

CITY OF MANHATTAN BEACH, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2005



Prepared by the Finance Department

Bruce Moe, Finance Director

CITY OF MANHATTAN BEACH
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2005

TABLE OF CONTENTS

Page
Number

INTRODUCTORY SECTION

Letter of Transmittal
Directory of City Officials
Organization Chart
GFOA Certificate of Achievement for Excellence in Financial Reporting
CSMFO Certificate of Award for Outstanding Financial Reporting

FINANCIAL SECTION

Independent Auditors' Report

Management's Discussion and Analysis

Government-Wide Financial Statements

Exhibit A - Statement of Net Assets
Exhibit B - Statement of Activities

Governmental Funds - Fund Financial Statements

Exhibit C - Balance Sheet
Exhibit D - Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
Exhibit E - Statement of Revenues, Expenditures and
Changes in Fund Balances
Exhibit F - Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities

Budgetary Comparison Statements - General Fund

Exhibit G - Budgetary Comparison Statement - General Fund

Proprietary Funds Financial Statements

Exhibit H - Statement of Net Assets
Exhibit I - Statement of Revenues, Expenses and Changes
in Fund Net Assets

Exhibit J - Statement of Cash Flows

Fiduciary Funds Financial Statements

Exhibit K - Statement of Fiduciary Net Assets
Exhibit L - Statement of Changes in Fiduciary Net Assets

Notes to Financial Statements

SUPPLEMENTARY SCHEDULES

Schedule 1 - Combining Balance Sheet - Nonmajor Governmental Funds

Schedule 2 - Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Governmental Funds

CITY OF MANHATTAN BEACH
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2005

TABLE OF CONTENTS

| | <u>Page Number</u> |
|---|------------------------|
| SUPPLEMENTARY SCHEDULES (Continued) | |
| Schedule 3 - Budgetary Comparison Schedules - Special Revenue Funds | |
| A. Street Lighting and Landscape | |
| B. Gas Tax | |
| C. Asset Forfeiture | |
| D. Police Safety Grants | |
| E. Proposition A | |
| F. Proposition C | |
| G. AB 2766 | |
| Schedule 4 - Budgetary Comparison Schedules - Capital Projects Funds | |
| A. Capital Improvement | |
| B. Safety and Civic Center Construction | |
| C. Underground Assessment District | |
| Schedule 5 - Combining Statement of Net Assets - Nonmajor Proprietary Funds | |
| Schedule 6 - Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Nonmajor Proprietary Funds | |
| Schedule 7 - Combining Statement of Cash Flows - Nonmajor Proprietary Funds | |
| Schedule 8 - Combining Statement of Net Assets - Internal Service Funds | |
| Schedule 9 - Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Funds | |
| Schedule 10 - Combining Statement of Cash Flows - Internal Service Funds | |
| Schedule 11 - Combining Balance Sheet - All Agency Funds | |
| Schedule 12 - Statement of Changes in Assets and Liabilities - Agency Funds | |

CITY OF MANHATTAN BEACH
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2005

TABLE OF CONTENTS

| | <u>Page Number</u> |
|--|------------------------|
| STATISTICAL SECTION | |
| Governmental Fund Type Expenditures | |
| Governmental Fund Type Revenues | |
| General Fund Tax Collections Other Than Property Tax | |
| Assessed Value of Taxable Property | |
| Property Tax Rates for All Overlapping Governments | |
| Property Tax Levies and Collections - Current Year Secured and Unsecured | |
| Principal Property Taxpayers | |
| Direct and Overlapping Debt | |
| Computation of Legal Debt Margin, Debt Limit, and Ratio of General Bonded Debt to Assessed Value and per Capita | |
| Debt Service Requirements to Maturity | |
| Miscellaneous Statistical Data | |
| Parking Meter Revenues | |
| Schedule of Insurance in Force | |
| Construction Values and Bank Deposits | |
| Table of School Enrollment | |
| Demographic Statistical Data | |



Certified Public Accountants

Brandon W. Burrows
Donald L. Parker
Michael K. Chu
David E. Hale
A Professional Corporation
Donald G. Slater
Richard K. Kikuchi

Retired

Robert C. Lance
1914-1994
Richard C. Soll
Fred J. Lunghard, Jr.
1928-1999

INDEPENDENT AUDITORS' REPORT

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

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 the City of Manhattan Beach, California, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Manhattan Beach's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2005 on our consideration of the City of Manhattan Beach's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.





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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, the combining and individual fund statements, schedules and statistical tables are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Lance, Soll & Lunghard, LLP

October 21, 2005

CITY OF MANHATTAN BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MANHATTAN BEACH

Exhibit A

STATEMENT OF NET ASSETS
JUNE 30, 2005

| | Primary Government | | Total |
|---|-------------------------|--------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | |
| Assets: | | | |
| Current: | | | |
| Cash and investments | \$ 36,207,376 | \$ 15,548,662 | \$ 51,756,038 |
| Receivables: | | | |
| Accounts | 312,706 | 802,477 | 1,115,183 |
| Taxes | 2,583,683 | - | 2,583,683 |
| Accrued interest | 391,486 | - | 391,486 |
| Due from other governments | 1,172,802 | - | 1,172,802 |
| Prepaid costs | 25,315 | 85,539 | 110,854 |
| Inventories | 92,949 | 69,825 | 162,774 |
| Total Current Assets | 40,786,317 | 16,506,503 | 57,292,820 |
| Noncurrent: | | | |
| Restricted assets: | | | |
| Cash and investments | 21,132,385 | 3,648,074 | 24,780,459 |
| Unamortized debt issuance costs | 333,699 | 370,546 | 704,245 |
| Note receivable | 723,092 | - | 723,092 |
| Prepaid pension obligation | 760,680 | - | 760,680 |
| Capital assets not being depreciated | 62,731,276 | 15,491,988 | 78,223,264 |
| Capital assets, net of depreciation | 29,778,772 | 19,521,967 | 49,300,739 |
| Total Noncurrent Assets | 115,459,904 | 39,032,575 | 154,492,479 |
| Total Assets | 156,246,221 | 55,539,078 | 211,785,299 |
| Liabilities: | | | |
| Current: | | | |
| Accounts payable | 2,844,982 | 1,061,828 | 3,906,810 |
| Accrued liabilities | 1,481,669 | - | 1,481,669 |
| Accrued leave payable | 165,882 | 6,253 | 172,135 |
| Unearned revenue | 689,103 | - | 689,103 |
| Deposits payable | 321,106 | 109,384 | 430,490 |
| Interest payable | 287,250 | 372,492 | 659,742 |
| Worker compensation claims | 2,735,888 | - | 2,735,888 |
| General liability claims | 239,352 | - | 239,352 |
| Long-term liabilities due within one year | 190,000 | 355,000 | 545,000 |
| Total Current Liabilities | 8,955,232 | 1,904,957 | 10,860,189 |
| Noncurrent: | | | |
| Long-term liabilities due in more than one year | 26,020,593 | 16,812,289 | 42,832,882 |
| Total Liabilities | 34,975,825 | 18,717,246 | 53,693,071 |
| Net Assets: | | | |
| Invested in capital assets, net of related debt | 70,373,993 | 17,903,955 | 88,277,948 |
| Restricted for: | | | |
| Business improvement districts | - | 427,607 | 427,607 |
| Debt service | 19,119,420 | 3,648,074 | 22,767,494 |
| Special revenue funds | 5,493,705 | - | 5,493,705 |
| Unrestricted | 26,283,278 | 14,842,196 | 41,125,474 |
| Total Net Assets | \$ 121,270,396 | \$ 36,821,832 | \$ 158,092,228 |

