191,858
Water	26,309,127	3,250,030	-	-	29,559,157
Storm water	6,963,865	-	-	-	6,963,865
Wastewater	11,450,121	7,085	-	-	11,457,206
<b>Total Capital Assets, Being Depreciated</b>	<b>63,046,982</b>	<b>4,311,707</b>	<b>-</b>	<b>-</b>	<b>67,358,689</b>
Less Accumulated Depreciation:					
Buildings and structures - parking	(1,919,106)	-	-	-	(1,919,106)
Machinery and equipment - parking	(1,041,118)	-	(259,886)	-	(1,301,004)
Water	(12,097,629)	-	(589,183)	-	(12,686,812)
Storm water	(4,012,169)	-	(155,997)	-	(4,168,166)
Wastewater	(6,267,782)	-	(232,714)	-	(6,500,496)
<b>Total Accumulated Depreciation</b>	<b>(25,337,804)</b>	<b>-</b>	<b>(1,237,780)</b>	<b>-</b>	<b>(26,575,584)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>37,709,178</b>	<b>4,311,707</b>	<b>(1,237,780)</b>	<b>-</b>	<b>40,783,105</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 52,017,699</b>	<b>\$ -</b>	<b>\$ 1,074,889</b>	<b>\$ -</b>	<b>\$ 53,092,588</b>

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

<b>Governmental Activities:</b>	
General government	\$ 253,904
Public safety	1,146,014
Public works	1,345,115
Parks and recreation	333,222
Internal service funds	961,912
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 4,040,167</b>
<b>Business-Type Activities:</b>	
Water	\$ 589,183
Wastewater	232,714
Parking	259,886
Storm water	155,997
<b>Total Depreciation Expense - Business-Type Activities</b>	<b>\$ 1,237,780</b>



**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2017**

**Note 6: Long-Term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

	Balance June 30, 2016	Deceased	Additions	Deletions	Balance June 30, 2017	Due in One Year
<b>Governmental Activities:</b>						
Long-term Debt:						
Marine Ave Park COP Series 2002	\$ 6,445,000	\$ (6,165,000)	\$ -	\$ (280,000)	\$ -	\$ -
Marine Ave Park refunding COP Series 2016	-	-	5,905,000	-	5,905,000	265,000
2013 Police and Fire Refunding COP	9,125,000	-	-	(465,000)	8,660,000	480,000
Lease Purchase Fire and Sewer Truck	341,224	-	-	(193,718)	147,506	147,506
Other:						
Compensated Absences	3,245,083	-	2,677,753	(2,490,344)	3,432,492	756,424
Workers Compensation Claims	11,734,361	-	3,274,755	(2,133,336)	12,875,780	8,264,852
General Liability Claims	1,752,488	-	352,146	(1,115,793)	988,841	684,219
Total Governmental	<u>\$ 32,643,156</u>	<u>\$ (6,165,000)</u>	<u>\$ 12,209,654</u>	<u>\$ (6,678,191)</u>	32,009,619	<u>\$ 10,598,001</u>
Unamortized premium					794,991	
					<u>\$ 32,804,610</u>	
<b>Business-Type Activities:</b>						
Long-term Debt:						
2012 Metlox and Water/Wastewater Refunding COP	\$ 10,890,000	\$ -	\$ -	\$ (595,000)	\$ 10,295,000	\$ 620,000
Other long term liabilities:						
Compensated Absences	75,187	-	45,098	(50,576)	69,709	15,362
Total Business Type	<u>\$ 10,965,187</u>	<u>\$ -</u>	<u>\$ 45,098</u>	<u>\$ (645,576)</u>	10,364,709	<u>\$ 635,362</u>
Unamortized premium					468,326	
					<u>\$ 10,833,035</u>	

**a. Marine Avenue Certificates of Participation Series 2002**

On April 24, 2002, the City of Manhattan Beach issued \$9,535,000 of Variable Rate Demand Refunding Certificates of Participation (COP) Series 2002 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.

On November 9, 2016, the City issued \$5,905,000 Certificate of Participation Series 2016 (Marine Field Refunding) Series 2016 to refund the outstanding balance of the Variable Rate Demand Refunding Certificates of Participation Series 2002. The net proceeds of \$6.3 million of the Certificates of Participation Series 2016 (after a premium of \$0.4 million and payment of \$0.2 million in underwriting fees, insurance, and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded Variable Rate Demand Refunding Certificate of Participation, Series 2002. As a result, the Variable Rate Demand Refunding Certificate of Participation, Series 2002 is considered to be defeased and the liability of the COP Series 2002 has been removed from long term debt. The refunding decreased the total debt service payment by \$0.40 million over the next 15 years and resulted in an economic gain of \$0.39 million.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

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

**b. Marine Avenue Certificates of Participation Series 2016**

On November 9, 2016, the City issued \$5,905,000 Certificate of Participation Series 2016 (Marine Field Refunding) Series 2016 to refund the outstanding balance of the Variable Rate Demand Refunding Certificates of Participation Series 2002. The Certificates represents the proportionate interest on the lease payments to be made by the City as rent for the use of certain real property located in the City and consisting of the police department and fire department headquarter facility. The Certificates bear interest a rate of 3% to 4% with principal ranging from \$265,000 to 465,000 and maturing on January 2033. The balance at June 30, 2017, includes an unamortized bond premium of \$412,766 which will be amortized over the life of the issue

Annual debt service requirements to maturity for the Marine Avenue Certificates of Participation Series 2016 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 265,000	\$ 214,879	\$ 479,879
2019	295,000	190,400	485,400
2020	305,000	181,550	486,550
2021	310,000	172,400	482,400
2022	320,000	163,100	483,100
2023-2027	1,800,000	612,900	2,412,900
2028-2032	2,145,000	266,550	2,411,550
2033	465,000	13,950	478,950
Total	<u>\$ 5,905,000</u>	<u>\$ 1,815,729</u>	<u>\$ 7,720,729</u>

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

In February 2013, the City issued \$10,510,000 of Certificates of Participation, Series 2013, to advance refund the 2004 Police and Fire Certificates of Participation (2004 COP). The payments under the lease agreement are due January and July of each year until maturity in January 2032 and include interest rates ranging from 2% to 4%. The proceeds were used to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The balance at June 30, 2017, includes an unamortized bond premium of \$382,225 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, 2017 is \$466,721.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2017**

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	545,000	231,613	776,613
2023-2027	3,005,000	867,313	3,872,313
2028-2032	3,085,000	279,231	3,364,231
Total	<u>\$ 8,660,000</u>	<u>\$ 2,458,959</u>	<u>\$ 11,118,959</u>

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

In fiscal year 2012-2013, the City entered into two lease agreements as lessee for financing the acquisition of one fire truck and one sewer truck valued for \$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, 2017, were as follows:

Fiscal Year Ending June 30, 2018	<u>\$ 148,601</u>
Total minimum lease payments	148,601
Less: amount representing interest	<u>(1,095)</u>
Present value of minimum lease payment	<u>\$ 147,506</u>

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

In July 2012, the City of Manhattan Beach issued \$12,975,000 of fixed rate Certificates of Participation (COP) to refund the City's 2003 Metlox Public Improvements Certificates of Participation and the 1996 Water and Wastewater Improvement Project Certificates of Participation. The payments under the lease agreement are due January and July of each year with interest rates ranging from 2% to 4% and mature through January 2032. The COP includes an unamortized premium of \$468,326 at June 30, 2017, which will be amortized over the life of the issue.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2017**

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

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

Fiscal Year Ending June 30,	Water			Wastewater		
	Principal	Interest	Total	Principal	Interest	Total
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	147,454	28,821	176,275	72,546	14,179	86,725
2023-2027	653,497	59,786	713,283	321,503	29,414	350,917
Total	<u>\$ 1,337,149</u>	<u>\$ 247,422</u>	<u>\$ 1,584,571</u>	<u>\$ 657,851</u>	<u>\$ 121,728</u>	<u>\$ 779,579</u>

Fiscal Year Ending June 30,	Metlox			Total		
	Principal	Interest	Total	Principal	Interest	Total
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	490,000	232,763	722,763	710,000	275,763	985,763
2023-2027	2,740,000	885,613	3,625,613	3,715,000	974,813	4,689,813
2028-2032	3,270,000	365,925	3,635,925	3,270,000	365,925	3,635,925
Total	<u>\$ 8,300,000</u>	<u>\$ 2,564,253</u>	<u>\$ 10,864,253</u>	<u>\$ 10,295,000</u>	<u>\$ 2,933,403</u>	<u>\$ 13,228,403</u>

**f. Compensated Absences**

At June 30, 2017, the total citywide accrued liability for compensated absences amounted to \$3,502,201. \$3,432,492 relates to general government services and \$69,709 to business type activities. The governmental activities liability is generally liquidated by the General Fund and the business type activities liabilities are liquidated by the corresponding proprietary funds.

**g. Workers' Compensation Claims**

As of June 30, 2017, 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 \$8,264,852. In addition, reserves of \$4,610,928 have been set aside for incurred but not reported claims. Total reserves are \$12,875,780.

**h. General Liability Claims**

As of June 30, 2017, 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 \$684,219. In addition, reserves of \$304,622 have been set aside for incurred but not reported claims. Total reserves are \$988,841.

**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, 2016 Annual Actuarial Valuation Reports. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation reports. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

***Benefit Provided***

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The plan provisions and benefits in effect at June 30, 2017, are summarized as follows:

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

Note 8: Retirement Plans (Continued)

	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	13.775%	13.775%

\* Closed to new entrants

At June 30, 2016, the following employees were covered by the benefit terms of the plan:

Description	Number of Participants
	Miscellaneous Plan
Active members	235
Transferred members	144
Terminated members	120
Retired members and beneficiaries	213
Total	712

**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, 2017, the employer contributions recognized as a reduction to the net pension liability for the Miscellaneous Plan was \$1,881,962.

**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, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Note 8: Retirement Plans (Continued)**

***Actuarial Methods and Assumptions Used to Determine Total Pension Liability***

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
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 and thereafter 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. 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.



**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2017**


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**Note 8: Retirement Plans (Continued)**

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, 2015.

<b>Asset Class</b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1 - 10 (1)</b>	<b>Real Return Years 11+ (2)</b>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	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	1.00%	-0.55%	-1.05%
<b>Total</b>	<b>100.00%</b>		

(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, 2017**
**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: 6/30/2015 (Valuation Date)	\$ 88,831,095	\$ 72,868,289	\$ 15,962,806
Changes Recognized for the Measurement Period:			
Service Cost	2,116,750	-	2,116,750
Interest on the Total Pension Liability	6,725,647	-	6,725,647
Difference between Expected and Actual Experience	(125,272)	-	(125,272)
Plan to plan resource movement		(388)	388
Contribution from the Employer	-	1,856,633	(1,856,633)
Contributions from Employees	-	1,110,014	(1,110,014)
Net Investment Income	-	357,760	(357,760)
Benefit Payments including Refunds of Employee Contributions	(3,694,517)	(3,694,517)	-
Administrative Expense	-	(44,409)	44,409
Net Changes During 2015-16	5,022,608	(414,907)	5,437,515
Balance at: 6/30/2016 (Measurement Date)	\$ 93,853,703	\$ 72,453,382	\$ 21,400,321

***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)	\$ 34,354,523	\$ 21,400,321	\$ 10,728,382

***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, 2017

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, 2015), the net pension liability was \$15,962,806. For the measurement period ending June 30, 2016 (the measurement date), the City incurred a pension expense/(income) of \$2,146,026 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, 2017, 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	\$ 2,137,977	\$ -
Changes of assumptions	-	(571,453)
Difference between expected and actual experience	-	(245,917)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	6,456,726	(2,443,720)
Total	<u>\$ 8,594,703</u>	<u>\$ (3,261,090)</u>

\$2,137,977 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, 2018. 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
2017	\$ (118,837)
2018	479,461
2019	1,799,116
2020	1,035,896

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2017**

**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, 2017, for which the City of Manhattan Beach 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				
07/1/2016 to 12/31/2016				
Employee	21.230%	12.821%	19.334%	12.821%
Management	21.230%	12.821%	19.334%	12.810%
01/01/2017 to 6/30/2017				
Employee	18.230%	12.821%	16.334%	12.821%
Management	21.230%	12.821%	19.334%	12.821%

\* Closed to new entrants

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2017**

**Note 8: Retirement Plans (Continued)*****Employees Covered***

At June 30, 2016, 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	63	5	29	1
Transferred members	13	-	3	-
Terminated members	9	4	4	-
Retired members and beneficiaries	110	-	51	-
Total	195	9	87	1

***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, 2017, the employer contributions recognized as a reduction to the net pension liability \$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, 2017 of \$30,477,500 for its proportionate shares of the Safety Police Plan and \$13,752,112 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, 2016, 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, 2015 rolled forward to June 30, 2016 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, 2017

**Note 8: Retirement Plans (Continued)**

The City's proportionate share of the net pension liability for the safety plan as of June 30, 2015 and 2016, was as follows:

	<u>Safety Police Plan</u>	<u>Safety Fire Plan</u>
Proportion - June 30, 2015	0.571169%	0.245488%
Proportion - June 30, 2016	0.588989%	0.265525%
Changes - Increase (Decrease)	0.017821%	0.020037%

For the year ended June 30, 2017, the City recognized pension expense of \$3,643,140 and \$1,592,875 for the Safety Police Plan and the Safety Fire Plan respectively. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Safety - Police</u>		<u>Safety - Fire</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contribution subsequent to measurement date	\$ 2,731,659	\$ -	\$ 1,303,468	\$ -
Difference between expected and actual experience	-	(915,201)	-	(435,509)
Change in Assumptions	-	(209,905)	-	(99,885)
Net difference between projected and actual earnings on pension plan investments	4,496,740	-	2,139,636	-
Adjustment due to difference in proportions	906,371	-	268,036	(629,144)
Difference in proportionate share	38,732	(519,947)	-	(421,730)
<b>Total</b>	<b><u>\$ 8,173,502</u></b>	<b><u>\$ (1,645,053)</u></b>	<b><u>\$ 3,711,140</u></b>	<b><u>\$ (1,586,268)</u></b>

\$2,731,659 and \$1,303,468 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows of Resources)</u>	
	<u>Safety Police Plan</u>	<u>Safety Fire Plan</u>
2017	\$ 170,173	\$ (449,464)
2017	327,829	(278,690)
2018	2,127,859	992,548
2019	1,170,929	557,010

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

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**Note 8: Retirement Plans (Continued)**

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method Actuarial Assumptions	Entry Age Normal Cost Method
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, 2016, 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 and thereafter 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, 2017**

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**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.

<b>Asset Class</b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1 - 10 (1)</b>	<b>Real Return Years 11+ (2)</b>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	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	1.00%	-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



**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:

PERS Cost Sharing Plans	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Safety police	\$ 46,039,390	\$ 30,477,500	\$ 17,702,782
Safety Fire	21,658,277	13,752,112	7,261,962

***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, 2017

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**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, 2017, was as follows:

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

***Net Pension Liability***

The net pension liability for the plan is measured as the total pension liability as of June 30, 2017 using an annual actuarial valuation as of June 30, 2017 less the pension plan's fiduciary net position.

Total pension liability	\$ 117,407
Plan fiduciary net position	<u>46,866</u>
Net pension liability	<u><u>\$ 70,541</u></u>
Plan fiduciary net position as a percentage of the total pension liability	39.92%

***Actuarial Assumptions***

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

Valuation Date	June 30, 2017
Pre-retirement mortality rates	RP-2014 Mortality Table projected to payment date using projection scale MP-2016
Asset valuation method	Fair Market Value
Discount rate	3.49%

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.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

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, 2017, 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: 6/30/2016	\$ 103,650	\$ 68,758	\$ 34,892
Changes Recognized for the Measurement Period:			
Difference between Expected and Actual Experience	35,649	-	35,649
Net Investment Income	(552)	(552)	-
Benefit Payments including Refunds of Employee Contributions	(21,340)	(21,340)	-
Net Changes During 2016-17	13,757	(21,892)	35,649
Balance at: 6/30/2017	\$ 117,407	\$ 46,866	\$ 70,541

**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 3.49, as well as what the Employer's net pension liability would be if it were calculated using a discount rate that is 1% lower (2.49%) or 1% higher (4.49%) than the current rate:

	1% Lower (2.49%)	Current Discount Rate (3.49%)	1% Higher (4.49%)
Net pension liability	\$ 76,393	\$ 70,541	\$ 65,184

**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 2016-17 was \$21,340 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, 2017, 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, 2017 using an annual actuarial valuation as of June 30, 2017 less the pension plan's fiduciary net position.

Total pension liability	\$ 336,669
Plan fiduciary net position	<u>144,361</u>
Net pension liability	<u>\$ 192,308</u>
Plan fiduciary net position as a percentage of the total pension liability	42.88%

**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, 2017
Pre-retirement mortality rates	RP-2014 Mortality Table projected to payment date using projection scale MP-2016
Asset valuation method	Fair Market Value
Discount rate	3.49%

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 3.49%. 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, 2017, 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: 6/30/2016	\$ 296,622	\$ 198,928	\$ 97,694
Changes Recognized for the Measurement Period:			
Difference between Expected and Actual Experience	94,614	-	94,614
Net Investment Income	(1,639)	(1,639)	-
Benefit Payments including Refunds of Employee Contributions	(52,928)	(52,928)	-
Net Changes During 2016-17	40,047	(54,567)	94,614
Balance at: 6/30/2017	\$ 336,669	\$ 144,361	\$ 192,308

**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 3.49%, as well as what the Employer's net pension liability would be if it were calculated using a discount rate that is 1% lower (2.49%) or 1% higher (4.49%) than the current rate:

	1% Lower (2.49%)	Current Discount Rate (3.49%)	1% Higher (4.49%)
Net pension liability	\$ 208,262	\$ 192,308	\$ 177,702

***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 2016-17 was \$52,928 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 2017, the City paid \$157,771 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 2017, the City contribution paid to PERS was \$131,989. Plan members receiving benefits paid \$607,251.

The plan 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 2017. Therefore, the City will be reimbursed for \$292,220 (\$131,989 from PERS and \$157,771 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, 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, 2017
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, 2017. The number of participants is 269 eligible active employees and 99 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](http://www.calpers.ca.gov).

***Annual OPEB Cost and Net OPEB Obligation***

In the fiscal year 2016-2017, the City conducted an actuarial analysis in order to be in conformance with GASB 45. 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 an annual OPEB cost of \$769,321 for fiscal year 2016-17 and an actuarial required contribution (ARC) of \$0. At June 30, 2017, the prepaid other employment benefits were fully amortized under GASB 45. and the plan had an actuarial accrued liability of \$6,044,261 and a fiduciary net position of \$9,944,999.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2017**

**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	(28,850)
Amortization of OPEB	798,171
Annual OPEB cost	<u>769,321</u>
Less: Annual contributions made	<u>-</u>
Increase (decrease) in net OPEB obligation	769,321
Net OPEB obligation (asset) - beginning of year	<u>(769,321)</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ -</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 2016-2017, 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
6/30/2015	\$ 946,200	\$ 275,000	\$ (1,487,911)	29.06%
6/30/2016	718,590	-	(769,321)	0.00%
6/30/2017	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, 2017, was \$9,944,999, which reflects a gain of \$398,902 from the prior fiscal year 2015-2016.



**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2017**

**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
7/1/2013	\$ 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%)
7/1/2017	6,044,261	9,944,999	(3,900,738)	164.5%	27,942,810	(14.0%)

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, 2017, 100% of contribution is derived from employee deduction.

Total payroll for employees covered by this plan for the year was \$1,051,986. The amount of employee contribution was \$105,199.

**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, 2017**

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**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
2016	\$ 12,106,501	\$ 9,035,623	\$ (7,655,275)	\$ 13,486,849
2017	13,486,849	3,626,901	(3,249,129)	13,864,621

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, 2017, 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 \$29,550 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, 2016, was 22.7%.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2017

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

Summarized audited financial information for SBRPCA at June 30, 2016\*, is presented below:

Statement of Net Position

Assets	
Current assets	\$ 3,668,069
Noncurrent assets	8,730,819
Total Assets	<u>12,398,888</u>
Deferred Outflows of Resources	<u>588,074</u>
Liabilities	
Current liabilities	1,947,603
Noncurrent liabilities	5,606,555
Total Liabilities	<u>7,554,158</u>
Deferred Inflows of Resources	<u>861,260</u>
Net Position	<u>\$ 4,571,544</u>

Statement of Activities

Operating Revenues	\$ 10,330,995
Operating Expenses	<u>(9,581,298)</u>
Operating income before depreciation	<u>749,697</u>
Depreciation	<u>(647,287)</u>
Operating loss	<u>102,410</u>
Non-operating revenues (expenses):	
Interest earnings	<u>9,670</u>
Non operating revenues (expenses)	<u>9,670</u>
Change in net position	112,080
Net Position - June 30, 2015	<u>4,459,464</u>
Net Position - June 30, 2016	<u>\$ 4,571,544</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, 2017

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	\$ 12,227,942
Noncurrent assets	352,743
Total Assets	<u>12,580,685</u>
<u>Liabilities</u>	
Current liabilities	2,589,110
Noncurrent liabilities	411,030
Total liabilities	<u>3,000,140</u>
Net Position	<u>\$ 9,580,545</u>

Statement of Activities

Program Revenues	\$ 8,022,658
Expenses	<u>(9,562,703)</u>
Excess of Expenditures Over Revenues	<u>(1,540,045)</u>
Non operating revenues (expenses)	
Investment earnings	38,236
Other revenue	11,250
Non operating revenues (expenses)	<u>49,486</u>
Change in net position	(1,490,559)
Net Position - June 30, 2015	<u>11,071,104</u>
Net Position - June 30, 2016	<u>\$ 9,580,545</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, 2017**

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**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, 2017:

<b>Project Title</b>	<b>Contract Amount</b>	<b>Expenditure to date as of June 30, 2017</b>	<b>Remaining Commitments</b>
Strand Stairs Rehabilitation Construction Mgmt & Inspection Services	\$ 173,925	\$ 104,198	\$ 69,727
Utility Underground Assessment Professional Engineering Svcs: District 12	202,300	109,390	92,910
Sepulveda Bridge Widening Project Design & Support Svcs	2,250,001	2,190,062	59,939
2011-12 Sewer Main Rehabilitation Phase 2	1,579,697	1,443,537	136,160
Pier, Rounhouse and Comfort Station Rehabilitation Project Design Services	261,960	180,843	81,117
Roundhouse Interior Architectural Design	395,000	111,310	283,690
MBB & Sepulveda Intersection Design	210,133	38,941	171,192
Peck Reservoir Design	1,358,640	292,556	1,066,084
Aviation-Artesia Imp. Design	144,541	-	144,541
Manhattan Highland Paving	90,437	19,316	71,121

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 23,750,281	\$ 23,750,281	\$ 23,750,281	\$ -
<b>Resources (Inflows):</b>				
Taxes and assessments	47,888,060	47,888,060	47,656,968	(231,092)
Licenses and permits	3,034,390	3,034,390	2,703,626	(330,764)
Intergovernmental	319,500	319,500	315,831	(3,669)
Charges for services	9,409,870	9,474,870	11,016,466	1,541,596
Use of money and property	3,345,590	3,345,590	3,455,654	110,064
Fines and forfeitures	2,796,000	2,796,000	2,494,090	(301,910)
Miscellaneous	512,900	512,900	1,709,522	1,196,622
Transfers in	748,187	748,187	732,106	(16,081)
Capital leases	400,000	400,000	-	(400,000)
Refunding bonds issued	-	-	5,905,000	5,905,000
Bond premium	-	-	438,570	438,570
<b>Amounts Available for Appropriations</b>	<b>92,204,778</b>	<b>92,269,778</b>	<b>100,178,114</b>	<b>7,908,336</b>
<b>Charges to Appropriations (Outflow):</b>				
General government	13,852,499	14,389,508	13,290,308	1,099,200
Public safety	38,309,367	38,322,600	38,321,484	1,116
Culture and recreation	7,624,128	7,729,674	7,755,958	(26,284)
Public works	6,669,390	6,692,159	6,232,637	459,522
Capital outlay	248,121	406,545	389,392	17,153
Debt service:				
Principal retirement	280,000	280,000	280,000	-
Interest and fiscal charges	306,376	306,376	141,124	165,252
Payment to refunded bond escrow agent	-	-	11,334	(11,334)
Transfers out	2,120,380	2,120,380	2,364,678	(244,298)
Payment to refunded bond escrow agent	-	-	6,343,564	(6,343,564)
<b>Total Charges to Appropriations</b>	<b>69,410,261</b>	<b>70,247,242</b>	<b>75,130,479</b>	<b>(4,883,237)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 22,794,517</b>	<b>\$ 22,022,536</b>	<b>\$ 25,047,635</b>	<b>\$ 3,025,099</b>

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)

	2014	2015	2016
<b>TOTAL PENSION LIABILITY</b>			
Service Cost	\$ 1,897,933	\$ 1,906,947	\$ 2,116,750
Interest	6,036,548	6,365,282	6,725,647
Difference Between expected and Actual Experience	-	(1,610,461)	(125,272)
Changes in Assumptions	-	(450,327)	-
Benefit Payments, Including Refunds of employee Contributions	(2,930,477)	(3,387,918)	(3,694,517)
<b>Net Change in Total Pension Liability</b>	<b>\$ 5,004,004</b>	<b>\$ 2,823,523</b>	<b>\$ 5,022,608</b>
<b>Total Pension Liability - Beginning</b>	<b>81,003,568</b>	<b>86,007,572</b>	<b>88,831,095</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 86,007,572</b>	<b>\$ 88,831,095</b>	<b>\$ 93,853,703</b>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contribution - Employer	\$ 1,512,406	\$ 1,619,438	\$ 1,856,633
Contribution - Employee	911,689	986,936	1,110,014
Net Investment Income	10,722,182	1,618,145	357,760
Benefit Payments, Including Refunds of Employee Contributions	(2,930,477)	(3,387,918)	(3,694,517)
Net Plan to Plan Resource Movement	-	-	(388)
Administrative Expense	-	(82,036)	(44,409)
<b>Net Change in Fiduciary Net Position</b>	<b>\$ 10,215,800</b>	<b>\$ 754,565</b>	<b>\$ (414,907)</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>61,897,924</b>	<b>72,113,724</b>	<b>72,868,289</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 72,113,724</b>	<b>\$ 72,868,289</b>	<b>\$ 72,453,382</b>
<b>Plan Net Pension Liability/(Assets) - Ending (a) - (b)</b>	<b>\$ 13,893,848</b>	<b>\$ 15,962,806</b>	<b>\$ 21,400,321</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>83.85%</b>	<b>82.03%</b>	<b>77.20%</b>
<b>Covered-Employee Payroll</b>	<b>\$ 12,741,228</b>	<b>\$ 13,348,365</b>	<b>\$ 14,974,179</b>
<b>Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll</b>	<b>109.05%</b>	<b>119.59%</b>	<b>142.91%</b>

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2014 was the first year of implementation, therefore only three 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, 2015 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>	<u>2017</u>
Actuarially Determined Contribution	\$ 1,526,186	\$ 1,648,896	\$ 1,881,560	\$ 2,137,977
Contribution in Relation to the Actuarially Determined Contribution	<u>(1,526,186)</u>	<u>(1,648,896)</u>	<u>(1,881,560)</u>	<u>(2,137,977)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll (3) (4)	\$ 12,741,228	\$ 13,348,365	\$ 14,974,179	\$ 15,567,415
Contributions as a Percentage of Covered-Employee Payroll (3)	11.98%	12.35%	12.57%	13.73%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2014 was the first year of implementation, therefore only four years are shown.

**Note to Schedule:**

Valuation Date:	June 30, 2014
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>	<u>2016</u>
<b>Safety Plan</b>			
Proportion of the Net Pension Liability	0.482924%	0.490244%	0.000000%
Proportionate Share of the Net Pension Liability	\$ 30,049,799	\$ 33,649,892	\$ 44,229,612
Covered-Employee Payroll	\$ 11,899,053	\$ 12,509,404	\$ 13,396,233
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	252.54%	269.00%	330.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.42%	81.42%	0.00%

**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 2014 was the first year of implementation, therefore only three 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>	<u>2017</u>
<b>Safety Plan</b>				
Actuarially Determined Contribution	\$ 3,200,572	\$ 3,437,160	\$ 4,000,319	\$ 4,035,127
Contribution in Relation to the Actuarially Determined Contribution	(3,200,572)	(3,437,160)	(4,000,319)	(4,035,127)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 11,899,053	\$ 12,509,404	\$ 13,396,233	\$ 13,476,008
Contributions as a Percentage of Covered-Employee Payroll	26.90%	27.48%	29.86%	29.94%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2014 was the first year of implementation, therefore only four years are shown.

**Note to Schedule:**

Valuation Date:	June 30, 2014
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

**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>	<u>2017</u>
<b>Total pension liability:</b>				
Interest	\$ 4,535	\$ 3,868	\$ 4,465	\$ (552)
Benefit payments, including refunds of member contributions	(20,118)	(20,519)	(21,728)	(21,340)
Experience losses/(gains)	(6,296)	16,651	9,609	35,649
<b>Net change in total pension liability</b>	<b>(21,879)</b>	<b>-</b>	<b>(7,654)</b>	<b>13,757</b>
Total pension liability, beginning of year	133,183	111,304	111,304	103,650
<b>Total pension liability, end of year</b>	<b>111,304</b>	<b>111,304</b>	<b>103,650</b>	<b>117,407</b>
<b>Plan fiduciary net position:</b>				
Net investment income	4,535	3,868	4,465	(552)
Benefit payments, including refunds of member contributions	(20,118)	(20,519)	(21,728)	(21,340)
<b>Net change in plan fiduciary net position</b>	<b>(15,583)</b>	<b>(16,651)</b>	<b>(17,263)</b>	<b>(21,892)</b>
Total fiduciary net position, beginning of year	118,255	102,672	86,021	68,758
<b>Total fiduciary net position, end of year</b>	<b>102,672</b>	<b>86,021</b>	<b>68,758</b>	<b>46,866</b>
<b>Net pension liability (asset), end of year</b>	<b>\$ 8,632</b>	<b>\$25,283</b>	<b>\$34,892</b>	<b>\$70,541</b>
Plan fiduciary net position as a percentage of the total pension liability	92.24%	77.28%	66.34%	39.92%
The Supplement Retirement Plan is dormant.				
Covered-employee payroll	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	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)

	2014	2015	2016	2017
<b>Employer contributions:</b>				
Actuarial determined contributions	\$ -	\$ -	\$ -	\$ -
Actual contributions	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Deficiency/(Excess)</b>	<u>\$ -</u>	<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	N/A
Covered-employee payroll	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	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)

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	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Annual money-weighted rate of return, net of investment expense</b>	4.40%	4.40%	3.60%	3.49%

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



CITY OF MANHATTAN BEACH

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Total pension liability:</b>				
Interest	\$12,194	\$ 9,588	\$13,610	\$ (1,639)
Benefit payments, including refunds of member contributions	(49,893)	(50,872)	(51,598)	(52,928)
Experience losses/(gains)	(20,492)	41,284	19,167	94,614
<b>Net change in total pension liability</b>	<b>(58,191)</b>	<b>-</b>	<b>(18,821)</b>	<b>40,047</b>
Total pension liability, beginning of year	373,634	315,443	315,443	296,622
<b>Total pension liability, end of year</b>	<b>315,443</b>	<b>315,443</b>	<b>296,622</b>	<b>336,669</b>
<b>Plan fiduciary net position:</b>				
Net investment income	12,194	9,588	13,610	(1,639)
Benefit payments, including refunds of member contributions	(49,893)	(50,872)	(51,598)	(52,928)
<b>Net change in plan fiduciary net position</b>	<b>(37,699)</b>	<b>(41,284)</b>	<b>(37,988)</b>	<b>(54,567)</b>
Total fiduciary net position, beginning of year	315,899	278,200	236,916	198,928
<b>Total fiduciary net position, end of year</b>	<b>278,200</b>	<b>236,916</b>	<b>198,928</b>	<b>144,361</b>
<b>Net pension liability (asset), end of year</b>	<b>\$37,243</b>	<b>\$78,527</b>	<b>\$97,694</b>	<b>\$192,308</b>
Plan fiduciary net position as a percentage of the total pension liability	88.19%	75.11%	67.06%	42.88%
The Single Highest Year Plan is dormant.				
Covered-employee payroll	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	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>2016</u>	<u>2017</u>
<b>Employer contributions:</b>				
Actuarial determined contributions	\$ -	\$ -	\$ -	\$ -
Actual contributions	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Deficiency/(Excess)</b>	<u>\$ -</u>	<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	N/A
Covered-employee payroll	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	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)

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	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Annual money-weighted rate of return, net of investment expense</b>	4.40%	4.40%	3.60%	3.49%

(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, 2017**

### **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, 2017

	Special Revenue Funds			
	Street Lighting and Landscape	Gas Tax	Asset Forfeiture	Public Safety Grants
<b>Assets:</b>				
Pooled cash and investments	\$ 61,163	\$ 3,833,310	\$ 670,890	\$ 140,196
Receivables:				
Accounts	9,512	-	-	-
Due from other governments	-	78,394	387	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ 70,675</b>	<b>\$ 3,911,704</b>	<b>\$ 671,277</b>	<b>\$ 140,196</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 70,675	\$ 14,279	\$ 1,675	\$ 437
Accrued payables	-	64,902	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
<b>Total Liabilities</b>	<b>70,675</b>	<b>79,181</b>	<b>1,675</b>	<b>437</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	78,394	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>78,394</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Public safety	-	-	669,602	139,759
Public works	-	3,754,129	-	-
Capital Projects	-	-	-	-
<b>Unassigned</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>-</b>	<b>3,754,129</b>	<b>669,602</b>	<b>139,759</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 70,675</b>	<b>\$ 3,911,704</b>	<b>\$ 671,277</b>	<b>\$ 140,196</b>



## CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017

(CONTINUED)

	<b>Special Revenue Funds</b>			
	<b>Federal and State Grants</b>	<b>Proposition A</b>	<b>Proposition C</b>	<b>AB 2766</b>
<b>Assets:</b>				
Pooled cash and investments	\$ -	\$ 16,177	\$ 4,469,018	\$ 92,219
Receivables:				
Accounts	-	-	-	-
Due from other governments	22,488	-	659,781	33,943
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ 22,488</b>	<b>\$ 16,177</b>	<b>\$ 5,128,799</b>	<b>\$ 126,162</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 15,042	\$ 12,841	\$ -
Accrued payables	-	1,135	26,334	-
Deposits payable	-	-	-	-
Due to other funds	22,488	-	-	-
<b>Total Liabilities</b>	<b>22,488</b>	<b>16,177</b>	<b>39,175</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	22,488	-	659,781	-
<b>Total Deferred Inflows of Resources</b>	<b>22,488</b>	<b>-</b>	<b>659,781</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Public safety	-	-	-	-
Public works	-	-	-	126,162
Capital Projects	-	-	4,429,843	-
<b>Unassigned</b>	<b>(22,488)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>(22,488)</b>	<b>-</b>	<b>4,429,843</b>	<b>126,162</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 22,488</b>	<b>\$ 16,177</b>	<b>\$ 5,128,799</b>	<b>\$ 126,162</b>

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<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>	
<b>Assets:</b>			
Pooled cash and investments	\$ 1,690,809	\$ 204,751	\$ 11,178,533
Receivables:			
Accounts	-	-	9,512
Due from other governments	-	-	794,993
Restricted assets:			
Cash and investments with fiscal agents	-	391,060	391,060
<b>Total Assets</b>	<b><u>\$ 1,690,809</u></b>	<b><u>\$ 595,811</u></b>	<b><u>\$ 12,374,098</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 23,970	\$ -	\$ 138,919
Accrued payables	51,301	-	143,672
Deposits payable	-	1,741	1,741
Due to other funds	-	-	22,488
<b>Total Liabilities</b>	<b><u>75,271</u></b>	<b><u>1,741</u></b>	<b><u>306,820</u></b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	-	-	760,663
<b>Total Deferred Inflows of Resources</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>760,663</u></b>
<b>Fund Balances:</b>			
<b>Restricted for:</b>			
Public safety	-	-	809,361
Public works	1,615,538	-	5,495,829
Capital Projects	-	594,070	5,023,913
<b>Unassigned</b>	<b>-</b>	<b>-</b>	<b>(22,488)</b>
<b>Total Fund Balances</b>	<b><u>1,615,538</u></b>	<b><u>594,070</u></b>	<b><u>11,306,615</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 1,690,809</u></b>	<b><u>\$ 595,811</u></b>	<b><u>\$ 12,374,098</u></b>

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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, 2017