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

| Functions/Programs | Program Revenues | | | |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | Expenses | Charges for Services | Operating Contributions and Grants | Capital Contributions and Grants |
| Governmental Activities: | | | | |
| General government | \$ 7,814,392 | \$ 5,311,693 | \$ 498,357 | \$ - |
| Public safety | 23,756,438 | 2,877,951 | 281,815 | 328,694 |
| Public works | 10,355,400 | 1,277,149 | 1,254,704 | 4,466,392 |
| Culture and recreation | 4,772,150 | 1,945,432 | 536,859 | - |
| Interest on long-term debt | 574,108 | - | - | - |
| Total Governmental Activities | \$ 47,272,488 | \$ 11,412,225 | \$ 2,571,735 | \$ 4,795,086 |
| Business-Type Activities: | | | | |
| Water | 6,516,122 | 6,776,437 | - | - |
| Storm water | 338,986 | 346,906 | - | 21,807 |
| Wastewater | 1,071,557 | 1,325,721 | - | - |
| Refuse | 3,430,815 | 3,531,951 | 20,088 | - |
| Parking | 1,476,255 | 1,672,347 | - | - |
| Total Business-Type Activities | 12,833,735 | 13,653,362 | 20,088 | 21,807 |
| Total Primary Government | \$ 60,106,223 | \$ 25,065,587 | \$ 2,591,823 | \$ 4,816,893 |

General Revenues:

Taxes:

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

Intergovernmental, unrestricted:

- Motor vehicle in lieu
- Investment earnings
- Other

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Year

Restatement of Net Assets

Net Assets at End of Year

Exhibit B

Net (Expenses) Revenues
and Changes in Net Assets

Primary Government

| <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|------------------------------------|-------------------------------------|-----------------------|
| \$ (2,004,342) | \$ - | \$ (2,004,342) |
| (20,267,978) | - | (20,267,978) |
| (3,357,155) | - | (3,357,155) |
| (2,289,859) | - | (2,289,859) |
| (574,108) | - | (574,108) |
| (28,493,442) | - | (28,493,442) |
| - | 260,315 | 260,315 |
| - | 29,727 | 29,727 |
| - | 254,164 | 254,164 |
| - | 121,224 | 121,224 |
| - | 196,092 | 196,092 |
| - | 861,522 | 861,522 |
| - | 861,522 | (27,631,920) |
| 11,793,140 | - | 11,793,140 |
| 2,449,326 | - | 2,449,326 |
| 7,903,191 | - | 7,903,191 |
| 903,490 | - | 903,490 |
| 2,316,232 | - | 2,316,232 |
| 1,003,916 | - | 1,003,916 |
| 2,472,372 | - | 2,472,372 |
| 2,332,366 | 450,702 | 2,783,068 |
| 327,376 | - | 327,376 |
| 143,000 | (143,000) | - |
| 31,644,409 | 307,702 | 31,952,111 |
| 3,150,967 | 1,169,224 | 4,320,191 |
| 117,293,341 | 35,652,608 | 152,945,949 |
| 826,088 | - | 826,088 |
| \$ 121,270,396 | \$ 36,821,832 | \$ 158,092,228 |

CITY OF MANHATTAN BEACH

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

| | Capital Projects Funds | | | |
|--|------------------------|---------------------|--------------------------------------|---------------------------------|
| | General | Capital Improvement | Safety and Civic Center Construction | Underground Assessment District |
| Assets: | | | | |
| Pooled cash and investments | \$ 17,410,600 | \$ 5,359,930 | \$ 474,062 | \$ 421 |
| Receivables: | | | | |
| Accounts | 312,705 | - | - | - |
| Taxes | 2,576,083 | - | - | - |
| Notes receivable | 723,091 | - | - | - |
| Accrued interest | 391,486 | - | - | - |
| Prepaid costs | 17,031 | - | - | - |
| Due from other governments | 90,387 | 950,400 | - | - |
| Restricted assets: | | | | |
| Cash and investments | 49,300 | 1,625,055 | 18,751,001 | 707,027 |
| Total Assets | \$ 21,570,683 | \$ 7,935,385 | \$ 19,225,063 | \$ 707,448 |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 354,543 | \$ 223,066 | \$ 1,677,728 | \$ 46,046 |
| Accrued liabilities | 1,538,209 | - | - | - |
| Accrued leave payable | 165,882 | - | - | - |
| Deferred revenues | 760,909 | - | - | - |
| Unearned revenue | 689,103 | - | - | - |
| Interest payable | - | 287,250 | - | - |
| Deposits payable | 321,104 | - | - | - |
| Due to other governments | 300,683 | - | - | - |
| Total Liabilities | 4,130,433 | 510,316 | 1,677,728 | 46,046 |
| Fund Balances: | | | | |
| Reserved for: | | | | |
| Encumbrances | 285,067 | - | 1,939 | - |
| Continuing projects | - | 4,746,211 | - | - |
| Prepaid costs | 17,031 | - | - | - |
| Debt Service | 49,300 | 1,337,805 | 17,071,334 | 660,981 |
| Long-term receivables | 723,091 | - | - | - |
| Unreserved, reported in: | | | | |
| General fund | 16,365,761 | - | - | - |
| Special revenue funds | - | - | - | - |
| Capital project funds | - | 1,341,053 | 474,062 | 421 |
| Total Fund Balances | 17,440,250 | 7,425,069 | 17,547,335 | 661,402 |
| Total Liabilities and Fund Balances | \$ 21,570,683 | \$ 7,935,385 | \$ 19,225,063 | \$ 707,448 |