	Special Revenue Funds			
	Street Lighting and Landscape	Gas Tax	Asset Forfeiture	Public Safety Grants
<b>Revenues:</b>				
Taxes	\$ 374,875	\$ -	\$ -	\$ -
Intergovernmental	-	745,184	41,838	129,324
Charges for services	19,493	-	-	-
Use of money and property	288	15,172	1,416	311
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>394,656</b>	<b>760,356</b>	<b>43,254</b>	<b>129,635</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	117,756	83,642
Culture and recreation	-	-	-	-
Public works	624,952	353,547	-	-
Capital outlay	-	258,284	35,725	-
<b>Total Expenditures</b>	<b>624,952</b>	<b>611,831</b>	<b>153,481</b>	<b>83,642</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(230,296)	148,525	(110,227)	45,993
<b>Other Financing Sources (Uses):</b>				
Transfers in	230,296	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>230,296</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	-	148,525	(110,227)	45,993
Fund Balances, Beginning of Year	-	3,605,604	779,829	93,766
<b>Fund Balances, End of Year</b>	<b>\$ -</b>	<b>\$ 3,754,129</b>	<b>\$ 669,602</b>	<b>\$ 139,759</b>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

(CONTINUED)

	Special Revenue Funds			
	Federal and State Grants	Proposition A	Proposition C	AB 2766
<b>Revenues:</b>				
Taxes	\$ -	\$ 652,580	\$ 542,373	\$ -
Intergovernmental	-	-	140,392	67,559
Charges for services	-	8,165	-	-
Use of money and property	-	71	13,613	(258)
Miscellaneous	-	17,156	-	-
<b>Total Revenues</b>	<b>-</b>	<b>677,972</b>	<b>696,378</b>	<b>67,301</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	900,575	-	-
Public works	-	-	-	13,980
Capital outlay	-	-	311,615	-
<b>Total Expenditures</b>	<b>-</b>	<b>900,575</b>	<b>311,615</b>	<b>13,980</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(222,603)	384,763	53,321
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	222,603	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>222,603</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	-	-	384,763	53,321
Fund Balances, Beginning of Year	(22,488)	-	4,045,080	72,841
<b>Fund Balances, End of Year</b>	<b>\$ (22,488)</b>	<b>\$ -</b>	<b>\$ 4,429,843</b>	<b>\$ 126,162</b>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Measure R	Underground Assessment District	
<b>Revenues:</b>			
Taxes	\$ 406,072	\$ -	\$ 1,975,900
Intergovernmental	-	-	1,124,297
Charges for services	-	-	27,658
Use of money and property	6,505	830	37,948
Miscellaneous	-	-	17,156
<b>Total Revenues</b>	<b>412,577</b>	<b>830</b>	<b>3,182,959</b>
<b>Expenditures:</b>			
Current:			
Public safety	-	-	201,398
Culture and recreation	-	-	900,575
Public works	-	-	992,479
Capital outlay	168,821	-	774,445
<b>Total Expenditures</b>	<b>168,821</b>	<b>-</b>	<b>2,868,897</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	243,756	830	314,062
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	452,899
Transfers out	(222,603)	-	(222,603)
<b>Total Other Financing Sources (Uses)</b>	<b>(222,603)</b>	<b>-</b>	<b>230,296</b>
Net Change in Fund Balances	21,153	830	544,358
Fund Balances, Beginning of Year	1,594,385	593,240	10,762,257
<b>Fund Balances, End of Year</b>	<b>\$ 1,615,538</b>	<b>\$ 594,070</b>	<b>\$ 11,306,615</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 STREET LIGHTING AND LANDSCAPE  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Taxes	378,127	378,127	374,875	(3,252)
Charges for services	18,007	18,007	19,493	1,486
Use of money and property	-	-	288	288
Transfers in	207,413	207,413	230,296	22,883
<b>Amounts Available for Appropriations</b>	<b>603,547</b>	<b>603,547</b>	<b>624,952</b>	<b>21,405</b>
<b>Charges to Appropriations (Outflow):</b>				
Public works	603,547	607,047	624,952	(17,905)
<b>Total Charges to Appropriations</b>	<b>603,547</b>	<b>607,047</b>	<b>624,952</b>	<b>(17,905)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ (3,500)</b>	<b>\$ -</b>	<b>\$ 3,500</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 GAS TAX  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,605,604	\$ 3,605,604	\$ 3,605,604	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	761,011	2,708,511	745,184	(1,963,327)
Use of money and property	23,900	23,900	15,172	(8,728)
<b>Amounts Available for Appropriations</b>	<b>4,390,515</b>	<b>6,338,015</b>	<b>4,365,960</b>	<b>(1,972,055)</b>
<b>Charges to Appropriations (Outflow):</b>				
Public works	-	-	353,547	(353,547)
Capital outlay	1,990,000	6,426,475	258,284	6,168,191
<b>Total Charges to Appropriations</b>	<b>1,990,000</b>	<b>6,426,475</b>	<b>611,831</b>	<b>5,814,644</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 2,400,515</b>	<b>\$ (88,460)</b>	<b>\$ 3,754,129</b>	<b>\$ 3,842,589</b>



CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 ASSET FORFEITURE  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 779,829	\$ 779,829	\$ 779,829	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	50,000	50,000	41,838	(8,162)
Use of money and property	8,300	8,300	1,416	(6,884)
<b>Amounts Available for Appropriations</b>	<b>838,129</b>	<b>838,129</b>	<b>823,083</b>	<b>(15,046)</b>
<b>Charges to Appropriations (Outflow):</b>				
Public safety	186,920	186,920	117,756	69,164
Capital outlay	-	44,276	35,725	8,551
<b>Total Charges to Appropriations</b>	<b>186,920</b>	<b>231,196</b>	<b>153,481</b>	<b>77,715</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 651,209</b>	<b>\$ 606,933</b>	<b>\$ 669,602</b>	<b>\$ 62,669</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 PUBLIC SAFETY GRANTS  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 93,766	\$ 93,766	\$ 93,766	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	100,000	100,000	129,324	29,324
Use of money and property	1,400	1,400	311	(1,089)
<b>Amounts Available for Appropriations</b>	<b>195,166</b>	<b>195,166</b>	<b>223,401</b>	<b>28,235</b>
<b>Charges to Appropriations (Outflow):</b>				
Public safety	105,000	105,000	83,642	21,358
<b>Total Charges to Appropriations</b>	<b>105,000</b>	<b>105,000</b>	<b>83,642</b>	<b>21,358</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 90,166</b>	<b>\$ 90,166</b>	<b>\$ 139,759</b>	<b>\$ 49,593</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 PROPOSITION A  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Taxes	655,260	655,260	652,580	(2,680)
Charges for services	7,500	7,500	8,165	665
Use of money and property	-	-	71	71
Miscellaneous	17,500	17,500	17,156	(344)
Transfers in	190,933	190,933	222,603	31,670
<b>Amounts Available for Appropriations</b>	<b>871,193</b>	<b>871,193</b>	<b>900,575</b>	<b>29,382</b>
<b>Charges to Appropriations (Outflow):</b>				
Culture and recreation	871,193	879,829	900,575	(20,746)
<b>Total Charges to Appropriations</b>	<b>871,193</b>	<b>879,829</b>	<b>900,575</b>	<b>(20,746)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ (8,636)</b>	<b>\$ -</b>	<b>\$ 8,636</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 PROPOSITION C  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,045,080	\$ 4,045,080	\$ 4,045,080	\$ -
<b>Resources (Inflows):</b>				
Taxes	543,521	543,521	542,373	(1,148)
Intergovernmental	90,000	17,123,716	140,392	(16,983,324)
Use of money and property	40,000	40,000	13,613	(26,387)
<b>Amounts Available for Appropriations</b>	<b>4,718,601</b>	<b>21,752,317</b>	<b>4,741,458</b>	<b>(17,010,859)</b>
<b>Charges to Appropriations (Outflow):</b>				
Capital outlay	190,000	20,724,561	311,615	20,412,946
<b>Total Charges to Appropriations</b>	<b>190,000</b>	<b>20,724,561</b>	<b>311,615</b>	<b>20,412,946</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 4,528,601</b>	<b>\$ 1,027,756</b>	<b>\$ 4,429,843</b>	<b>\$ 3,402,087</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE

AB 2766

YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 72,841	\$ 72,841	\$ 72,841	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	48,612	71,097	67,559	(3,538)
Use of money and property	1,800	1,800	(258)	(2,058)
<b>Amounts Available for Appropriations</b>	<b>123,253</b>	<b>145,738</b>	<b>140,142</b>	<b>(5,596)</b>
<b>Charges to Appropriations (Outflow):</b>				
Public works	11,300	13,800	13,980	(180)
<b>Total Charges to Appropriations</b>	<b>11,300</b>	<b>13,800</b>	<b>13,980</b>	<b>(180)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 111,953</b>	<b>\$ 131,938</b>	<b>\$ 126,162</b>	<b>\$ (5,776)</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 MEASURE R  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,594,385	\$ 1,594,385	\$ 1,594,385	\$ -
<b>Resources (Inflows):</b>				
Taxes	407,611	407,611	406,072	(1,539)
Use of money and property	13,500	13,500	6,505	(6,995)
<b>Amounts Available for Appropriations</b>	<b>2,015,496</b>	<b>2,015,496</b>	<b>2,006,962</b>	<b>(8,534)</b>
<b>Charges to Appropriations (Outflow):</b>				
Capital outlay	1,185,000	1,638,089	168,821	1,469,268
Transfers out	190,933	190,933	222,603	(31,670)
<b>Total Charges to Appropriations</b>	<b>1,375,933</b>	<b>1,829,022</b>	<b>391,424</b>	<b>1,437,598</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 639,563</b>	<b>\$ 186,474</b>	<b>\$ 1,615,538</b>	<b>\$ 1,429,064</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 CAPITAL IMPROVEMENT  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 9,270,230	\$ 9,270,230	\$ 9,270,230	\$ -
<b>Resources (Inflows):</b>				
Taxes	731,500	731,500	772,648	41,148
Licenses and permits	21,804	21,804	34,523	12,719
Intergovernmental	-	3,086,632	653,283	(2,433,349)
Charges for services	700,000	700,000	680,689	(19,311)
Use of money and property	-	-	1,526	1,526
Fines and forfeitures	115,000	115,000	105,564	(9,436)
Miscellaneous	-	-	102,165	102,165
Transfers in	500,000	500,000	500,000	-
<b>Amounts Available for Appropriations</b>	<b>11,338,534</b>	<b>14,425,166</b>	<b>12,120,628</b>	<b>(2,304,538)</b>
<b>Charges to Appropriations (Outflow):</b>				
Public works	-	-	888,268	(888,268)
Capital outlay	1,542,000	11,306,484	2,505,303	8,801,181
Debt service:				
Principal retirement	465,000	465,000	465,000	-
Interest and fiscal charges	301,538	301,538	300,992	546
<b>Total Charges to Appropriations</b>	<b>2,308,538</b>	<b>12,073,022</b>	<b>4,159,563</b>	<b>7,913,459</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 9,029,996</b>	<b>\$ 2,352,144</b>	<b>\$ 7,961,065</b>	<b>\$ 5,608,921</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 UNDERGROUND ASSESSMENT DISTRICT  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 593,240	\$ 593,240	\$ 593,240	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	1,800	1,800	830	(970)
<b>Amounts Available for Appropriations</b>	<b>595,040</b>	<b>595,040</b>	<b>594,070</b>	<b>(970)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 595,040</b>	<b>\$ 595,040</b>	<b>\$ 594,070</b>	<b>\$ (970)</b>



**CITY OF MANHATTAN BEACH**

**JUNE 30, 2017**

**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.

**Stormwater 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, 2017

	Business-Type Activities - Enterprise Funds				Totals
	Stormwater	Refuse	County Parking Lot	State Pier and Parking Lot	
<b>Assets:</b>					
Current:					
Cash and investments	\$ 1,850,594	\$ 800,206	\$ 317,211	\$ 2,124,411	\$ 5,092,422
Receivables:					
Accounts	7,516	289,606	-	958	298,080
Total Current Assets	1,858,110	1,089,812	317,211	2,125,369	5,390,502
Noncurrent:					
Capital assets - net of accumulated depreciation	4,675,353	-	-	-	4,675,353
Total Noncurrent Assets	4,675,353	-	-	-	4,675,353
<b>Total Assets</b>	<b>6,533,463</b>	<b>1,089,812</b>	<b>317,211</b>	<b>2,125,369</b>	<b>10,065,855</b>
<b>Deferred Outflows of Resources:</b>					
Deferred pension related items	37,208	53,024	9,975	9,975	110,182
<b>Total Deferred Outflows of Resources</b>	<b>37,208</b>	<b>53,024</b>	<b>9,975</b>	<b>9,975</b>	<b>110,182</b>
<b>Liabilities:</b>					
Current:					
Accounts payable	373,196	317,704	301,967	238,359	1,231,226
Accrued payables	11,189	-	-	9,713	20,902
Deposits payable	452,912	-	-	490,097	943,009
Total Current Liabilities	837,297	317,704	301,967	738,169	2,195,137
Noncurrent:					
Net pension liability	96,634	152,833	23,108	23,107	295,682
Total Noncurrent Liabilities	96,634	152,833	23,108	23,107	295,682
<b>Total Liabilities</b>	<b>933,931</b>	<b>470,537</b>	<b>325,075</b>	<b>761,276</b>	<b>2,490,819</b>
<b>Deferred Inflows of Resources:</b>					
Deferred pension related items	15,893	26,383	2,111	2,110	46,497
<b>Total Deferred Inflows of Resources</b>	<b>15,893</b>	<b>26,383</b>	<b>2,111</b>	<b>2,110</b>	<b>46,497</b>
<b>Net Position:</b>					
Net investment in capital assets	4,675,353	-	-	-	4,675,353
Unrestricted	945,494	645,916	-	1,371,958	2,963,368
<b>Total Net Position</b>	<b>\$ 5,620,847</b>	<b>\$ 645,916</b>	<b>\$ -</b>	<b>\$ 1,371,958</b>	<b>\$ 7,638,721</b>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
NON-MAJOR ENTERPRISE FUNDS  
YEAR ENDED JUNE 30, 2017

	<b>Business-Type Activities - Enterprise Funds</b>				
	<b>Stormwater</b>	<b>Refuse</b>	<b>County Parking Lot</b>	<b>State Pier and Parking Lot</b>	<b>Totals</b>
<b>Operating Revenues:</b>					
Sales and service charges	\$ 348,880	\$ 4,205,361	\$ 711,103	\$ 564,672	\$ 5,830,016
Miscellaneous	-	-	-	220,777	220,777
<b>Total Operating Revenues</b>	<b>348,880</b>	<b>4,205,361</b>	<b>711,103</b>	<b>785,449</b>	<b>6,050,793</b>
<b>Operating Expenses:</b>					
Salaries	86,232	110,615	21,534	21,536	239,917
Employee benefits	30,662	32,039	7,804	7,803	78,308
Contract and professional services	441,909	3,598,866	74,392	201,149	4,316,316
Materials and services	278,694	66,039	5,720	655,364	1,005,817
Utilities	12,341	424	5,576	42,244	60,585
Administrative service charges	-	191,148	34,548	90,864	316,560
Leases and rents	-	-	391,107	-	391,107
Depreciation expense	155,997	-	-	-	155,997
<b>Total Operating Expenses</b>	<b>1,005,835</b>	<b>3,999,131</b>	<b>540,681</b>	<b>1,018,960</b>	<b>6,564,607</b>
Operating Income (Loss)	(656,955)	206,230	170,422	(233,511)	(513,814)
<b>Nonoperating Revenues (Expenses):</b>					
Interest revenue	3,191	2,546	-	(983)	4,754
Grant revenue	-	9,353	-	-	9,353
<b>Total Nonoperating Revenues (Expenses)</b>	<b>3,191</b>	<b>11,899</b>	<b>-</b>	<b>(983)</b>	<b>14,107</b>
Income (Loss) Before Transfers and Contributions	(653,764)	218,129	170,422	(234,494)	(499,707)
Transfers in	967,382	-	-	-	967,382
Transfers out	-	-	(170,422)	-	(170,422)
Changes in Net Position	<u>\$ 313,618</u>	<u>\$ 218,129</u>	<u>\$ -</u>	<u>\$ (234,494)</u>	<u>\$ 297,253</u>
<b>Net Position:</b>					
Beginning of Year, as originally reported	\$ 5,307,229	\$ 457,337	\$ -	\$ 1,606,452	\$ 7,371,018
Restatements	-	(29,550)	-	-	(29,550)
Beginning of Fiscal Year, as restated	5,307,229	427,787	-	1,606,452	7,341,468
Changes in Net Position	313,618	218,129	-	(234,494)	297,253
<b>End of Fiscal Year</b>	<b>\$ 5,620,847</b>	<b>\$ 645,916</b>	<b>\$ -</b>	<b>\$ 1,371,958</b>	<b>\$ 7,638,721</b>

## CITY OF MANHATTAN BEACH

**COMBINING STATEMENT OF CASH FLOWS  
NON-MAJOR ENTERPRISE FUNDS  
YEAR ENDED JUNE 30, 2017**

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Totals</b>
	<b>Stormwater</b>	<b>Refuse</b>	<b>County Parking Lot</b>	<b>State Pier and Parking Lot</b>	
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers and users	\$ 349,176	\$ 4,217,123	\$ 711,103	\$ 1,274,588	\$ 6,551,990
Cash paid to suppliers for goods and services	(529,737)	(3,904,218)	(521,653)	(989,054)	(5,944,662)
Cash paid to employees for services	(114,689)	(139,347)	(28,457)	(28,460)	(310,953)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(295,250)</b>	<b>173,558</b>	<b>160,993</b>	<b>257,074</b>	<b>296,375</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Cash transfers out	-	-	(170,422)	-	(170,422)
Cash transfers in	967,382	-	-	-	967,382
Grant Subsidy	-	9,353	-	-	9,353
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>967,382</b>	<b>9,353</b>	<b>(170,422)</b>	<b>-</b>	<b>806,313</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets	(282,464)	-	-	-	(282,464)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(282,464)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(282,464)</b>
<b>Cash Flows from Investing Activities:</b>					
Interest received	3,191	2,546	-	(983)	4,754
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>3,191</b>	<b>2,546</b>	<b>-</b>	<b>(983)</b>	<b>4,754</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>392,859</b>	<b>185,457</b>	<b>(9,429)</b>	<b>256,091</b>	<b>824,978</b>
Cash and Cash Equivalents at Beginning of Year	1,457,735	614,749	326,640	1,868,320	4,267,444
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,850,594</b>	<b>\$ 800,206</b>	<b>\$ 317,211</b>	<b>\$ 2,124,411</b>	<b>\$ 5,092,422</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>					
Operating income (loss)	\$ (656,955)	\$ 206,230	\$ 170,422	\$ (233,511)	\$ (513,814)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>					
Net position restatement for street sweeping fee refunds	-	(29,550)	-	-	(29,550)
Depreciation	155,997	-	-	-	155,997
(Increase) decrease in accounts receivable	296	11,762	-	(958)	11,100
(Increase) decrease in prepaid other post-employment benefits	2,171	3,257	869	869	7,166
Increase (decrease) in accounts payable	207,097	(18,191)	(10,310)	18,775	197,371
Increase (decrease) in accounts payable	11,189	-	-	(18,208)	(7,019)
Increase (decrease) in deposits payable	(15,079)	-	-	490,097	475,018
Increase (decrease) in net pension liability	22,697	36,058	8,564	8,563	75,882
Increase (decrease) in deferred pension related items	(22,663)	(36,008)	(8,552)	(8,553)	(75,776)
<b>Total Adjustments</b>	<b>361,705</b>	<b>(32,672)</b>	<b>(9,429)</b>	<b>490,585</b>	<b>810,189</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (295,250)</b>	<b>\$ 173,558</b>	<b>\$ 160,993</b>	<b>\$ 257,074</b>	<b>\$ 296,375</b>

**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, 2017**

**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, 2017

	Governmental Activities - Internal Service Funds				Totals
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	
<b>Assets:</b>					
Current:					
Cash and investments	\$ 12,306,128	\$ 691,390	\$ 2,933,206	\$ 65,554	\$ 15,996,278
Receivables:					
Accounts	3	-	-	-	3
Prepaid costs	1,034	20,115	-	570	21,719
Inventories	-	-	-	82,786	82,786
Total Current Assets	<u>12,307,165</u>	<u>711,505</u>	<u>2,933,206</u>	<u>148,910</u>	<u>16,100,786</u>
Noncurrent:					
Capital assets - net of accumulated depreciation	-	-	5,250,385	-	5,250,385
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>5,250,385</u>	<u>-</u>	<u>5,250,385</u>
<b>Total Assets</b>	<b><u>12,307,165</u></b>	<b><u>711,505</u></b>	<b><u>8,183,591</u></b>	<b><u>148,910</u></b>	<b><u>21,351,171</u></b>
<b>Deferred Outflows of Resources:</b>					
Deferred pension related items	150,922	358,917	127,301	171,107	808,247
<b>Total Deferred Outflows of Resources</b>	<b><u>150,922</u></b>	<b><u>358,917</u></b>	<b><u>127,301</u></b>	<b><u>171,107</u></b>	<b><u>808,247</u></b>
<b>Liabilities:</b>					
Current:					
Accounts payable	50,470	106,029	42,286	66,124	264,909
Capital leases	-	-	147,506	-	147,506
Workers' compensation claims	8,264,852	-	-	-	8,264,852
Accrued claims and judgments	684,219	-	-	-	684,219
Total Current Liabilities	<u>8,999,541</u>	<u>106,029</u>	<u>189,792</u>	<u>66,124</u>	<u>9,361,486</u>
Noncurrent:					
Net pension liability	319,448	884,733	354,476	493,825	2,052,482
Workers' compensation claims	4,610,928	-	-	-	4,610,928
Accrued claims and judgments	304,622	-	-	-	304,622
Total Noncurrent Liabilities	<u>5,234,998</u>	<u>884,733</u>	<u>354,476</u>	<u>493,825</u>	<u>6,968,032</u>
<b>Total Liabilities</b>	<b><u>14,234,539</u></b>	<b><u>990,762</u></b>	<b><u>544,268</u></b>	<b><u>559,949</u></b>	<b><u>16,329,518</u></b>
<b>Deferred Inflows of Resources:</b>					
Deferred pension related items	25,287	121,369	66,160	87,572	300,388
<b>Total Deferred Inflows of Resources</b>	<b><u>25,287</u></b>	<b><u>121,369</u></b>	<b><u>66,160</u></b>	<b><u>87,572</u></b>	<b><u>300,388</u></b>
<b>Net Position:</b>					
Net investment in capital assets	-	-	5,102,879	-	5,102,879
Unrestricted	(1,801,739)	(41,709)	2,597,585	(327,504)	426,633
<b>Total Net Position</b>	<b><u>\$ (1,801,739)</u></b>	<b><u>\$ (41,709)</u></b>	<b><u>\$ 7,700,464</u></b>	<b><u>\$ (327,504)</u></b>	<b><u>\$ 5,529,512</u></b>

CITY OF MANHATTAN BEACH

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2017**

	<b>Governmental Activities - Internal Service Funds</b>				<b>Totals</b>
	<b>Insurance Reserve</b>	<b>Information Systems</b>	<b>Fleet Management</b>	<b>Building Maintenance and Operations</b>	
<b>Operating Revenues:</b>					
Sales and service charges	\$ 7,018,639	\$ 2,293,141	\$ 2,039,601	\$ 1,651,609	\$ 13,002,990
Miscellaneous	8,877	-	20,035	472	29,384
<b>Total Operating Revenues</b>	<b><u>7,027,516</u></b>	<b><u>2,293,141</u></b>	<b><u>2,059,636</u></b>	<b><u>1,652,081</u></b>	<b><u>13,032,374</u></b>
<b>Operating Expenses:</b>					
Salaries	327,815	821,410	237,626	336,947	1,723,798
Employee benefits	112,040	233,173	133,978	109,706	588,897
Contract for professional services	37,014	300,303	221,134	657,337	1,215,788
Materials and services	294,141	733,202	412,630	459,659	1,899,632
Utilities	9,827	3,071	-	111,147	124,045
Claims expense	6,352,288	-	-	-	6,352,288
Depreciation expense	-	-	961,912	-	961,912
<b>Total Operating Expenses</b>	<b><u>7,133,125</u></b>	<b><u>2,091,159</u></b>	<b><u>1,967,280</u></b>	<b><u>1,674,796</u></b>	<b><u>12,866,360</u></b>
Operating Income (Loss)	<u>(105,609)</u>	<u>201,982</u>	<u>92,356</u>	<u>(22,715)</u>	<u>166,014</u>
<b>Nonoperating Revenues (Expenses):</b>					
Interest expense	-	-	(4,141)	-	(4,141)
Gain (loss) on disposal of capital assets	-	-	(11,245)	-	(11,245)
<b>Total Nonoperating Revenues (Expenses)</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(15,386)</u></b>	<b><u>-</u></b>	<b><u>(15,386)</u></b>
Income (Loss) Before Transfers	(105,609)	201,982	76,970	(22,715)	150,628
Transfers in	672,106	-	7,666	7,666	687,438
Transfers out	-	(600,000)	-	-	(600,000)
Changes in Net Position	566,497	(398,018)	84,636	(15,049)	238,066
<b>Net Position:</b>					
Beginning of Year	<u>(2,368,236)</u>	<u>356,309</u>	<u>7,615,828</u>	<u>(312,455)</u>	<u>5,291,446</u>
<b>End of Fiscal Year</b>	<b><u><u>\$ (1,801,739)</u></u></b>	<b><u><u>\$ (41,709)</u></u></b>	<b><u><u>\$ 7,700,464</u></u></b>	<b><u><u>\$ (327,504)</u></u></b>	<b><u><u>\$ 5,529,512</u></u></b>

## CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Funds				
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	Totals
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers and users	\$ 8,877	\$ -	\$ 20,035	\$ 472	\$ 29,384
Cash received from/(paid to) interfund service provided	7,018,654	2,293,141	2,058,732	1,651,609	13,022,136
Cash paid to suppliers for goods and services	(6,271,930)	(975,952)	(703,588)	(1,260,236)	(9,211,706)
Cash paid to employees for services	(436,035)	(1,045,755)	(362,813)	(437,805)	(2,282,408)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>319,566</b>	<b>271,434</b>	<b>1,012,366</b>	<b>(45,960)</b>	<b>1,557,406</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Cash transfers out	-	(600,000)	-	-	(600,000)
Cash transfers in	672,106	-	7,666	7,665	687,437
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>672,106</b>	<b>(600,000)</b>	<b>7,666</b>	<b>7,665</b>	<b>87,437</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets	-	-	(1,015,578)	-	(1,015,578)
Principal paid on capital debt	-	-	(193,718)	-	(193,718)
Interest paid on capital debt	-	-	(4,141)	-	(4,141)
Proceeds from sales of capital assets	-	-	22,415	-	22,415
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>(1,191,022)</b>	<b>-</b>	<b>(1,191,022)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>991,672</b>	<b>(328,566)</b>	<b>(170,990)</b>	<b>(38,295)</b>	<b>453,821</b>
Cash and Cash Equivalents at Beginning of Year	11,314,456	1,019,956	3,104,196	103,849	15,542,457
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 12,306,128</b>	<b>\$ 691,390</b>	<b>\$ 2,933,206</b>	<b>\$ 65,554</b>	<b>\$ 15,996,278</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>					
Operating income (loss)	\$ (105,609)	\$ 201,982	\$ 92,356	\$ (22,715)	\$ 166,014
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>					
Depreciation	-	-	961,912	-	961,912
(Increase) decrease in accounts receivable	15	-	19,131	-	19,146
(Increase) decrease in prepaid expense	20,142	(9,928)	1,063	(570)	10,707
(Increase) decrease in prepaid other post-employment benefits	4,341	8,681	8,681	8,681	30,384
(Increase) decrease in inventory	-	-	-	24	24
Increase (decrease) in accounts payable	23,426	70,552	(70,887)	(21,782)	1,309
Increase (decrease) in accrued payables	(684)	(214)	-	(9,765)	(10,663)
Increase (decrease) in net pension liability	123,215	259,167	69,531	117,762	569,675
Increase (decrease) in deferred pension related items	(123,052)	(258,806)	(69,421)	(117,595)	(568,874)
Increase (decrease) in workers' compensation claims	1,141,419	-	-	-	1,141,419
Increase (decrease) in claims and judgments	(763,647)	-	-	-	(763,647)
<b>Total Adjustments</b>	<b>425,175</b>	<b>69,452</b>	<b>920,010</b>	<b>(23,245)</b>	<b>1,391,392</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 319,566</b>	<b>\$ 271,434</b>	<b>\$ 1,012,366</b>	<b>\$ (45,960)</b>	<b>\$ 1,557,406</b>

**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, 2017**

**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, 2017

	Special Assessment Redemption	Special Deposits	Totals
<b>Assets:</b>			
Pooled cash and investments	\$ 876,610	\$ 697,136	\$ 1,573,746
Receivables:			
Accounts	23,326	-	23,326
Restricted assets:			
Cash and investments with fiscal agents	969,189	-	969,189
<b>Total Assets</b>	<b>\$ 1,869,125</b>	<b>\$ 697,136</b>	<b>\$ 2,566,261</b>
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 1,500	\$ 1,500
Art development fees	-	660,008	660,008
Deposits payable	-	35,628	35,628
Due to bond holders	1,869,125	-	1,869,125
<b>Total Liabilities</b>	<b>\$ 1,869,125</b>	<b>\$ 697,136</b>	<b>\$ 2,566,261</b>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2017

	Balance 7/1/2016	Additions	Deductions	Balance 6/30/2017
<b><u>Special Assessment Redemption</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 844,405	\$ 976,867	\$ 944,662	\$ 876,610
Receivables:				
Accounts	23,024	23,326	23,024	23,326
Restricted assets:				
Cash and investments with fiscal agents	968,766	978,403	977,980	969,189
<b>Total Assets</b>	<b>\$ 1,836,195</b>	<b>\$ 1,978,596</b>	<b>\$ 1,945,666</b>	<b>\$ 1,869,125</b>
<b>Liabilities:</b>				
Due to bondholders	\$ 1,836,195	\$ 977,595	\$ 944,665	\$ 1,869,125
<b>Total Liabilities</b>	<b>\$ 1,836,195</b>	<b>\$ 977,595</b>	<b>\$ 944,665</b>	<b>\$ 1,869,125</b>
<b><u>Special Deposits</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 589,914	\$ 326,435	\$ 219,213	\$ 697,136
<b>Total Assets</b>	<b>\$ 589,914</b>	<b>\$ 326,435</b>	<b>\$ 219,213</b>	<b>\$ 697,136</b>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 14,305	\$ 12,805	\$ 1,500
Art development fees	535,619	138,744	14,355	660,008
Deposits payable	54,295	187,690	206,357	35,628
<b>Total Liabilities</b>	<b>\$ 589,914</b>	<b>\$ 340,739</b>	<b>\$ 233,517</b>	<b>\$ 697,136</b>
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 1,434,319	\$1,303,302	\$ 1,163,875	\$ 1,573,746
Receivables:				
Accounts	23,024	23,326	23,024	23,326
Restricted assets:				
Cash and investments with fiscal agents	968,766	978,403	977,980	969,189
<b>Total Assets</b>	<b>\$ 2,426,109</b>	<b>\$ 2,305,031</b>	<b>\$ 2,164,879</b>	<b>\$ 2,566,261</b>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 14,305	\$ 12,805	\$ 1,500
Art development fees	535,619	138,744	14,355	660,008
Deposits payable	54,295	187,690	206,357	35,628
Due to bond holders	1,836,195	977,595	944,665	1,869,125
<b>Total Liabilities</b>	<b>\$ 2,426,109</b>	<b>\$ 1,318,334</b>	<b>\$ 1,178,182</b>	<b>\$ 2,566,261</b>

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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.*

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

	<b>Fiscal Year Ending</b>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Governmental activities</b>					
Net Investment in capital assets	\$ 94,464,084	\$ 95,603,960	\$ 94,713,693	\$ 93,795,303	\$ 93,795,301
Restricted:					
Debt Service & Restricted Cash	3,255,752	2,062,149	1,960,662	1,999,346	2,062,187
Special Revenue Funds	<u>5,291,992</u>	<u>6,003,666</u>	<u>6,651,292</u>	<u>7,479,933</u>	<u>9,122,955</u>
Total Restricted	8,547,744	8,065,815	8,611,954	9,479,279	11,185,142
Unrestricted (1)	<u>28,048,237</u>	<u>27,972,613</u>	<u>29,916,356</u>	<u>31,513,669</u>	<u>29,224,129</u>
Total governmental activities net position	<u>\$ 131,060,065</u>	<u>\$ 131,642,388</u>	<u>\$ 133,242,003</u>	<u>\$ 134,788,251</u>	<u>\$ 134,204,572</u>
<b>Business-type activities</b>					
Net Investment in capital assets	\$ 24,736,571	\$ 24,967,604	\$ 25,485,791	\$ 27,111,091	\$ 28,293,829
Restricted:					
Business Improvement district	555,569	598,329	508,617	517,072	523,928
Debt Service & Restricted Cash	<u>1,210,061</u>	<u>1,213,448</u>	<u>1,221,763</u>	<u>1,208,833</u>	<u>1,210,125</u>
Total Restricted	1,765,630	1,811,777	1,730,380	1,725,905	1,734,053
Unrestricted	<u>13,556,500</u>	<u>12,660,558</u>	<u>12,384,155</u>	<u>13,385,526</u>	<u>17,942,198</u>
Total business-type activities net position	<u>\$ 40,058,701</u>	<u>\$ 39,439,939</u>	<u>\$ 39,600,326</u>	<u>\$ 42,222,522</u>	<u>\$ 47,970,080</u>
<b>Primary government</b>					
Net Investment in capital assets	\$ 119,200,655	\$ 120,571,564	\$ 120,199,484	\$ 120,906,394	\$ 122,089,130
Restricted:					
Business Improvement district	555,569	598,329	508,617	517,072	523,928
Debt Service & Restricted Cash	4,465,813	3,275,597	3,182,425	3,208,179	3,272,312
Special Revenue Funds	<u>5,291,992</u>	<u>6,003,666</u>	<u>6,651,292</u>	<u>7,479,933</u>	<u>9,122,955</u>
Total Restricted	10,313,374	9,877,592	10,342,334	11,205,184	12,919,195
Unrestricted	<u>41,604,737</u>	<u>40,633,171</u>	<u>42,300,511</u>	<u>44,899,195</u>	<u>47,166,327</u>
Total primary government net position	<u>\$ 171,118,766</u>	<u>\$ 171,082,327</u>	<u>\$ 172,842,329</u>	<u>\$ 177,010,773</u>	<u>\$ 182,174,652</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**

	<b>Fiscal Year Ending</b>				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Governmental activities</b>					
Net Investment in capital assets	\$ 98,930,447	\$ 100,924,816	\$ 101,159,813	\$ 102,028,495	\$ 103,345,895
Restricted:					
Debt Service & Restricted Cash	1,130,434	977,888	32,566	12,586	-
Special Revenue Funds	<u>9,065,922</u>	<u>10,266,913</u>	<u>10,186,991</u>	<u>10,784,745</u>	<u>11,329,103</u>
Total Restricted	10,196,356	11,244,801	10,219,557	10,797,331	11,329,103
Unrestricted (1)	<u>31,058,162</u>	<u>31,714,367</u>	<u>(17,546,716)</u>	<u>(15,597,553)</u>	<u>(16,091,037)</u>
Total governmental activities net position	<u>\$ 140,184,965</u>	<u>\$ 143,883,984</u>	<u>\$ 93,832,654</u>	<u>\$ 97,228,273</u>	<u>\$ 98,583,961</u>
<b>Business-type activities</b>					
Net Investment in capital assets	\$ 33,902,701	\$ 34,342,910	\$ 35,610,816	\$ 40,621,092	\$ 42,329,262
Restricted:					
Business Improvement district	520,514	532,510	546,317	541,863	552,266
Debt Service & Restricted Cash	<u>-</u>	<u>215,656</u>	<u>204,856</u>	<u>-</u>	<u>-</u>
Total Restricted	520,514	748,166	751,173	541,863	552,266
Unrestricted	<u>21,754,310</u>	<u>29,522,345</u>	<u>36,006,212</u>	<u>38,979,894</u>	<u>43,669,078</u>
Total business-type activities net position	<u>\$ 56,177,525</u>	<u>\$ 64,613,421</u>	<u>\$ 72,368,201</u>	<u>\$ 80,142,849</u>	<u>\$ 86,550,606</u>
<b>Primary government</b>					
Net Investment in capital assets	\$ 132,833,148	\$ 135,267,726	\$ 136,770,629	\$ 142,649,587	\$ 145,675,157
Restricted:					
Business Improvement district	520,514	532,510	546,317	541,863	552,266
Debt Service & Restricted Cash	1,130,434	1,193,544	237,422	12,586	-
Special Revenue Funds	<u>9,065,922</u>	<u>10,266,913</u>	<u>10,186,991</u>	<u>10,784,745</u>	<u>11,329,103</u>
Total Restricted	10,716,870	11,992,967	10,970,730	11,339,194	11,881,369
Unrestricted	<u>52,812,472</u>	<u>61,236,712</u>	<u>18,459,496</u>	<u>23,382,341</u>	<u>27,578,041</u>
Total primary government net position	<u>\$ 196,362,490</u>	<u>\$ 208,497,405</u>	<u>\$ 166,200,855</u>	<u>\$ 177,371,122</u>	<u>\$ 185,134,567</u>