See Notes to Financial Statements

Exhibit C

| Other Governmental Funds | Total Governmental Funds |
|--------------------------------|--------------------------------|
| \$ 5,419,504 | \$ 28,664,517 |
| 7,600 | 320,305 |
| - | 2,576,083 |
| - | 723,091 |
| - | 391,486 |
| - | 17,031 |
| 132,015 | 1,172,802 |
| - | 21,132,383 |
| <u>\$ 5,559,119</u> | <u>\$ 54,997,698</u> |
| | |
| \$ 65,414 | \$ 2,366,797 |
| - | 1,538,209 |
| - | 165,882 |
| - | 760,909 |
| - | 689,103 |
| - | 287,250 |
| - | 321,104 |
| - | 300,683 |
| <u>65,414</u> | <u>6,429,937</u> |
| | |
| 6,209 | 293,215 |
| 3,048,792 | 7,795,003 |
| - | 17,031 |
| - | 19,119,420 |
| - | 723,091 |
| - | 16,365,761 |
| 2,438,704 | 2,438,704 |
| - | 1,815,536 |
| <u>5,493,705</u> | <u>48,567,761</u> |
| <u>\$ 5,559,119</u> | <u>\$ 54,997,698</u> |

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

| | |
|---|-------------------------------------|
| Fund balances of governmental funds | \$ 48,567,761 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets net of depreciation have not been included as financial resources in governmental fund activity. | 90,756,785 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. | (23,451,243) |
| Deferred revenues are shown as revenue under full accrual accounting. | 760,909 |
| Prepaid pension benefit obligation is not reported in the governmental funds; however, it is reported in the government-wide statements. | 760,680 |
| Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, fleet management, building maintenance and operation to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets. | <u>3,875,504</u> |
| Net assets of governmental activities | <u><u>\$ 121,270,396</u></u> |

CITY OF MANHATTAN BEACH

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

| | Capital Projects Funds | | | |
|--|-------------------------------|--------------------------------|---|--|
| | General | Capital Improvement | Safety and Civic Center Construction | Underground Assessment District |
| Revenues: | | | | |
| Taxes and assessments | \$ 25,201,853 | \$ 359,096 | \$ - | \$ - |
| Licenses and permits | 1,522,259 | 38,087 | - | - |
| Intergovernmental | 2,762,310 | 1,035,000 | - | - |
| Contribution from property owners | - | - | - | 3,372,891 |
| Charges for services | 6,662,336 | 550,718 | - | - |
| Use of money and property | 2,353,450 | 24,556 | 304,139 | 20,413 |
| Fines and forfeitures | 1,794,249 | 116,508 | - | - |
| Miscellaneous | 666,232 | - | - | - |
| Total Revenues | 40,962,689 | 2,123,965 | 304,139 | 3,393,304 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 7,120,760 | - | - | - |
| Public safety | 22,126,102 | 706,572 | - | - |
| Culture and recreation | 4,141,179 | 63,190 | - | - |
| Public works | 4,570,303 | 1,504,538 | 15,571,575 | 4,178,434 |
| Total Expenditures | 37,958,344 | 2,274,300 | 15,571,575 | 4,178,434 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 3,004,345 | (150,335) | (15,267,436) | (785,130) |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 33,444 | 2,756,164 | 8,858,330 | - |
| Transfers out | (6,988,164) | (5,533,330) | - | (33,444) |
| Bond proceeds | - | 980,000 | 12,000,000 | - |
| Premium on bonds issued | - | 186,055 | - | - |
| Total Other Financing Source (Uses) | (6,954,720) | (1,611,111) | 20,858,330 | (33,444) |
| Net Change in Fund Balances | (3,950,375) | (1,761,446) | 5,590,894 | (818,574) |
| Fund Balances, Beginning of Year | 20,667,534 | 9,186,515 | 11,956,441 | 1,479,976 |
| Restatements | 723,091 | - | - | - |
| Fund Balances, Beginning of Year, as restated | 21,390,625 | 9,186,515 | 11,956,441 | 1,479,976 |
| Fund Balances, End of Year | \$ 17,440,250 | \$ 7,425,069 | \$ 17,547,335 | \$ 661,402 |

See Notes to Financial Statements

Exhibit E

| <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---|
| \$ 1,346,189 | \$ 26,907,138 |
| - | 1,560,346 |
| 825,966 | 4,623,276 |
| - | 3,372,891 |
| 5,861 | 7,218,915 |
| 130,218 | 2,832,776 |
| - | 1,910,757 |
| 39,356 | 705,588 |
| <u>2,347,590</u> | <u>49,131,687</u> |
| - | 7,120,760 |
| 272,768 | 23,105,442 |
| 790,374 | 4,994,743 |
| 1,798,219 | 27,623,069 |
| <u>2,861,361</u> | <u>62,844,014</u> |
| <u>(513,771)</u> | <u>(13,712,327)</u> |
| - | 11,647,938 |
| - | (12,554,938) |
| - | 12,980,000 |
| - | 186,055 |
| <u>-</u> | <u>12,259,055</u> |
| (513,771) | (1,453,272) |
| <u>6,007,476</u> | <u>49,297,942</u> |
| - | 723,091 |
| <u>6,007,476</u> | <u>50,021,033</u> |
| <u>\$ 5,493,705</u> | <u>\$ 48,567,761</u> |

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

Net change in fund balances - total governmental funds \$ (1,453,272)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below capitalization threshold. This activity is reconciled as follows:

| | |
|----------------------------|-------------|
| Cost of assets capitalized | 18,638,155 |
| Depreciation expense | (1,581,392) |

Revenue from principal payment received from notes receivable is recorded as revenue in the governmental funds. However, principal payments from notes receivable are eliminated from the statement of activities. This amount represents the change in the note receivables for this fiscal year. (21,085)

Bond proceeds are reported as another financing source in the governmental funds, but as an increase to long-term liabilities in the government-wide statements as follows:

| | |
|-------------------|--------------|
| Bond principal | (12,980,000) |
| Bond premium | (186,055) |
| Costs of issuance | 333,699 |

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 247,496

Compensated absences and supplemental leave expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (46,020)

The change in the prepaid pension obligation is reported only at the government-wide level. (65,411)

Deferred revenues are reported as revenue in the government-wide statements. 760,909

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 are reported with governmental activities. (496,057)