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

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

	Fiscal Year Ending				
	2008	2009	2010	2011	2012
<b>Net (Expense)/Revenue</b>					
Governmental activities (1)	\$ (40,306,495)	\$ (38,338,326)	\$ (36,383,705)	\$ (37,329,002)	\$ (36,947,373)
Business-type activities (1)	(130,952)	(948,109)	34,906	2,574,845	5,702,741
Total primary government net expense	<u>\$ (40,437,447)</u>	<u>\$ (39,286,435)</u>	<u>\$ (36,348,799)</u>	<u>\$ (34,754,157)</u>	<u>\$ (31,244,632)</u>
<b>General Revenues and Other Changes</b>					
Governmental activities:					
Taxes					
Property taxes	\$ 18,567,451	\$ 19,930,492	\$ 20,006,558	\$ 19,791,425	\$ 20,408,314
Sales taxes	8,230,387	7,436,912	7,646,109	8,148,688	8,788,599
Transient occupancy tax	3,995,411	3,507,775	3,174,319	3,229,823	3,240,364
Motor vehicle in lieu tax	157,143	105,883	108,815	118,296	95,915
Business license tax	2,747,098	2,767,070	2,783,641	2,844,066	3,018,177
Franchise taxes	1,168,383	1,185,406	1,220,171	1,289,443	1,335,815
Real estate transfer taxes	439,104	325,001	356,367	473,275	521,274
Rental income	2,201,037	2,021,352	1,925,895	2,029,355	2,087,648
Investment earnings	2,088,549	1,385,481	476,463	696,066	603,334
Gain on Sale of capital asset	-	-	-	-	-
Other	1,254,482	145,047	150,229	148,451	151,219
Transfers	(30,771)	110,230	134,753	106,362	99,884
Total governmental activities	<u>40,818,274</u>	<u>38,920,649</u>	<u>37,983,320</u>	<u>38,875,250</u>	<u>40,350,543</u>
Business-type activities:					
Investment earnings	874,003	439,576	260,234	153,713	144,701
Transfers	30,771	(110,230)	(134,753)	(106,362)	(99,884)
Other	-	-	-	-	-
Total business-type activities	<u>904,774</u>	<u>329,346</u>	<u>125,481</u>	<u>47,351</u>	<u>44,817</u>
Total primary government	<u>\$ 41,723,048</u>	<u>\$ 39,249,995</u>	<u>\$ 38,108,801</u>	<u>\$ 38,922,601</u>	<u>\$ 40,395,360</u>
<b>Change in Net Position</b>					
Governmental activities	\$ 511,779	\$ 582,323	\$ 1,599,615	\$ 1,546,248	\$ 3,403,170
Business-type activities	773,822	(618,763)	160,387	2,622,196	5,747,558
Total primary government	<u>\$ 1,285,601</u>	<u>\$ (36,440)</u>	<u>\$ 1,760,002</u>	<u>\$ 4,168,444</u>	<u>\$ 9,150,728</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

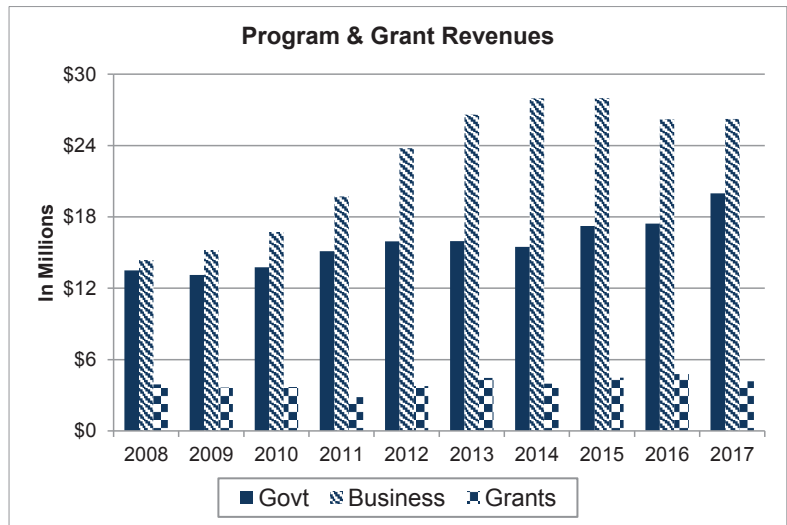


Exhibit A-3  
Continued

Fiscal Year Ending				
2013	2014	2015	2016	2017
\$ (36,817,562)	\$ (41,341,316)	\$ (44,898,091)	\$ (46,732,528)	\$ (50,261,000)
8,332,241	9,059,751	9,228,820	6,618,665	5,293,554
\$ (28,485,321)	\$ (32,281,565)	\$ (35,669,271)	\$ (40,113,863)	\$ (44,967,446)
\$ 21,626,173	\$ 23,353,743	\$ 24,435,184	\$ 26,344,276	\$ 28,215,709
9,103,160	8,921,346	9,268,657	8,826,767	9,088,502
3,881,174	4,289,009	4,809,421	5,139,425	5,201,518
18,887	15,631	15,099	14,430	15,812
3,124,644	3,140,273	3,376,113	3,475,792	3,658,194
1,471,197	1,441,769	1,539,453	1,439,957	1,256,125
587,399	642,718	720,826	850,974	776,298
2,406,174	2,554,820	2,751,302	3,028,151	3,299,373
226,951	480,568	433,200	841,905	195,755
-	-	100,543	29,976	(11,245)
151,613	-	10,839	780,000	735,485
200,583	200,458	250,324	(643,506)	(814,838)
42,797,955	45,040,335	47,710,961	50,128,147	51,616,688
56,266	151,923	273,944	479,475	70,885
(200,583)	(200,458)	(250,324)	643,506	814,838
19,521	43,388	74,643	60,678	258,030
(124,796)	(5,147)	98,263	1,183,659	1,143,753
\$ 42,673,159	\$ 45,035,188	\$ 47,809,224	\$ 51,311,806	\$ 52,760,441
\$ 5,980,393	\$ 3,699,019	\$ 2,812,870	\$ 3,395,619	\$ 1,355,688
8,207,445	9,054,604	9,327,083	7,802,324	6,437,307
\$ 14,187,838	\$ 12,753,623	\$ 12,139,953	\$ 11,197,943	\$ 7,792,995

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

	Fiscal Year				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General Government	\$ 4,265,277	\$ 3,881,178	\$ 4,085,381	\$ 3,883,959	\$ 4,223,405
Public Safety	4,206,318	4,299,002	4,576,210	4,765,404	4,783,038
Culture and recreation	2,336,374	2,449,945	2,577,883	3,029,554	2,805,841
Public works	2,683,443	2,492,418	2,512,225	3,440,572	4,134,599
Operating grants and contributions	2,250,606	2,078,062	2,224,949	1,322,867	1,183,103
Capital grants and contributions	679,865	1,105,439	1,399,366	1,504,759	2,554,310
<b>Total governmental activities program revenues</b>	<b>16,421,883</b>	<b>16,306,044</b>	<b>17,376,014</b>	<b>17,947,115</b>	<b>19,684,296</b>
Business-type activities:					
Charges for services:					
Water	6,860,563	7,380,055	7,887,900	9,557,717	12,578,908
Stormwater	338,208	347,162	360,926	347,602	352,860
Wastewater	1,275,553	1,317,713	1,820,756	2,620,669	3,087,150
Refuse	3,816,699	4,082,292	4,110,342	4,189,639	4,363,739
Parking	2,066,617	2,094,179	2,544,834	3,008,206	3,396,749
Operating grants and contributions	90,853	458,769	-	19,638	33,209
Capital grants and contributions	900,000	-	57,398	-	-
<b>Total business-type activities program revenues</b>	<b>15,348,493</b>	<b>15,680,170</b>	<b>16,782,156</b>	<b>19,743,471</b>	<b>23,812,615</b>
<b>Total primary government program revenues</b>	<b>\$ 31,770,376</b>	<b>\$ 31,986,214</b>	<b>\$ 34,158,170</b>	<b>\$ 37,690,586</b>	<b>\$ 43,496,911</b>



Source: City of Manhattan Beach Finance department historical CAFRs

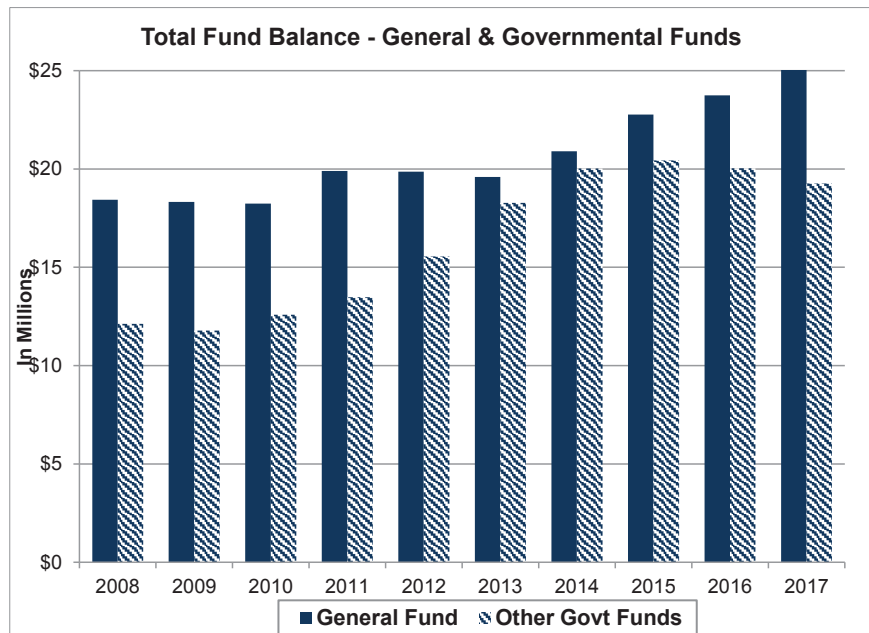
City of Manhattan Beach  
 Program Revenues by Function/Program,  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

Exhibit A-4

	Fiscal Year				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General Government	\$ 4,535,499	\$ 4,950,743	\$ 5,814,648	\$ 5,859,027	\$ 7,099,310
Public Safety	5,172,443	4,154,836	4,309,976	4,182,052	4,173,082
Culture and recreation	2,470,359	2,798,673	3,034,335	3,135,249	3,420,580
Public works	3,792,239	3,563,085	4,074,858	4,253,809	5,293,202
Operating grants and contributions	1,847,316	1,638,522	1,739,455	1,587,534	2,304,536
Capital grants and contributions	2,032,724	2,314,830	2,724,621	2,316,956	1,850,921
<b>Total governmental activities program revenues</b>	<b>19,850,580</b>	<b>19,420,689</b>	<b>21,697,893</b>	<b>21,334,627</b>	<b>24,141,631</b>
Business-type activities:					
Charges for services:					
Water	14,916,283	16,275,584	16,101,667	14,514,443	14,670,316
Stormwater	345,821	344,556	353,616	345,736	348,880
Wastewater	3,406,077	3,626,144	3,562,456	3,281,179	3,293,933
Refuse	4,426,190	3,965,882	4,063,886	4,242,316	4,205,361
Parking	3,506,309	3,761,948	3,899,746	3,828,054	3,715,624
Operating grants and contributions	69,937	19,880	10,020	19,611	9,353
Capital grants and contributions	500,000	-	-	850,000	-
<b>Total business-type activities program revenues</b>	<b>27,170,617</b>	<b>27,993,994</b>	<b>27,991,391</b>	<b>27,081,339</b>	<b>26,243,467</b>
<b>Total primary government program revenues</b>	<b>\$ 47,021,197</b>	<b>\$ 47,414,683</b>	<b>\$ 49,689,284</b>	<b>\$ 48,415,966</b>	<b>\$ 50,385,098</b>

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

	Fiscal Year Ending				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund					
Reserved					
Debt service & restricted cash	\$ 1,355,530	\$ 1,244,971	\$ 1,143,587		
Encumbrances & other items	495,646	373,980	213,938		
Unreserved	16,585,982	16,710,818	16,888,308		
Nonspendable					
Prepaid costs				\$ 19,519	\$ 48,989
Notes and loans				432,000	432,000
Advances to other funds				-	-
Restricted					
Debt service & restricted cash				1,182,271	1,245,112
Unassigned				18,270,832	18,134,492
<b>Total General fund</b>	<b>18,437,158</b>	<b>18,329,769</b>	<b>18,245,833</b>	<b>19,904,622</b>	<b>19,860,593</b>
All Other Governmental Funds					
Reserved					
Continuing Projects	4,642,305	4,618,592	6,755,397		
Debt service & restricted cash	817,076	817,178	817,075		
Encumbrances & other items	40,925	71,887	393,852		
Unreserved, reported in:					
Special revenue funds	2,748,609	2,340,055	2,692,575		
Capital projects funds	3,878,706	3,934,840	1,925,704		
Nonspendable					
Notes and loans				42,744	38,336
Advances to other funds				1,073,000	771,100
Restricted					
Public safety				1,247,014	1,187,562
Parks and recreation				80,284	107,428
Public works				3,324,947	4,558,434
Capital projects				2,827,688	3,269,531
Debt service				817,075	817,075
Committed					
Capital projects				4,089,866	4,823,535
Unassigned				(22,488)	(22,488)
<b>Total all other governmental funds</b>	<b>12,127,621</b>	<b>11,782,552</b>	<b>12,584,603</b>	<b>13,480,130</b>	<b>15,550,513</b>
<b>Total all governmental funds</b>	<b>\$ 30,564,779</b>	<b>\$ 30,112,321</b>	<b>\$ 30,830,436</b>	<b>\$ 33,384,752</b>	<b>\$ 35,411,106</b>



Source: City of Manhattan Beach Finance department historical CAFRs

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

**Exhibit A-5**

	<b>Fiscal Year Ending</b>				
	<u><b>2013</b></u>	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>
General Fund					
Reserved					
Debt service & restricted cash					
Encumbrances & other items					
Unreserved					
Nonspendable					
Prepaid costs	\$ 42,514	\$ 46,823	\$ 46,080	\$ 82,138	\$ 133,786
Notes and loans	432,000	1,700,000	1,649,129	3,771,864	1,546,266
Advances to other funds	22,488	-	-	-	-
Restricted					
Debt service & restricted cash	1,130,434	813,407	32,566	12,586	-
Unassigned	17,961,324	18,338,105	21,036,975	19,883,693	23,367,583
<b>Total General fund</b>	<b>19,588,760</b>	<b>20,898,335</b>	<b>22,764,750</b>	<b>23,750,281</b>	<b>25,047,635</b>
All Other Governmental Funds					
Reserved					
Continuing Projects					
Debt service & restricted cash					
Encumbrances & other items					
Unreserved, reported in:					
Special revenue funds					
Capital projects funds					
Nonspendable					
Notes and loans	45,052	-	58,232	-	-
Advances to other funds	469,200	-	-	-	-
Restricted					
Public safety	1,073,789	1,084,541	1,000,434	873,595	809,361
Parks and recreation	179,663	-	-	-	-
Public works	4,826,828	4,546,040	4,613,796	5,272,830	5,495,829
Capital projects	3,572,234	4,636,332	4,572,761	4,638,320	5,023,913
Debt service	8,278	164,481	-	-	-
Committed					
Capital projects	8,122,690	9,617,146	10,208,481	9,270,230	7,961,065
Unassigned	(22,488)	(22,488)	(22,488)	(22,488)	(22,488)
<b>Total all other governmental funds</b>	<b>18,275,246</b>	<b>20,026,052</b>	<b>20,431,216</b>	<b>20,032,487</b>	<b>19,267,680</b>
<b>Total all governmental funds</b>	<b>\$ 37,864,006</b>	<b>\$ 40,924,387</b>	<b>\$ 43,195,966</b>	<b>\$ 43,782,768</b>	<b>\$ 44,315,315</b>

Source: City of Manhattan Beach Finance department historical CAFRs

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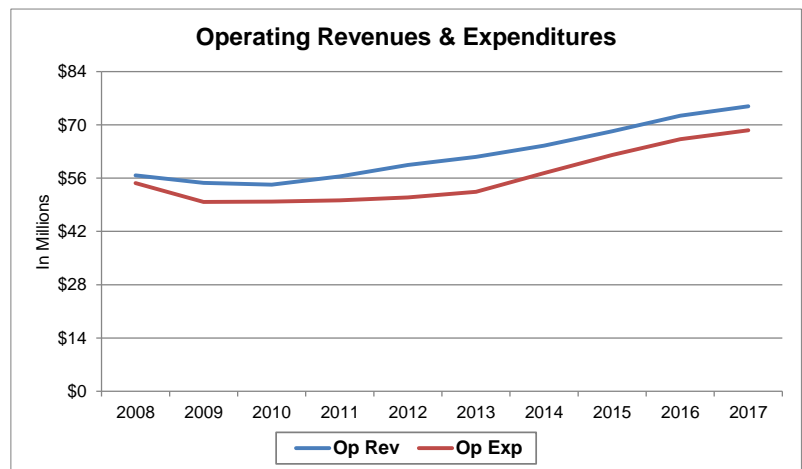
## **Statistical Section**