Change in net assets of governmental activities \$ 3,150,967

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2005**

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-----------------------|----------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Resources (Inflows): | | | | |
| Taxes and assessments | \$ 24,137,453 | \$ 24,137,453 | \$ 25,201,853 | \$ 1,064,400 |
| Licenses and permits | 1,360,999 | 1,360,999 | 1,522,259 | 161,260 |
| Intergovernmental | 2,256,833 | 2,484,631 | 2,762,310 | 277,679 |
| Charges for services | 6,078,410 | 6,090,660 | 6,662,336 | 571,676 |
| Use of money and property | 2,507,990 | 2,507,990 | 2,353,450 | (154,540) |
| Fines and forfeitures | 2,331,700 | 2,331,700 | 1,794,249 | (537,451) |
| Miscellaneous | 161,472 | 423,972 | 666,232 | 242,260 |
| Total Resources | 38,834,857 | 39,337,405 | 40,962,689 | 1,625,284 |
| Charges to Appropriation (Outflow): | | | | |
| General government | 7,350,056 | 7,556,687 | 7,120,760 | 435,927 |
| Public safety | 22,668,654 | 23,038,197 | 22,126,102 | 912,095 |
| Culture and recreation | 4,192,436 | 4,250,724 | 4,141,179 | 109,545 |
| Public works | 4,641,823 | 4,702,593 | 4,570,303 | 132,290 |
| Total Charges to Appropriation | 38,852,969 | 39,548,201 | 37,958,344 | 1,589,857 |
| Other Financing Sources: | | | | |
| Transfers in | 75,000 | 33,444 | 33,444 | - |
| Transfers out | (1,746,368) | (6,988,164) | (6,988,164) | - |
| Total Other Financing Sources | (1,671,368) | (6,954,720) | (6,954,720) | - |
| Net Change in Fund Balances | (1,689,480) | (7,165,516) | (3,950,375) | 3,215,141 |
| Fund Balance, Beginning of Year, as restated | 21,390,625 | 21,390,625 | 21,390,625 | - |
| Fund Balance, End of Year | \$ 19,701,145 | \$ 14,225,109 | \$ 17,440,250 | \$ 3,215,141 |

CITY OF MANHATTAN BEACH
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

| | <u>Water</u> | <u>Storm Water</u> | <u>Wastewater</u> |
|---|----------------------|---------------------|---------------------|
| Assets: | | | |
| Current: | | | |
| Cash and investments | \$ 8,746,522 | \$ 1,349,158 | \$ 1,633,722 |
| Receivables: | | | |
| Accounts | 412,403 | 4,215 | 84,286 |
| Prepaid costs | 50 | - | - |
| Inventories | 69,825 | - | - |
| Total Current Assets | 9,228,800 | 1,353,373 | 1,718,008 |
| Restricted assets: | | | |
| Cash and investments | 227,156 | - | 111,525 |
| Total Restricted Assets | 227,156 | - | 111,525 |
| Noncurrent: | | | |
| Unamortized debt issuance costs | 79,415 | - | 39,067 |
| Fixed assets - net of accumulated depreciation | 10,799,034 | 3,785,166 | 4,887,827 |
| Total Noncurrent Assets | 10,878,449 | 3,785,166 | 4,926,894 |
| Total Assets | \$ 20,334,405 | \$ 5,138,539 | \$ 6,756,427 |
| Liabilities and Net Assets: | | | |
| Liabilities: | | | |
| Current: | | | |
| Accounts payable | \$ 349,412 | \$ 5,830 | \$ 3,349 |
| Accrued leave payable | 6,253 | - | - |
| Interest payable | 51,006 | - | 25,100 |
| Workers' compensation claims | - | - | - |
| General liability claims | - | - | - |
| Deposits payable | 3,455 | 103,692 | - |
| Current portion of bonds payable | 63,681 | - | 31,319 |
| Total Current Liabilities | 473,807 | 109,522 | 59,768 |
| Noncurrent: | | | |
| Bonds, notes and loans payable | 2,627,367 | - | 1,292,633 |
| Accrued leave long-term | 57,289 | - | - |
| Workers' compensation claims | - | - | - |
| Liability claims | - | - | - |
| Total Noncurrent Liabilities | 2,684,656 | - | 1,292,633 |
| Total Liabilities | 3,158,463 | 109,522 | 1,352,401 |
| Net Assets: | | | |
| Invested in capital assets, net of related debt | 8,107,986 | 3,785,166 | 3,563,875 |
| Restricted for debt service | 227,156 | - | 111,525 |
| Restricted for business improvement district | - | - | - |
| Unrestricted | 8,840,800 | 1,243,851 | 1,728,626 |
| Total Net Assets | 17,175,942 | 5,029,017 | 5,404,026 |
| Total Liabilities and Net Assets | \$ 20,334,405 | \$ 5,138,539 | \$ 6,756,427 |

See Notes to Financial Statements

Exhibit H

| <u>Refuse</u> | <u>Parking</u> | <u>Nonmajor Enterprise Funds</u> | <u>Totals</u> | <u>Governmental Activities Internal Service Funds</u> |
|---------------------|----------------------|--|----------------------|---|
| \$ 793,638 | \$ 1,484,936 | \$ 1,540,686 | \$ 15,548,662 | \$ 7,542,861 |
| 300,583 | 990 | - | 802,477 | - |
| - | 85,361 | 128 | 85,539 | 8,282 |
| - | - | - | 69,825 | 92,949 |
| 1,094,221 | 1,571,287 | 1,540,814 | 16,506,503 | 7,644,092 |
| - | 3,309,393 | - | 3,648,074 | - |
| - | 3,309,393 | - | 3,648,074 | - |
| - | 252,064 | - | 370,546 | - |
| - | 15,541,928 | - | 35,013,955 | 1,753,263 |
| - | 15,793,992 | - | 35,384,501 | 1,753,263 |
| \$ 1,094,221 | \$ 20,674,672 | \$ 1,540,814 | \$ 55,539,078 | \$ 9,397,355 |
| \$ 248,585 | \$ 327,626 | \$ 127,026 | \$ 1,061,828 | \$ 120,960 |
| - | - | - | 6,253 | - |
| - | 296,386 | - | 372,492 | - |
| - | - | - | - | 2,735,889 |
| - | - | - | - | 239,351 |
| - | 1,690 | 547 | 109,384 | - |
| - | 260,000 | - | 355,000 | - |
| 248,585 | 885,702 | 127,573 | 1,904,957 | 3,096,200 |
| - | 12,835,000 | - | 16,755,000 | - |
| - | - | - | 57,289 | - |
| - | - | - | - | 2,111,324 |
| - | - | - | - | 314,327 |
| - | 12,835,000 | - | 16,812,289 | 2,425,651 |
| 248,585 | 13,720,702 | 127,573 | 18,717,246 | 5,521,851 |
| - | 2,446,928 | - | 17,903,955 | 1,753,263 |
| - | 3,309,393 | - | 3,648,074 | - |
| - | 427,607 | - | 427,607 | - |
| 845,636 | 770,042 | 1,413,241 | 14,842,196 | 2,122,241 |
| 845,636 | 6,953,970 | 1,413,241 | 36,821,832 | 3,875,504 |
| \$ 1,094,221 | \$ 20,674,672 | \$ 1,540,814 | \$ 55,539,078 | \$ 9,397,355 |

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
MAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

| | <u>Water</u> | <u>Storm Water</u> | <u>Wastewater</u> |
|---|-----------------------------|----------------------------|----------------------------|
| Operating Revenues: | | | |
| Sales and service charges | \$ 6,767,440 | \$ 341,496 | \$ 1,325,721 |
| Miscellaneous | 8,997 | 5,410 | - |
| Total Operating Revenues | <u>6,776,437</u> | <u>346,906</u> | <u>1,325,721</u> |
| Operating Expenses: | | | |
| Salaries and wages | 548,245 | 14,561 | 137,804 |
| Employee benefits | 215,894 | 97,941 | 37,072 |
| Contract and professional services | 3,377,581 | 26,852 | 24,471 |
| Materials and services | 685,473 | 12,454 | 92,665 |
| Utilities | 188,887 | - | 19,695 |
| Administrative service charges | 1,075,968 | 54,567 | 553,656 |
| Leases and rents | - | - | - |
| Depreciation | 263,370 | 132,611 | 127,129 |
| Total Operating Expenses | <u>6,355,418</u> | <u>338,986</u> | <u>992,492</u> |
| Operating Income (Loss) | <u>421,019</u> | <u>7,920</u> | <u>333,229</u> |
| Nonoperating Revenues (Expenses): | | | |
| Intergovernmental | - | 21,807 | - |
| Interest revenue | 224,887 | 27,793 | 41,794 |
| Interest expense | (160,704) | - | (79,065) |
| Total Nonoperating Revenues (Expenses) | <u>64,183</u> | <u>49,600</u> | <u>(37,271)</u> |
| Income (Loss) Before Transfers | 485,202 | 57,520 | 295,958 |
| Transfers in | - | 150,000 | - |
| Transfers out | - | - | - |
| Changes in Net Assets | <u>485,202</u> | <u>207,520</u> | <u>295,958</u> |
| Net Assets: | | | |
| Beginning of Fiscal Year | <u>16,690,740</u> | <u>4,821,497</u> | <u>5,108,068</u> |
| End of Fiscal Year | <u>\$ 17,175,942</u> | <u>\$ 5,029,017</u> | <u>\$ 5,404,026</u> |

Changes in net assets, enterprise funds

Changes in net assets of business-type activities

Exhibit I

| <u>Refuse</u> | <u>Parking</u> | <u>Nonmajor Enterprise Funds</u> | <u>Totals</u> | <u>Governmental Activities- Internal Service Funds</u> |
|-------------------|---------------------|--|----------------------|--|
| \$ 3,499,156 | \$ 955,968 | \$ 707,749 | \$ 13,597,530 | \$ 5,597,650 |
| 32,795 | 8,630 | - | 55,832 | 193,344 |
| 3,531,951 | 964,598 | 707,749 | 13,653,362 | 5,790,994 |
| 3,147 | 38,083 | 25,312 | 767,152 | 842,751 |
| 164 | 8,241 | 5,584 | 364,896 | 295,368 |
| 3,075,067 | 58,994 | 115,902 | 6,678,867 | 363,503 |
| 37,390 | 101,314 | 36,264 | 965,560 | 4,432,177 |
| 287 | 67,914 | 31,998 | 308,781 | 146,298 |
| 314,760 | 82,814 | 30,296 | 2,112,061 | 125,743 |
| - | - | 209,732 | 209,732 | - |
| - | 54,076 | - | 577,186 | 436,211 |
| 3,430,815 | 411,436 | 455,088 | 11,984,235 | 6,642,051 |
| 101,136 | 553,162 | 252,661 | 1,669,127 | (851,057) |
| 20,088 | - | - | 41,895 | - |
| 17,633 | 107,341 | 31,254 | 450,702 | - |
| - | (609,731) | - | (849,500) | - |
| 37,721 | (502,390) | 31,254 | (356,903) | - |
| 138,857 | 50,772 | 283,915 | 1,312,224 | - |
| - | - | - | 150,000 | 355,000 |
| - | - | (293,000) | (293,000) | - |
| 138,857 | 50,772 | (9,085) | 1,169,224 | (496,057) |
| 706,779 | 6,903,198 | 1,422,326 | 35,652,608 | 4,371,561 |
| \$ 845,636 | \$ 6,953,970 | \$ 1,413,241 | \$ 36,821,832 | \$ 3,875,504 |
| | | | \$ 1,169,224 | |
| | | | \$ 1,169,224 | |

CITY OF MANHATTAN BEACH

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005**

| | Business-Type Activities - Enterprise Funds | | |
|---|--|----------------------------|----------------------------|
| | <u>Water</u> | <u>Storm Water</u> | <u>Wastewater</u> |
| Cash Flows from Operating Activities: | | | |
| Cash received from customers and users | \$ 6,843,199 | \$ 383,603 | \$ 1,306,563 |
| Cash received from interfund service provided | - | - | - |
| Cash paid to supplies for goods and services | (4,363,758) | (154,288) | (72,261) |
| Cash paid to employees for services | (683,124) | (65,158) | (174,694) |
| Cash paid for interfund services used | (1,503,558) | (5,660) | (622,200) |
| Other revenues | - | 21,807 | - |
| | <u>292,759</u> | <u>180,304</u> | <u>437,408</u> |
| Net Cash Provided (Used) by Operating Activities | | | |
| Cash Flows from Noncapital Financing Activities: | | | |
| Cash transfer from other funds | - | 150,000 | - |
| Cash transfer to other funds | - | - | - |
| | <u>-</u> | <u>150,000</u> | <u>-</u> |
| Net Cash Provided (Used) by Noncapital Financing Activities | | | |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Purchases of capital assets | (442,109) | (74,902) | (40,946) |
| Principal paid on capital debt | (60,322) | - | (29,678) |
| Interest paid on capital debt | (154,628) | - | (76,075) |
| Bond administration fee | (2,622) | - | (1,290) |
| | <u>(659,681)</u> | <u>(74,902)</u> | <u>(147,989)</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | | | |
| Cash Flows from Investing Activities: | | | |
| Interest received | 224,883 | 27,792 | 41,793 |
| | <u>224,883</u> | <u>27,792</u> | <u>41,793</u> |
| Net Cash Provided (Used) by Investing Activities | | | |
| Net Increase (Decrease) in Cash and Cash Equivalents | (142,039) | 283,194 | 331,212 |
| Cash and Cash Equivalents at Beginning of Year | 9,115,717 | 1,065,964 | 1,414,035 |
| Cash and Cash Equivalents at End of Year | <u><u>\$ 8,973,678</u></u> | <u><u>\$ 1,349,158</u></u> | <u><u>\$ 1,745,247</u></u> |