### **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				
	2008	2009	2010	2011	2012
<b>Revenues</b>					
Tax and assessments	\$ 36,933,447	\$ 36,839,471	\$ 36,582,239	\$ 37,697,637	\$ 39,389,241
Licenses, fees, and permits	1,463,207	1,200,529	1,200,347	1,289,183	1,418,230
Intergovernmental	2,147,817	2,072,660	2,638,044	1,749,382	2,566,478
Charges for services	8,013,155	8,202,164	8,291,275	9,396,606	9,706,289
Interest and Rents	3,939,191	3,607,997	2,344,105	2,723,666	2,692,576
Fines and forfeitures	2,169,402	2,400,483	2,984,868	2,867,072	2,805,559
Net change fair value investments	350,394	(201,163)	58,253	(21,680)	(21,265)
Other revenues	1,707,735	634,524	192,965	751,112	878,475
<b>Total revenues</b>	<b>56,724,348</b>	<b>54,756,665</b>	<b>54,292,096</b>	<b>56,452,978</b>	<b>59,435,583</b>
<b>Expenditures</b>					
General government	9,808,544	9,215,265	9,785,663	8,660,865	8,560,273
Public Safety	31,354,970	28,727,983	28,461,175	29,176,141	30,449,560
Culture and recreation	6,027,462	5,599,052	5,699,228	6,192,471	5,552,632
Public works	7,500,615	6,207,990	5,923,828	6,149,939	6,369,092
<b>Total operating expenditures</b>	<b>54,691,591</b>	<b>49,750,290</b>	<b>49,869,894</b>	<b>50,179,416</b>	<b>50,931,557</b>
<b>Excess of revenue over expenditures</b>	<b>2,032,757</b>	<b>5,006,375</b>	<b>4,422,202</b>	<b>6,273,562</b>	<b>8,504,026</b>
Capital outlay	3,405,258	3,124,353	1,705,513	1,510,341	4,272,496
Debt service					
Interest	1,178,066	1,192,716	811,711	896,096	820,494
Principal	1,235,000	1,235,000	1,325,000	1,425,000	1,485,000
Cost of Issuance	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-	-
Total Non Operating expenditures	5,818,324	5,552,069	3,842,224	3,831,437	6,577,990
<b>Excess of revenues over expenditures</b>	<b>(3,785,567)</b>	<b>(545,694)</b>	<b>579,978</b>	<b>2,442,125</b>	<b>1,926,036</b>
<b>Other financing sources (Uses)</b>					
Bonds issued	-	-	-	-	-
Premium on bonds issues	-	-	-	-	-
Proceeds from sale of capital assets	-	3,006	3,384	5,829	434
Transfers in	215,047	331,183	424,211	830,712	3,353,075
Transfers out	(263,835)	(220,953)	(289,458)	(724,350)	(3,253,191)
Other financing sources	-	-	-	-	-
Other financing uses	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(48,788)</b>	<b>113,236</b>	<b>138,137</b>	<b>112,191</b>	<b>100,318</b>
Prior Period Adjustment	-	(20,000)			
<b>Net change in fund balances</b>	<b>(3,834,355)</b>	<b>(452,458)</b>	<b>718,115</b>	<b>2,554,316</b>	<b>2,026,354</b>
<b>Debt - % of Operating Expenditures &amp; Debt</b>	<b>4.2%</b>	<b>4.7%</b>	<b>4.1%</b>	<b>4.4%</b>	<b>4.3%</b>

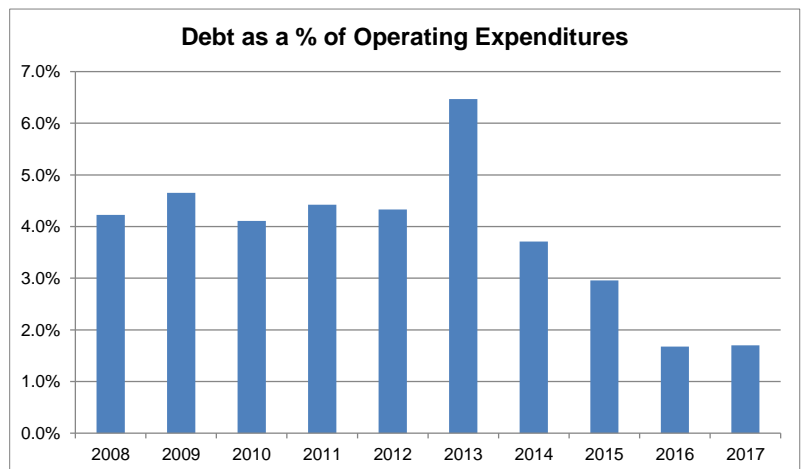




**City of Manhattan Beach**  
**Changes in Fund Balances**  
**Governmental Funds, Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

Exhibit A-6

	Fiscal Year Ending				
	2013	2014	2015	2016	2017
<b>Revenues</b>					
Tax and assessments	\$ 42,273,666	\$ 44,213,347	\$ 46,601,118	\$ 48,908,825	\$ 50,405,516
Licenses, fees, and permits	1,513,821	1,759,180	2,185,871	2,812,480	2,738,149
Intergovernmental	1,599,821	2,183,990	2,495,207	2,406,440	2,093,411
Charges for services	9,202,436	10,253,540	10,362,276	10,284,762	11,724,813
Interest and Rents	2,633,124	3,048,749	3,184,502	3,870,056	3,495,128
Fines and forfeitures	2,588,865	2,566,436	2,637,538	2,615,306	2,599,654
Net change fair value investments	(95,900)	30,910	13,651	254,377	(519,971)
Other revenues	1,867,612	490,870	820,295	1,267,893	2,348,814
<b>Total revenues</b>	<b>61,583,445</b>	<b>64,547,022</b>	<b>68,300,458</b>	<b>72,420,139</b>	<b>74,885,514</b>
<b>Expenditures</b>					
General government	9,101,953	10,467,524	11,838,504	13,360,320	13,290,308
Public Safety	30,470,567	33,525,828	34,897,663	37,189,782	38,522,882
Culture and recreation	5,680,001	6,831,568	7,349,487	8,335,111	8,656,533
Public works	7,155,292	6,527,537	8,026,650	7,356,842	8,113,384
<b>Total operating expenditures</b>	<b>52,407,813</b>	<b>57,352,457</b>	<b>62,112,304</b>	<b>66,242,055</b>	<b>68,583,107</b>
<b>Excess of revenue over expenditures</b>	<b>9,175,632</b>	<b>7,194,565</b>	<b>6,188,154</b>	<b>6,178,084</b>	<b>6,302,407</b>
Capital outlay	2,485,027	2,819,131	2,275,709	3,153,156	3,669,140
Debt service					
Interest	640,413	379,123	412,240	403,458	442,116
Principal	2,985,000	1,830,000	1,480,000	725,000	745,000
Cost of Issuance	150,944	-	-	-	-
Payment to refunding bond escrow agent	821,153	-	-	-	11,334
Total Non Operating expenditures	7,082,537	5,028,254	4,167,949	4,281,614	4,867,590
<b>Excess of revenues over expenditures</b>	<b>2,093,095</b>	<b>2,166,311</b>	<b>2,020,205</b>	<b>1,896,470</b>	<b>1,434,817</b>
<b>Other financing sources (Uses)</b>					
Bonds issued	-	-	-	-	5,905,000
Premium on bonds issues	-	-	-	-	438,570
Proceeds from sale of capital assets	-	693,612	1,050	838	-
Transfers in	3,770,569	1,260,327	534,480	714,082	1,685,005
Transfers out	(3,569,986)	(1,059,869)	(284,156)	(2,024,588)	(2,587,281)
Other financing sources	11,010,846	-	-	-	-
Other financing uses	(10,851,624)	-	-	-	(6,343,564)
<b>Total other financing sources (uses)</b>	<b>359,805</b>	<b>894,070</b>	<b>251,374</b>	<b>(1,309,668)</b>	<b>(902,270)</b>
Prior Period Adjustment					
<b>Net change in fund balances</b>	<b>2,452,900</b>	<b>3,060,381</b>	<b>2,271,579</b>	<b>586,802</b>	<b>532,547</b>
<b>Debt - % of Operating Expenditures &amp; Debt</b>	<b>6.5%</b>	<b>3.7%</b>	<b>3.0%</b>	<b>1.7%</b>	<b>1.7%</b>

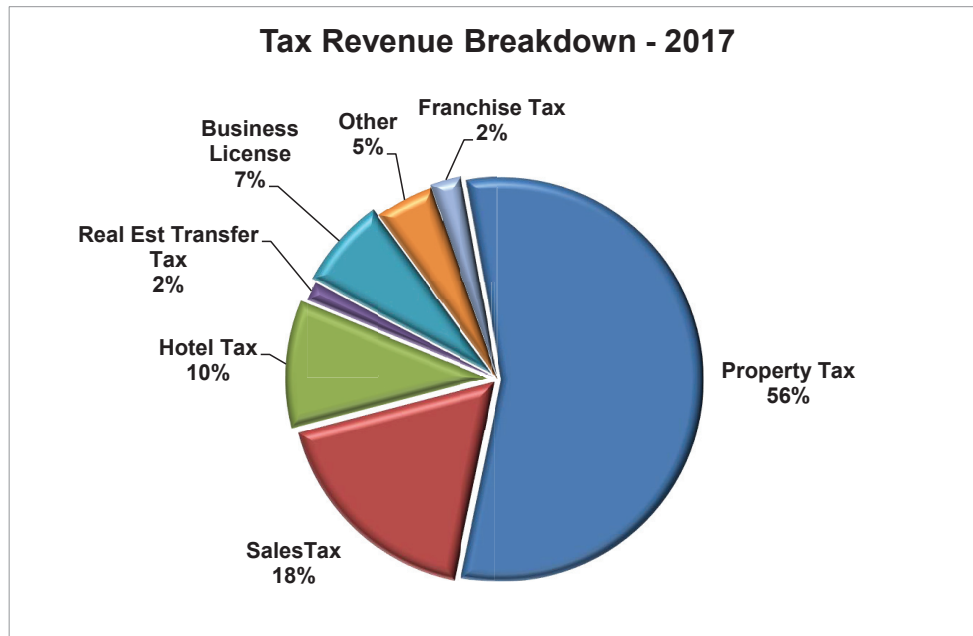


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**City of Manhattan Beach**  
**Taxes & Assessment Revenues by Source, Governmental Funds, and Assessment**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

**Exhibit A-7**

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales &amp; 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>
2017	\$28,215,709	\$8,962,617	\$5,201,518	\$1,256,125	\$756,049	\$3,658,194	\$2,355,304	\$50,405,516
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
<b>Change 2008-2017</b>	<b>52.0%</b>	<b>8.9%</b>	<b>30.2%</b>	<b>7.5%</b>	<b>67.9%</b>	<b>33.2%</b>	<b>32.7%</b>	<b>36.5%</b>



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

<b>Fiscal Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Other Property</b>
2008	\$ 9,427,136,444	\$ 796,972,539	\$ 224,326,781	\$ 737,961,261
2009	10,136,131,042	847,686,744	280,998,547	758,566,064
2010	10,279,360,710	870,969,553	286,618,511	760,569,467
2011	10,310,125,299	857,387,446	272,285,842	798,171,374
2012	10,639,403,753	900,787,632	355,749,068	624,994,067
2013	11,115,348,658	873,633,618	273,166,539	782,689,333
2014	11,778,259,052	922,429,548	275,869,861	810,528,769
2015	12,500,544,975	959,518,199	281,151,363	791,941,297
2016	13,616,966,542	1,012,547,408	293,730,521	765,998,032
2017	14,551,610,225	1,105,261,590	298,209,901	824,621,493

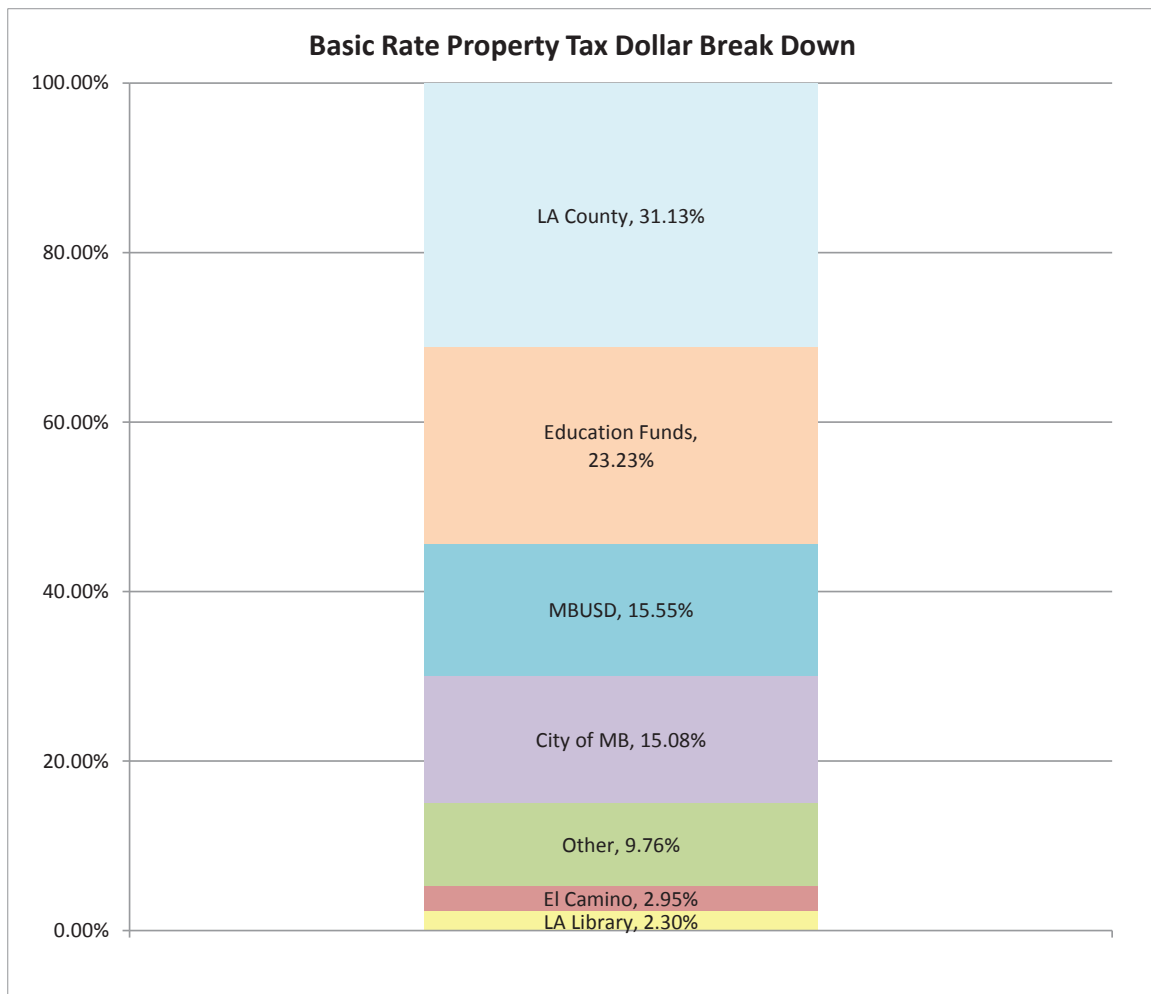
Source: HdL Coren & Cone

<u>Total Assessed Value</u>	<u>Tax-Exempt Property</u>	<u>Total Direct Tax Rate</u>	<u>Net Taxable Value</u>	<u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u>
\$ 11,186,397,025	\$ 301,140,740	0.15793%	\$ 10,861,350,753	102.993%
12,023,382,397	301,140,740	0.15857%	11,697,899,600	102.782%
12,197,518,241	301,140,740	0.15842%	11,871,677,111	102.745%
12,237,969,961	301,140,740	0.15619%	11,913,602,319	102.723%
12,520,934,520	301,140,740	0.15928%	12,190,853,653	102.708%
13,044,838,148	301,114,939	0.15951%	12,713,329,765	102.608%
13,787,087,230	301,114,939	0.16012%	13,453,303,900	102.481%
14,533,155,834	301,114,939	0.16059%	14,196,903,333	102.368%
15,689,242,503	301,114,939	0.16127%	15,352,495,483	102.193%
16,779,703,209	301,127,715	0.15079%	16,442,347,904	102.052%

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

Fiscal Year	City Direct Rates		Overlapping Rates						
	General Levy (Basic Rate)	City Direct Rate	LA County	Colleges & School Districts	Metro Water District	Flood Control District	Total Overlap Rate	General Levy	Total Rate
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
2017	1.00000%	0.15079%	0.00000	0.09062	0.00350	0.00000	0.09412	1.00000	1.09412



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

<b><u>Taxpayer</u></b>	<b>2016/17</b>	
	<b><u>Net Value</u></b>	<b><u>Percentage of Total City Net Value</u></b>
Northrop Grumman Systems Corp	\$ 194,972,729	1.19%
Rreef America Reit II Corporation BBB	170,620,388	1.04%
CRP MB Studios LLC	156,184,923	0.95%
Host Marriott MB LP	89,970,780	0.55%
Parstem Realty Company Inc.	70,936,316	0.43%
1230 and 1240 Rosecrans Ave Hold LLC	62,283,089	0.38%
WH Manhattan Beach LP	54,173,100	0.33%
Michael Greenberg Trust	43,227,019	0.26%
Skechers USA Inc.	42,764,320	0.26%
Ponderosa Belamar LLC	40,596,996	0.25%
Top Ten Total	<u>\$ 925,729,660</u>	<u>5.64%</u>
City Total	<u><u>\$ 16,442,347,904</u></u>	