See Notes to the Financial Statements

| Business-Type Activities Enterprise Funds | | | | Governmental Activities - Internal Service Funds |
|--|---------------------|------------------------------|----------------------|---|
| Refuse | Parking | Other Enterprise Funds | Total | |
| \$ 3,517,427 | \$ 1,516,837 | \$ 707,749 | \$ 14,275,378 | \$ 137,862 |
| - | - | - | - | 5,665,452 |
| (3,080,295) | (307,250) | (419,017) | (8,396,869) | (3,198,787) |
| (3,311) | (46,323) | (30,896) | (1,003,506) | (1,040,298) |
| (353,637) | (644,501) | (33,725) | (3,163,281) | (610,960) |
| 20,088 | - | - | 41,895 | - |
| 100,272 | 518,763 | 224,111 | 1,753,617 | 953,269 |
| - | - | - | 150,000 | 355,000 |
| - | - | (293,000) | (293,000) | - |
| - | - | (293,000) | (143,000) | 355,000 |
| - | (383,919) | - | (941,876) | (233,887) |
| - | (255,000) | - | (345,000) | - |
| - | (597,871) | - | (828,574) | - |
| - | (3,509) | - | (7,421) | - |
| - | (1,240,299) | - | (2,122,871) | (233,887) |
| 17,633 | 107,341 | 31,255 | 450,697 | - |
| 17,633 | 107,341 | 31,255 | 450,697 | - |
| 117,905 | (614,195) | (37,634) | (61,557) | 1,074,382 |
| 675,733 | 5,408,524 | 1,578,320 | 19,258,293 | 6,468,479 |
| \$ 793,638 | \$ 4,794,329 | \$ 1,540,686 | \$ 19,196,736 | \$ 7,542,861 |

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2005

| | Business-Type Activities - Enterprise Funds | | |
|--|--|--------------------------|--------------------------|
| | <u>Water</u> | <u>Storm Water</u> | <u>Wastewater</u> |
| Reconciliation of Operating Income to net Cash Provided (Used) by Operating Activities: | | | |
| Operating income (loss) | \$ 421,019 | \$ 7,920 | \$ 333,229 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | |
| Depreciation | 263,370 | 132,611 | 127,129 |
| Miscellaneous revenue | - | 21,807 | - |
| (Increase) decrease in accounts receivable | 52,711 | 30,697 | (20,045) |
| (Increase) decrease in inventories | (21,595) | - | - |
| (Increase) decrease in prepaid expense | (46) | - | - |
| (Increase) decrease in due from other funds | - | - | - |
| Increase (decrease) in accounts payable | (428,582) | (1,824) | (2,905) |
| Increase (decrease) in accrued liabilities | 5,897 | - | - |
| Increase (decrease) in deposits payable | (15) | (10,907) | - |
| Increase (decrease) in claims payable | - | - | - |
| Total Adjustments | <u>(128,260)</u> | <u>172,384</u> | <u>104,179</u> |
| Net Cash Provided (Used) by Operating Activities | <u><u>\$ 292,759</u></u> | <u><u>\$ 180,304</u></u> | <u><u>\$ 437,408</u></u> |

See Notes to Financial Statements

| Business-Type Activities Enterprise Funds | | | | Governmental Activities - Internal Service Funds |
|--|-------------------|---------------------------------------|---------------------|---|
| Refuse | Parking | Other Enterprise Funds | Total | |
| \$ 101,136 | \$ 553,162 | \$ 252,661 | \$ 1,669,127 | \$ (851,057) |
| - | 54,076 | - | 577,186 | 436,209 |
| 20,088 | - | - | 41,895 | - |
| (14,369) | (825) | - | 48,169 | - |
| - | - | - | (21,595) | (580) |
| - | (85,361) | (128) | (85,535) | (1,400) |
| - | - | - | - | (6,882) |
| (6,428) | (2,759) | (28,422) | (470,920) | 45,855 |
| - | - | - | 5,897 | - |
| (155) | 470 | - | (10,607) | (2,939) |
| - | - | - | - | 1,334,063 |
| (864) | (34,399) | (28,550) | 84,490 | 1,804,326 |
| \$ 100,272 | \$ 518,763 | \$ 224,111 | \$ 1,753,617 | \$ 953,269 |

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005**

| | Pension Trust Fund | Agency Funds |
|--|-------------------------------|-------------------------|
| Assets: | | |
| Cash and investments | \$ 1,567,546 | \$ 2,516,710 |
| Receivables: | | |
| Accounts | - | 5,329 |
| Total Assets | \$ 1,567,546 | \$ 2,522,039 |
| Liabilities: | | |
| Accounts payable | \$ - | \$ 10,000 |
| 401(a) plan deposits | | 1,046,659 |
| Utility development deposits | | 619,874 |
| Art development fees | | 286,829 |
| Other deposits | - | 81,362 |
| Due to bond holders | - | 477,315 |
| Total Liabilities | - | \$ 2,522,039 |
| Net Assets: | | |
| Held in trust for pension benefits and other purposes | \$ 1,567,546 | |

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005**

| | <u>Pension Trust Fund</u> |
|-------------------------------------|-------------------------------|
| Additions: | |
| Investment earnings: | |
| Interest | \$ 50,659 |
| Total Additions | <u>50,659</u> |
| Deductions: | |
| Benefits | <u>82,733</u> |
| Total Deductions | <u>82,733</u> |
| Excess Additions Over Deductions | <u>(32,074)</u> |
| Transfer in | <u>695,000</u> |
| Changes in net assets | 662,926 |
| Net Assets - Beginning of the Year | <u>904,620</u> |
| Net Assets - End of the Year | <u><u>\$ 1,567,546</u></u> |

CITY OF MANHATTAN BEACH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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. 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. In September of 1996, this entity issued \$4,615,000 of debt in the form of Certificates of Participation 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 also 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 Certificate of Participation 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, with the public plaza scheduled for completion contemporaneously with the commercial development in 2005. Most recently, in November 2004, this entity issued fixed rate Certificates of Participation in the amount of \$12,980,000 to contribute toward the full funding of the construction a new Police and Fire facility and adjoining City Hall plaza. This major project is currently underway with a completion date targeted for the end of the 2005-2006 fiscal year.

b. Accounting and Reporting Policies

The City applies all applicable Financial Accounting Standards Board (FASB) pronouncements up to November 30, 1989 at which point all applicable Governmental Accounting Standards Board (GASB) pronouncements are followed. All FASB statements and interpretations issued after November 30, 1989 are followed except for those that conflict with or contradict GASB pronouncements.

City of Manhattan Beach
Notes to Financial Statements (Continued)

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

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 two new Capital Improvement Construction funds were placed into this group. These include the Police and Fire Facility Construction Fund and the Underground Assessment District Construction Fund.

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 defined benefit pension plans, defined contribution plans, other post-employment benefit plans or other employee benefit plans.

Private Purpose Trust Funds - to account for all other trust arrangements under which principal and income benefit individuals, private organizations or other governments.

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

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

d. Basis of Accounting/Measurement Funds

Government-Wide Financial Statements

The City government-wide financial statements include a Statement of Net Assets and Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental Activities for the City. 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 and liabilities, including capital assets and infrastructure as well as long-term debt, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. 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. Grant 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 Assets includes both current and noncurrent assets and liabilities. In prior years, the noncurrent assets and liabilities were recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group, which are no longer reported.

Financial Statement Classification

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

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 Assets

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

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

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

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenue, Expenditures and Changes in Fund Balances for all major governmental funds and aggregated nonmajor funds. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net asset 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 net current assets.

The modified accrual basis of accounting is used by all governmental funds as basis for recognizing revenues. Under the modified 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 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. Grant monies received before the City has a legal claim to them, such as grant funds received prior to incurring qualified expenses, are recorded as deferred revenue liabilities. In subsequent periods, the deferred revenue is removed once revenue recognition criteria is 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.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions.

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

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

Proprietary Funds Financial Statements

Proprietary funds financial statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, 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 and liabilities (current and long-term) resulting from the operations of these funds are included in the Statement of Net Assets. Accordingly, proprietary fund Statement of Net Assets present assets 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.

All proprietary funds are accounted for using the flow of economic resources and accrual basis of accounting. Their revenues are recognized when they are earned and become measurable; expenses are recognized when they are incurred. Unbilled service receivables are recorded as accounts receivable and as revenue when earned.

Fiduciary Funds

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

Major Funds

The City reports the following major governmental funds:

The General Fund accounts for the resources traditionally associated with general government, which are required for in a separate fund.

The Capital Improvement Capital Project Funds 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.

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

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

The Safety and Civic Center Construction Fund accounts for the resources for the construction of the new police and fire facility.

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

The City reports the following 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.

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

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

Refuse Fund is used to account for the provision of refuse collection, street sweeping and recycling services in the City. The City bills both residential and commercial properties. Rates were not increased during this fiscal year although street sweeping charges were added to this operation in July 2004.

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.

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

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

f. Capital Assets

Capital assets, which include land, machinery and equipment, buildings and improvements, and infrastructure (roads, bridges, curbs and gutters, streets, walk-streets and sidewalks, parks and recreation improvements), are reported in the Governmental Activities column of the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than a certain cost and an estimated life of more than two years. Minimum capitalization costs are as follows: capital infrastructure assets, including buildings, improvements and infrastructure, \$100,000; general capital assets, including machinery and equipment, \$5,000. Such assets are recorded at historical cost and capitalized as acquired and/or constructed.

In 1995-1996, the City obtained an independent appraisal of all City owned land parcels and enterprise capital assets infrastructure related to its Water, Wastewater and Parking Funds. The appraisal was done to assure compliance with accounting standards and involved the estimation of historical costs for a variety of enterprise facilities.

In 2002-2003, the City contracted with an independent firm to obtain a valuation of its capital assets. This was done to specifically comply with the reporting requirements of GASB Statement No. 34. For purposes of this study, capital assets were defined to include land, buildings and improvements, City owned utilities, streets and roadways, and parks and recreation facilities and improvements. This significant valuation project entailed many steps covering several months of work. Key steps to the project included: obtaining an inventory of all material City owned assets, establishing acquisition dates, deriving historical costs, developing and recommending useful lives, and constructing a basis for depreciation in arriving at a June 30, 2005, net book value. The completion of this valuation, along with the other reporting requirements of GASB Statement No. 34, presented a material change in accounting principle and the value of capital assets reported in the prior fiscal year.

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

| <u>Asset</u> | <u>Years</u> |
|-------------------------|--------------|
| Buildings/Improvements | 40 - 50 |
| Equipment | 5 - 10 |
| Vehicles | 3 - 20 |
| Water and Sewer Systems | 30 - 50 |
| Other Infrastructure | 15 - 100 |

Gifts or contributions of capital assets are recorded at fair market value when received.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the project with interest earned on the invested proceeds over the same period.

g. Budgetary Basis of Accounting

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

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

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

h. Other Accounting Policies

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

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

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.

i. Interfund Transfers

As a general rule, interfund transactions have been eliminated from the government-wide financial statements. Exceptions to this rule are payments in lieu or charges for current service between the City's enterprise activity and the City's General Fund. Elimination of these transactions would distort the direct costs and program revenues for the various functions. Certain eliminations have been made regarding interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental, business-type, and Trust & Agency activities have not been eliminated.

j. Long-Term Obligations

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

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

Claims and Judgments - 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 \$2,975,240 and \$2,425,651, 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 long-term debt in the Statement of Net Assets.

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

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

k. Vacation and Sick Leave

The City's policy is to record the cost of vested vacation and sick leave as it is earned. Vacation is payable to employees at the time a vacation is taken or upon termination of employment. Employees do not receive payment for unused sick leave upon termination except for sworn fire safety personnel who may either cash out at a rate of 50% or convert 75% of the value of their unused sick time to service credit upon a service retirement.

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

l. Supplemental Leave Allowance

In December 1994, an emergency leave bank was established for active management/confidential employees. At June 30, 2005, the total accrued liability for this benefit amounted to \$45,292, based on accumulated hours for months in service during the time period from January 1, 1990 to December 4, 1994, as specified in the parameters of the plan. Upon termination, the employee will be paid for any unused leave and as such the total amount of the liability is accrued as a long-term item (see Note 5). This balance decreased from prior year levels reflecting cash payouts to benefiting employees to be used in funding a newly established and optional employee funded retirement health savings plan.

m. Allocation of Interest Income Among Funds

The City pools all non-restricted cash for investment purchases and allocates interest income based on month-end cash balances. Funds that have restricted cash record interest income in the respective fund.

n. Cash Flow Statements

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.

o. Estimates

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

p. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, and then unrestricted resources as they are needed.

q. Stewardship, Compliance and Accountability

The Insurance Reserve Internal Service Fund had negative net assets in the amount of \$369,658 at June 30, 2005. The City expects to recover this amount in the coming year from additional departmental charges.

City of Manhattan Beach
Notes to Financial Statements (Continued)

Note 2: Cash and Investments

As of June 30, 2005, cash and investments were reported in the accompanying financial statements as follows:

| | |
|----------------------------|----------------------|
| Governmental activities | \$ 57,339,761 |
| Business-type activities | 19,196,736 |
| Fiduciary funds | <u>4,084,256</u> |
| Total Cash and Investments | <u>\$ 80,620,753</u> |

The City of Manhattan Beach maintains a cash and investment pool that is available for use for all 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.