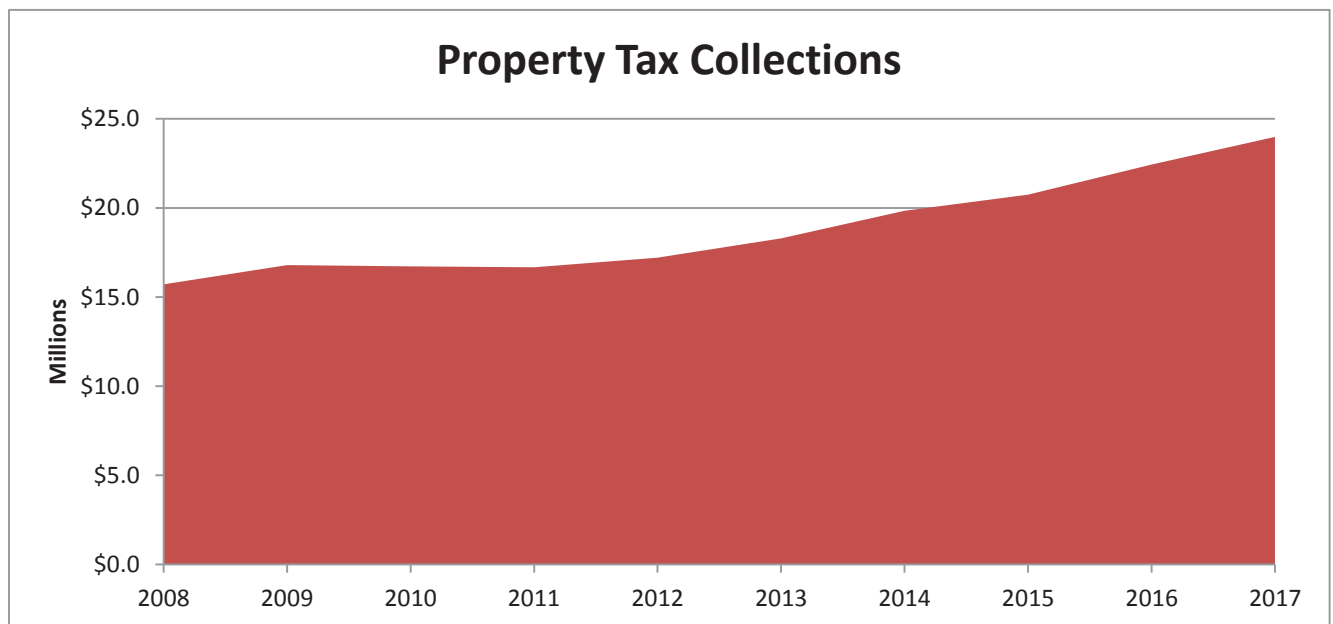
<u>Taxpayer</u>	<u>2007/08</u>	
	<u>Net Value</u>	<u>Percentage of Total City Net Value</u>
Northrop Grumman Systems Corp	\$ 172,255,438	1.59%
Reef America Reit II Corporation BBB	149,727,252	1.38%
Wells REIT II Manhattan Towers LLC	98,500,000	0.91%
CRP MB Studios LLC	98,109,720	0.90%
Pastem Realty Company Inc.	62,677,080	0.58%
TRW Inc	62,600,833	0.58%
Host Marriott Corporation Interstate	58,543,070	0.54%
Skechers USA	34,489,574	0.32%
Sun Manhattan LLC	33,040,489	0.30%
St Paul Properties Inc.	28,676,199	0.26%
	<u>\$ 798,619,655</u>	<u>7.37%</u>
	<u><u>\$ 10,861,350,753</u></u>	

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

**Exhibit A-11**

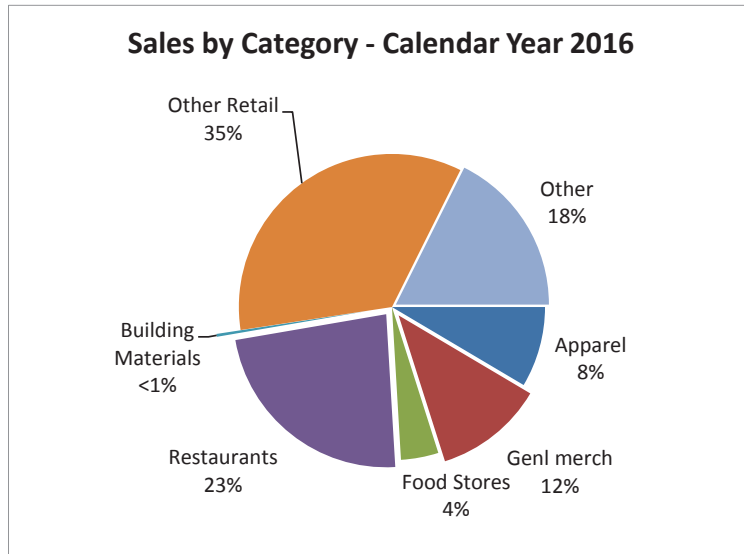
Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Prior Year	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 15,564,989	\$ 14,643,132	94.08%	\$ 1,065,305	\$ 15,708,437	100.92%
2009	16,795,932	15,888,783	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%
2017	23,822,585	23,386,545	98.17%	596,471	23,983,016	100.67%



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



\* Calendar Year Data available through December 2016.

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

**Exhibit A-12**

	<b>Calendar Year</b>				
	<u><b>2012</b></u>	<u><b>2013</b></u>	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>
Apparel stores	\$ 72,769	\$ 73,454	\$ 73,477	\$ 75,987	\$ 74,238
General merchandise	104,281	106,028	104,283	102,328	101,055
Food stores	32,761	34,089	34,364	35,949	34,512
Eating and drinking establishments	171,607	179,893	188,374	199,738	202,665
Building Materials	2,256	2,416	2,723	2,598	2,621
Service stations	41,650	44,441	44,402	38,387	31,674
Other retail stores	301,383	303,442	283,720	291,498	303,328
All other outlets	<u>245,480</u>	<u>250,965</u>	<u>253,585</u>	<u>175,224</u>	<u>153,683</u>
<b>Total</b>	<u><b>\$ 972,187</b></u>	<u><b>\$ 994,728</b></u>	<u><b>\$ 984,928</b></u>	<u><b>\$ 921,709</b></u>	<u><b>\$ 903,776</b></u>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%

\* Calendar Year Data available through December 2016.

**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>
2017	1.00%	.25%
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%

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

**Exhibit A-14**

**Tax Remitter**

**2017**

---

Apple  
Barnes & Noble  
BevMo  
Chevron  
Circle K  
CVS Pharmacy  
Frys Electronics  
Houston's  
Kettle  
Macys  
Manhattan Beach Toyota Scion  
Marriott Manhattan Beach Hotel  
Nick's  
Old Navy  
Olive Garden  
Ralphs Fresh Fare  
REI  
Sephora  
Skechers  
Strand House Standbar  
Target  
Tin Roof Bistro  
Toyota Lease Trust  
Trader Joes  
Vons

**2008**

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Apple  
Arco  
Barnes & Noble  
California Pizza Kitchen  
CVS Pharmacy  
Frys Electronics  
Frys Manhattan Chevron  
Houston's  
Islands  
Kwik Gas  
Macys  
Manhattan Beach Marriott  
Manhattan Beach Toyota Scion  
Mobil Oil  
Office Depot  
Old Navy  
Panchos  
Ralphs Fresh Fare  
REI  
Rock 'N Fish  
Sephora  
Target  
Trader Joes  
Vons  
Williams Sonoma

\* Listed Alphabetically

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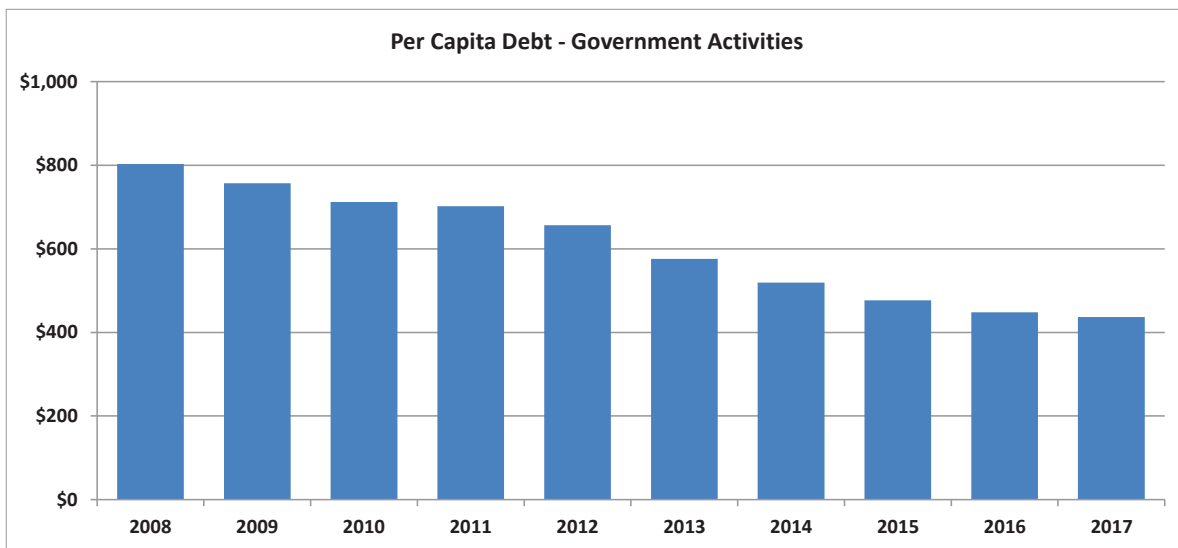
## **Statistical Section**

### **Debt Capacity**

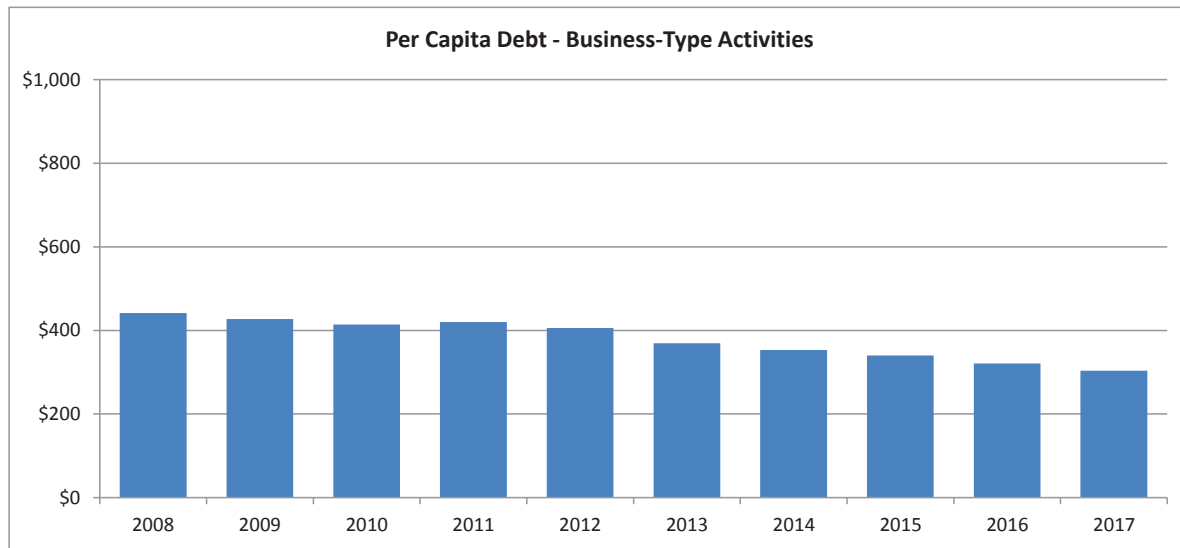
*These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.*

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

Governmental Activities									
Fiscal Year	RCC Facility	Pension Obligation Bonds	Marine Certificates of Participation	Marine Refunding Certificates of Participation	Police/Fire Certificates of Participation	Police/Fire Refunding Bonds	Capital Leases	Total Governmental	Total Per Capita
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	448
2017	-	-	-	6,317,766	-	9,042,225	147,506	15,507,497	437



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
\$ 3,715,000	\$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	321	27,307,831	0.92%	769
-	-	2,117,872	8,645,454	10,763,326	303	26,270,823	0.88%	740



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

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**City of Manhattan Beach  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2017**

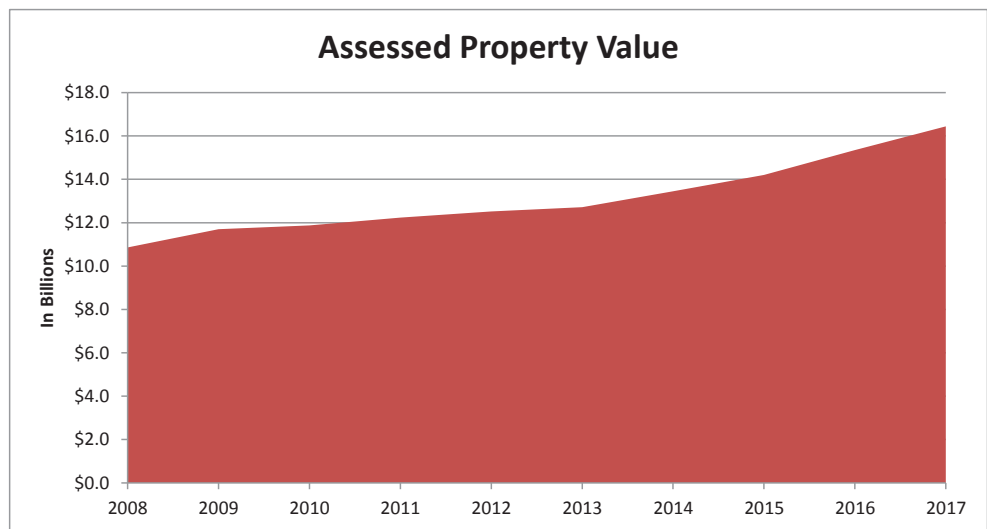
**Exhibit A-16**

<u>Governmental Unit</u>	<u>Gross Bonded Debt Balance</u>	<u>Percentage Applicable To City</u>	<u>Net Bonded Debt</u>
<b>Direct Debt</b>			
City of Manhattan Beach:			
Certificates of Participation Marine Avenue Park	\$ 6,317,766	100.000%	\$ 6,317,766
Refunding Certificates of Participation Police/Fire	9,042,225	100.000%	9,042,225
Obligation under Capital Leases	147,506	100.000%	147,506
<b>Total Direct Debt</b>			<b><u>15,507,497</u></b>
<b>Overlapping Debt</b>			
Manhattan Beach UNIF 96 SER A DS	\$ 3,276,481	99.999%	3,276,459
Manhattan Beach UNIF DS 1998 SER B	4,757,249	99.999%	4,757,218
Manhattan Beach USD DS 1999 SER C	2,468,323	99.999%	2,468,307
Manhattan Beach USD DS 2001 SER D	3,301,653	99.999%	3,301,631
Manhattan Beach USD DS 1995 SER E	4,628,829	99.999%	4,628,799
Manhattan Beach USD DS 2000 SER B	6,039,577	99.999%	6,039,537
Manhattan Beach USD DS 2008, 2011 SER C	7,651,589	99.999%	7,651,539
Manhattan Beach USD DS 2008 2012 SER D	9,738,877	99.999%	9,738,814
Manhattan Beach USD DS 2008 2012 SER E	8,510,000	99.999%	8,509,944
Manhattan Beach USD DS 2008 2013 SER F	11,365,000	99.999%	11,364,925
Manhattan Beach USD DS 2013 REF 2000 SER A	24,435,000	99.999%	24,434,840
Metropolitan Water District	36,281,674	1.521%	551,745
El Camino CCS DS 2002 SER 2012C	180,149,535	16.789%	30,246,168
El Camino CCS DS 2012 REF BONDS	41,490,000	16.789%	6,965,962
El Camino CCD DS 2012 SER 2016 A	100,000,000	16.789%	16,789,496
El Camino CCS DS 2016 REF BONDS	79,920,000	16.789%	13,418,165
<b>Total Overlapping Debt</b>			<b><u>154,143,549</u></b>
<b>Total Direct and Overlapping Debt</b>			<b><u>\$ 169,651,046</u></b>

In this particular instance of overlapping debt, overlapping governments are those whose boundaries whole or in part contained within the boundaries of a District that is issuing debt. The percent of overlap is based on the ratio assessed value of the land of the government to that of total assessed valuation of all governments within that district. 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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Assessed Value	\$ 10,861,350,753	\$ 11,697,899,600	\$ 11,871,677,111	\$ 11,913,602,319	\$ 12,190,853,653
Legal debt limit (3.75%)	407,300,653	438,671,235	445,187,892	446,760,087	457,157,012
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 407,300,653</u>	<u>\$ 438,671,235</u>	<u>\$ 445,187,892</u>	<u>\$ 446,760,087</u>	<u>\$ 457,157,012</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	9.43%	7.70%	1.49%	0.35%	2.33%

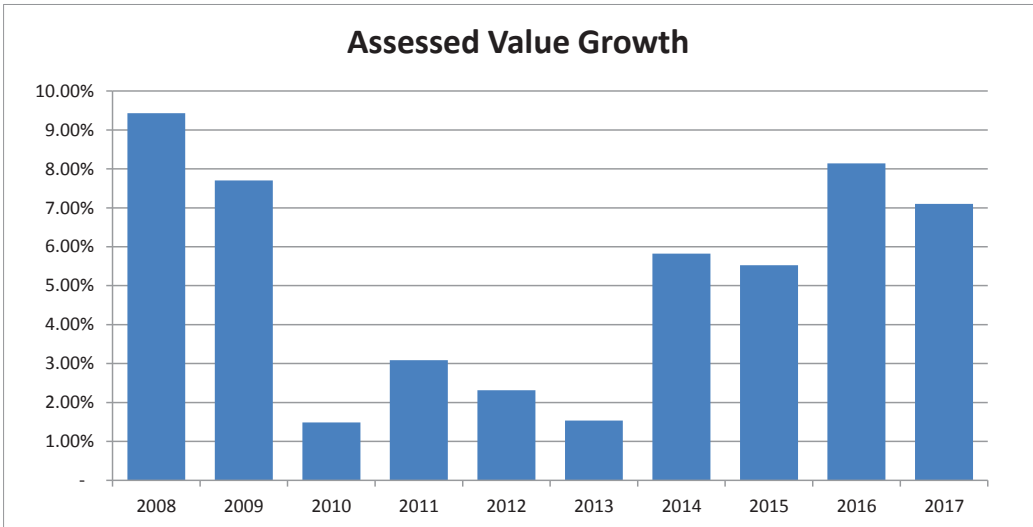


Source: City of Manhattan Beach Finance Department Historical CAFRs

Fiscal Year				
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 12,713,329,765	\$ 13,453,303,900	\$ 14,196,903,333	\$ 15,352,495,483	\$ 16,442,347,904
476,749,866	504,498,896	532,383,875	575,718,581	616,588,046
-	-	-	-	-
<u>\$ 476,749,866</u>	<u>\$ 504,498,896</u>	<u>\$ 532,383,875</u>	<u>\$ 575,718,581</u>	<u>\$ 616,588,046</u>

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

4.29%	5.82%	5.53%	8.14%	7.10%
-------	-------	-------	-------	-------



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	
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
2017	17,977,445	11,279,607	6,697,838	185,000	76,350 (b)	25.63

(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	
\$ 1,355,513	\$ 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
2,460,627	1,687,183	773,444	410,000	310,563 (b)	1.07

*ented on a cash basis*

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## **Statistical Section**

### **Demographic and Economic Information**

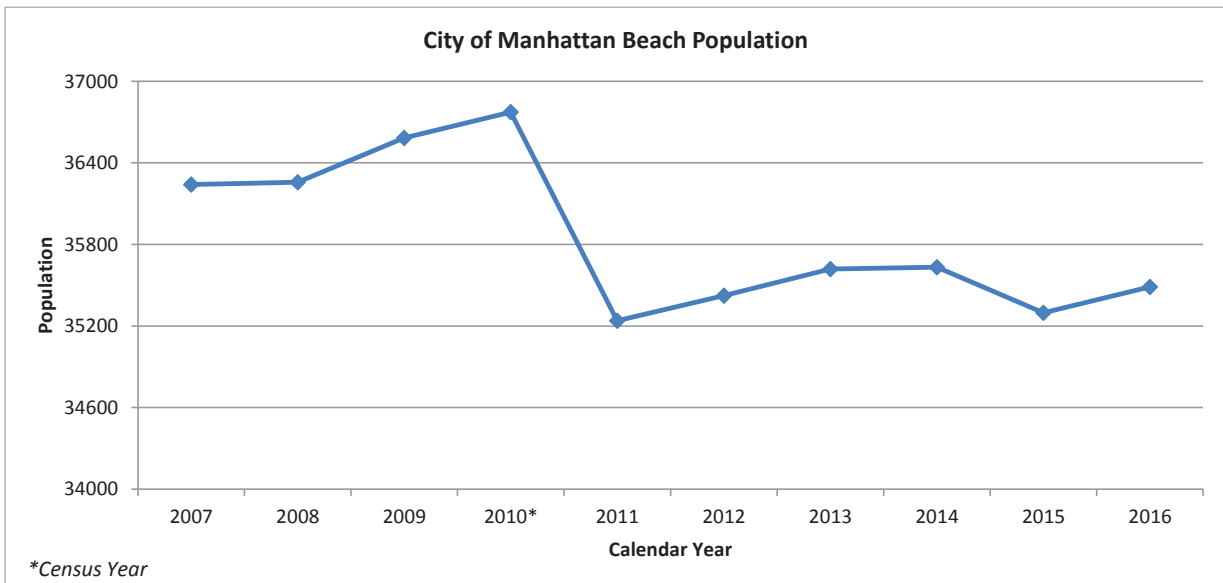
*These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.*

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

**Exhibit A-19**

<b>Calendar Year</b>	<b>Population</b>	<b>Man Beach Personal Income (in thousands)</b>	<b>Personal Income L.A. County<sup>1</sup> (in thousands)</b>	<b>Per Capita Personal Income L.A. County<sup>1</sup></b>	<b>Per Capita Personal Income Man Beach</b>	<b>Unempl Rate</b>	<b>School Enrollment</b>
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	521,900,000	51,207	82,335	2.7%	6,687
2016	35,488	2,969,983	545,100,000	53,160	83,689	2.1%	6,682

Source: HdL Companies, County of Los Angeles Comprehensive Annual Financial Report  
<sup>1</sup> 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

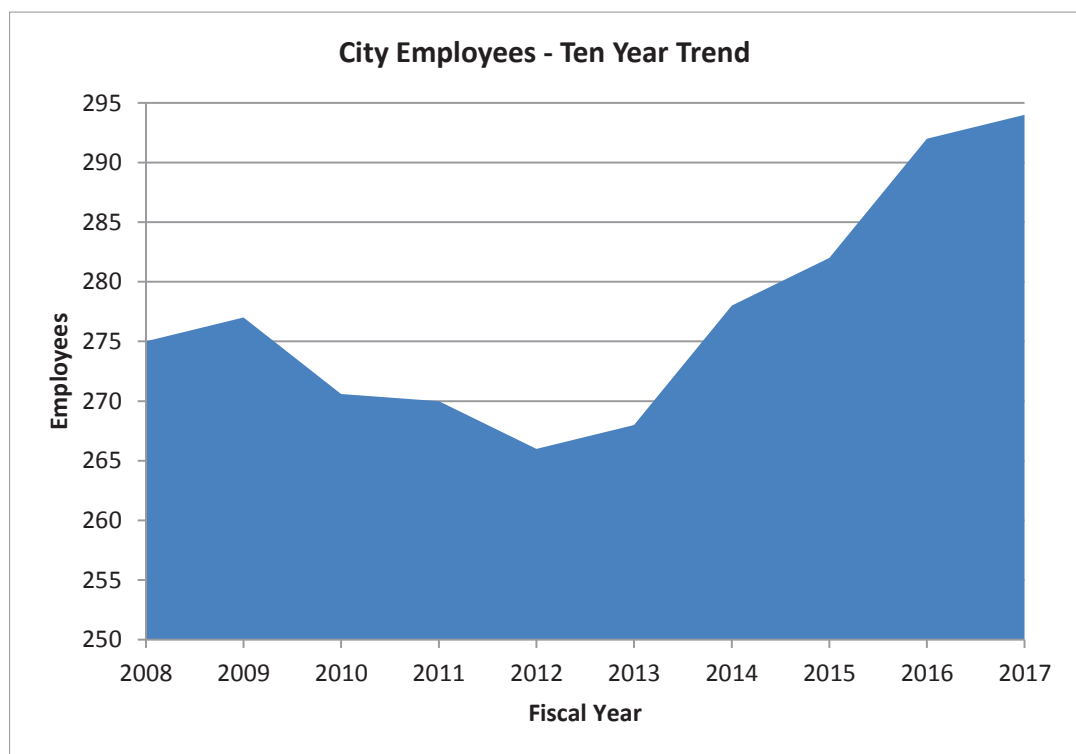
<u>Employer</u>	<b>2017</b>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>
Northrop Grumman Corp.	2,043	30.05%
Kinecta Federal Credit Union	550	8.09%
Target Stores T199 Target Corp	405	5.96%
Skechers USA Inc	379	5.58%
City of Manhattan Beach	289	4.25%
Fry's Electronics, Inc.	264	3.88%
Manhattan Beach Marriott	233	3.43%
Skechers U.S.A., Inc.	198	2.91%
Ralphs Grocery Company #166	167	2.46%
Skechers USA, Inc.	148	2.18%
Bristol Farms	129	1.90%
Olive Garden #1723	117	1.72%
Houston's Restaurant	115	1.69%
24 Hour Fitness #163	108	1.59%
California Pizza Kitchen	106	1.56%
Il Fornaio	99	1.46%
Manhattan Country Club	90	1.32%
Chili's Grill & Bar #860	85	1.25%
Boston Consulting Group, Inc, The	85	1.25%
Western America	84	1.24%
Manhattan Beach Toyota	82	1.21%
Islands Fine Burgers & Drinks	75	1.10%
Recreational Equipment Inc-Rei	75	1.10%
Belamar Hotel	71	1.04%
Old Navy #6043	71	1.04%
<b>Total</b>	<b>6,068</b>	<b>89.26%</b>

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

**Exhibit A-21**

<u>Function/Program</u>	<u>Full-time Authorized Employees as of June 30</u>									
	<u>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>	<u>2017</u>
General government										
Management services	14	14	14	14	13	12	13	13	17	17
Finance*	21	21	20	20	20	20	25	25	17	17
Information Technology*	-	-	-	-	-	-	-	-	9	9
Human Resources	7	7	7	7	6	6	6	6	8	8
Planning & Building	22	22	20	20	19	20	21	22	24	24
Parks and Recreation	19	19	20	20	20	20	21	23	25	25
Police										
Officers	65	65	63	64	62	65	65	65	65	65
Civilians	35	35	35	34	35	36	39.8	39.8	39.8	41.8
Fire										
Firefighters & officers	30	30	30	30	30	30	30	31	30	30
Civilians	1	1	1	1	1	1	1.2	1.2	1.2	1.2
Public works										
Engineering	7	9	8	8	8	8.2	7.25	7.25	7.5	8.5
Water	13	13	13.5	14.25	14.25	11.7	11.2	11.2	11.2	11.35
Wastewater	4	3	3.1	3.35	3.35	3.3	3.2	3.2	3.2	3.45
Other	37	38	36	34.4	34.4	34.8	34.35	34.35	34.1	32.7
<b>Total</b>	<b><u>275</u></b>	<b><u>277</u></b>	<b><u>270.6</u></b>	<b><u>270</u></b>	<b><u>266</u></b>	<b><u>268</u></b>	<b><u>278</u></b>	<b><u>282</u></b>	<b><u>292</u></b>	<b><u>294</u></b>



Source: City of Manhattan Beach Finance Department

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

June 30, 2017

<u>TYPE OF COVERAGE</u>	<u>POLICY NUMBER</u>	<u>FROM</u>
<b>Liability</b>		
Self-Insured - MOC		07/01/16
<b>Excess Liability</b>		
Independent Cities Risk Management		
ICRMA (Pool) - MOC	ICRMA 2016-ICAPL-1014	07/01/16
Brit and Barkley	PEM000011300/PK1029016	07/01/16
Evanston Insurance Company	MPEREV00731501	07/01/16
Lexington Insurance Company	1920505	
SCOR Reinsurance	F151479	07/01/16
<b>Building &amp; Property (All City excluding EQ/FL to public safety building)</b>		
Lloyd's of London - Primary	UMR:B128413220W16	07/01/16
Other Carriers	Various	07/01/16
<b>Building &amp; Property Public Safety Building EQ/FL</b>		
Various Carriers - Public Safety Bldg	Various	07/01/16
Princeton E&S	B2A31M000140706	
Everest Indemnity	8400003953161	
General Security Indemnity	TR00014860189016	
<b>Workers' Comp.</b>		
Self-Insured	-	07/01/16
<b>Excess Workers' Comp.</b>		
ICRMA (Pool) - MOC	ICRMA2016-1WC	07/01/16
Safety National	SP4054982	07/01/16
<b>Employee Dishonesty (Crime), Replaces Public Officials</b> (Hanover Insurance Company)	BDF-1834286	07/01/16
<b>Inland Marine - Fine Arts</b> (Travelers Property and Casualty)	QT6607A065752TIL16	07/02/16
<b>Cyber Risk</b> (Illinois Union Insurance Co.)	EON G23685188 003	7/1/2016



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

June 30, 2017

<u>TO</u>	<u>LIMITS OF COVERAGE</u>	<u>ANNUAL PREMIUM</u>
07/01/17	\$500,000 per occurrence	\$1,205,215
07/01/17	\$3,000,000 excess of \$500,000	Included in above
07/01/17	\$2,000,000 excess of \$3,000,000	Included in above
07/01/17	\$5,000,000 excess of \$5,000,000	Included in above
07/01/17	\$10,000,000 excess of \$10,000,000	Included in above
07/01/17	\$10,000,000 excess of \$20,000,000	Included in above
07/01/17	\$125,000,000 Combined All-Risk	\$280,678
07/01/17	\$175,000,000 Combined Earthquake & Flood	Included in above
07/01/17	\$31,625,591	\$66,295.68
	31.62% of incurred loss to full replacement	Included in above
	43.38% of incurred loss to full replacement	Included in above
	25.00% of incurred loss to full replacement	Included in above
07/01/17	\$750,000 per occurrence	\$404,997
07/01/17	\$3,000,000 excess of \$750,000	
07/01/17	Statutory limits	Included in above
07/01/17	\$3,000,000	\$3,111
07/02/17	\$250,000	\$3,000
07/01/17	\$5,000,000	\$6,725

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

**Exhibit A-23**

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
General government										
Building permits issued	1,142	1,077	1,254	1,318	1,484	1,339	1,673	1,847	1,853	1,223
Building inspections conducted	14,634	11,401	9,544	9,676	10,298	11,165	13,370	14,708	14,630	14,796
Police										
Arrests	1,247	1,242	1,224	1,007	1,387	1,173	1,367	1,383	1,590	1,371
Parking citations	57,356	71,810	72,789	70,001	68,080	63,624	61,651	63,423	66,255	64,105
Traffic citations	6,726	6,674	9,513	8,591	9,605	6,890	6,339	4,222	4,723	3,682
Fire (a)										
Emergency responses	2,958	3,158	3,036	3,100	3,254	3,176	3,379	3,434	3,690	3,760
Fires extinguished	126	124	94	98	94	95	76	56	63	76
Inspections	995	1,155	1,300	973	1,650	933	1,078	536	852	697
Refuse collection										
Refuse collected (tons per day)	58.7	58.09	62.33	60.27	47.78	43.55	42.05	49.48	52.72	53.31
Recyclables collected (tons per day)	52.2	39.22	42.44	44.07	45.18	48.16	50.19	53.05	47.7	41.55
Other public works										
Street resurfacing (miles)	1.2	3.6	8.5	6.6	3.9	-	1.0	3.0	1.0	0.7
Parks and recreation										
Athletic field permits issued	4,464	4,246	4,501	4,887	5,901	7,002	7,779	10,369	9,912	10,328
Community center admissions*	153,628	143,441	134,144	147,630	41,374	89,134	107,632	76,860	52,424	63,083
Water										
Water main breaks	2	-	-	4	3	4	6	7	4	9
Average daily consumption (thousands of gallons)	6,018	4,819	5,096	4,900	4,920	5,123	4,929	4,468	4,021	4,130
Peak daily consumption (thousands of gallons)	7,168	5,783	7,644	7,350	6,712	6,989	7,169	5,344	5,344	6,190
Transportation										
Total route miles	46,749	43,406	51,736	65,517	43,461	38,995	41,680	44,067	46,175	40,961
Passengers	11,911	12,842	14,945	18,831	18,899	16,039	17,059	20,065	22,067	26,810

(a) Represents calendar year data.

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

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

**Exhibit A-24**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>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>	<u>2017</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	23	23	23	23	23	23	23	23	23	23
Fire stations	2	2	2	2	2	2	2	2	2	2
Other public works										
Streets (miles)	110	110	110	110	108	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	18	18	18	18
Soccer/football fields	15	15	15	15	15	15	19	19	19	19
Community centers	2	2	2	2	2	2	3	3	3	3
Water										
Water mains (miles)	106	106	106	106	106	106	106	106	106	106
Fire hydrants	670	671	775	774	774	774	774	774	774	774
Storage capacity (1000s Gallons)	9,830	9,830	9,830	9,800	9,800	9,800	9,800	9,800	9,800	9,800
Wastewater										
Sanitary sewers (miles)	84.0	84.0	84.0	81.6	82.0	82.0	82.0	82.0	82.0	82.0
Storm sewers (miles)	16.0	16.0	16.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Transportation—minibuses	4	4	4	4	4	4	4	4	4	5

**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 Refunding 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.

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## Reporting of Events with Respect to Debt Issuance during Fiscal Year 2016-2017

The City refunded existing Marine Avenue Sports Fields Variable Rate debt, converting it to Fixed Rate Certificates of Participation to secure historically low long-term rates.

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## Information relating to Underground Assessment District Bonds for Fiscal Year 2016-2017

	UUAD No. 04-1	UUAD No. 04-3	UUAD No. 04-5	UUAD No. 05-2	UUAD No. 05-6
Principal Amount Outstanding	\$620,000	\$435,000	\$375,000	\$2,340,000	\$2,475,000
Balances in:					
Improvement Fund	\$0	\$0	\$0	\$383,876.98	\$209,679.44
Debt Service Reserve Fund	\$116,824.21	\$82,153.59	\$70,546.69	\$337,235.11	\$361,836.92

The balance in each Debt Service Reserve Fund exceeds the respective debt service reserve requirement.

---

## Delinquencies of Underground Assessment District Bonds for Fiscal Year 2016-2017

*As of June 30, 2017*

PARCEL	TAX LEVIED	TAX PAID	Delinquencies
<b>Agency 20482 (District 05-2)</b>			
4169001007	2,796.09	-	2,796.09
4169003019	3,170.64	1,585.32	1,585.32
4169010015	2,421.55	1,210.77	1,210.78
<b>Agency 20482 Total</b>			<b>5,592.19</b>
<b>Agency 20483 (District 05-6)</b>			
4178009009	1,812.42	514.22	1,298.20
4178013081	1,342.06	-	1,342.06
4178011008	1,812.42	906.21	906.21
<b>Agency 20483 Total</b>			<b>3,546.47</b>
<b>Agency 20492 (District 04-1)</b>			
4175026004	861.37	430.68	430.69
4175029007	861.37	-	861.37
4175026035	531.99	-	531.99
4175030007	861.37	-	861.37
4175030009	861.37	430.68	430.69
<b>Agency 20492 Total</b>			<b>3,116.11</b>
<b>Agency 20493 (District 04-3)</b>			
4175024007	659.68	-	659.68
4176025004	659.68	-	659.68
4176025034	659.68	-	659.68
4175024009	534.16	507.12	27.04
4175025026	534.16	296.76	237.40
4176022003	659.68	329.84	329.84
<b>Agency 20493 Total</b>			<b>2,573.32</b>
<b>Agency 20494 (District 04-5)</b>			
None			
<b>Agency 20494 Total</b>			-
<b>TOTAL DELIQUENCIES</b>			<b>\$14,828.09</b>

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

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

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

*As of June 30, 2017*

Type of Investment	Market Value
Cash	\$2,849,396
Local Government Fund	28,669,597
US Treasury & Agency Notes	55,885,900
Medium-Term Notes	20,542,660
Certificates of Deposit	2,170,798
Funds Held by Fiscal Agent	1,803,693
Petty Cash	1,802
<b>Total</b>	<b>\$111,923,847</b>

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

*As of June 30, 2017*

<b><u>Employee Unit</u></b>	<b>No. Full-Time Employees*</b>	<b>Percent of Workforce</b>
Manhattan Beach Fire Association	26	9.0%
Manhattan Beach Police Officers' Association	57	19.8%
Manhattan Beach Police Management Association	8	2.8%
Miscellaneous Unit - Teamsters Local 911	132	45.8%
Manhattan Beach Mid-Managers Employee Association	37	12.8%
Management/Confidential (not represented)	28	9.7%
<b>Total</b>	<b>288</b>	<b>100.0%</b>

*\* As Budgeted. Excludes elected officials.*

**Additional Information**

The City maintains triple-A general obligation ratings from both Moody's and Standard and Poor's. Standard & Poor's reaffirmed the City's AAA Credit Rating on November 4, 2016.



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City of  
**Manhattan Beach**

1400 Highland Avenue, Manhattan Beach, CA 90266  
[www.citymb.info](http://www.citymb.info)