The City implemented the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, for the year ended June 30, 2005. This statement establishes and modifies disclosure requirements related to investment and deposit risks; accordingly, the note disclosure on cash and investments has been revised to conform to the provisions of GASB Statement No. 40.

a. Deposits

At June 30, 2005, the carrying amount of the City's deposits was \$1,676,448, and the bank balance was \$3,134,168. The \$1,457,720 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The City's Treasurer may waive the collateral requirement for deposits that are fully insured up to \$100,000 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 local governmental agency.

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

City of Manhattan Beach
Notes to Financial Statements (Continued)

Note 2: Cash and Investments (Continued)

- Local Agency Investment Fund (State Pool) Demand Deposits
- Passbook Savings Account Demand Deposits
- Federally Insured Thrift and Loan
- Los Angeles County Pool
- Repurchase Agreements
- Medium-Term Corporate Notes
- Insured Municipal Bonds
- Floaters or step-ups with market driven interest rate adjustments
- Mutual Funds of highest ratings

Throughout the year, the City utilized overnight repurchase agreements for temporary investment of idle cash. Such agreements were used periodically and generally did not exceed 5% of the City's investment portfolio.

Although the City's investment policy allows reverse-repurchase agreements with specific City Council approval, the City did not borrow through the use of reverse-repurchase agreements at any time during the year.

c. Investments Authorized by Debt Agreements

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

d. Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

The City is required to disclose its methods and assumptions used to estimate the fair value of its holdings in LAIF. The City relied upon information provided by the State Treasurer in estimating the City's fair value position of its holdings in LAIF. The City had a contractual withdrawal value of \$15,611,000 whose pro-rata share of fair value was estimated by the State Treasurer to be \$15,575,838.

e. Investment in State and County Treasury's Investment Pool and 401(a) Plan

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

f. Cash and Investments - 401 (a) Plan

The City contributes to a 401(a) plan for its management confidential employees into which these employees can make voluntary contributions. The fair value of the plan assets at June 30, 2005 was \$1,046,659.

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

Note 2: Cash and Investments (Continued)

g. GASB Statement No. 31

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

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, 2005, \$261,375 of unrealized loss was recorded in the investment portfolio.

h. Credit Risk

The City's investment policy limits investments in medium-term notes (MTN's) to those rated in the top three rating categories by two of the three largest nationally recognized rating services at time of purchase. As of June 30, 2005, the City's investment in medium-term notes consisted of investments with General Electric Capital, Citicorp and National City Bank. At June 30, 2005, all MTN's were rated "A" or higher by Moody'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, 2005, the City's investments in external investment pools and money market mutual funds are unrated.

i. Custodial Credit Risk

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

As of June 30, 2005, none of the City's deposits or investments was exposed to custodial credit risk.

j. Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer. With respect to concentration risk, as of June 30, 2005, the City has not invested more than 5% of its total investments in any one issuer. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

City of Manhattan Beach
Notes to Financial Statements (Continued)

Note 2: Cash and Investments (Continued)

k. Interest Rate Risk

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

As of June 30, 2005, 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 | |
| Pooled Investments: | | | | |
| Local Government Fund | \$ 15,575,838 | \$ - | \$ - | \$ 15,575,838 |
| US Treasury and agency notes | 2,939,097 | 4,213,401 | 26,128,541 | 33,281,039 |
| Medium-term notes | - | - | 5,025,523 | 5,025,523 |
| | <u>\$ 18,514,935</u> | <u>\$ 4,213,401</u> | <u>\$ 31,154,064</u> | <u>\$ 53,882,400</u> |
| Investment Contracts: | | | | |
| Police & Fire Construction | | | | \$ 20,376,057 |
| Utility Undergrounding | | | | 988,474 |
| Metlox certificates of participation | | | | 3,309,393 |
| Marine certificates of participation | | | | 49,300 |
| Water/wastewater revenue bonds | | | | 338,681 |
| | | | | <u>\$ 25,061,905</u> |
| Demand deposits | | | | \$ 536,377 |
| Other deposits | | | | 12,087 |
| Petty cash | | | | 2,052 |
| | | | | <u>\$ 550,516</u> |
| Other Funds and Deposits: | | | | |
| 401(a) employee plan | | | | 1,046,659 |
| | | | | <u>79,273</u> |
| | | | | <u>\$ 1,125,932</u> |
| Grand Total | | | | <u>\$ 80,620,753</u> |

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

Note 3: Interfund Transactions

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, 2005 are presented below:

| | Transfers To: | | | | | | Total |
|----------------------------|------------------|--------------------------|------------------------|------------------------|-------------------|-------------------|----------------------|
| | General Fund | Capital Improvement Fund | Police Fire Const Fund | Internal Service Funds | Proprietary Funds | Fiduciary Funds | |
| Transfers From: | | | | | | | |
| Major Governmental Funds: | | | | | | | |
| General Fund | \$ - | \$ 2,463,164 | \$ 3,325,000 | \$ 355,000 | \$ 150,000 | \$ 695,000 | \$ 6,988,164 |
| Capital Improvements Fund | - | - | 5,533,330 | - | - | - | 5,533,330 |
| Police Fire Const. Fund | - | - | - | - | - | - | - |
| Underground Utility Fund | 33,444 | - | - | - | - | - | 33,444 |
| Nonmajor Governmental Fund | - | - | - | - | - | - | - |
| Proprietary Funds | - | 293,000 | - | - | - | - | 293,000 |
| Total | \$ 33,444 | \$ 2,756,164 | \$ 8,858,330 | \$ 355,000 | \$ 150,000 | \$ 695,000 | \$ 12,847,938 |

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

A \$3,325,000 transfer out of the General Fund into the Police and Fire Construction Fund for funding of the Public Safety Facility as planned for in the City budget. This amount also included an approved project budget contingency amount of \$1,325,000.

A \$2,463,164 transfer out of the General Fund into the Capital Improvement Fund to:

- o Increase the designated Strand Improvement Reserve by \$1,596,369 to the approved \$4 million level.
- o To prepay \$866,795 in capitalized interest as a basis for reducing long-term debt service payments for the Police/Fire bonds.

A \$5,533,330 transfer out of the Capital Improvement Fund to the Police and Fire facility Construction Fund as part of a planned and budgeted funding of accumulated project reserves.

A \$695,000 transfer out of the General Fund to the Pension Fund to pay for the unfunded liabilities resulting from newly awarded Police Post Retirement Health benefits.

A \$355,000 transfer out of the General Fund to the Insurance Fund to re-establish fund working capital policy levels.

A \$150,000 transfer out of the General Fund to the Storm Water Fund in support of fund levels required to maintain operations for the assessment fund. Increasing assessment levels in this particular fund are needed to cover rising utility and maintenance costs, but local governments are precluded from doing so, subject to a proposition 218 vote of the people.

A \$293,000 transfer out of the El Porto County Lot Fund to the Capital Improvement Fund to pay for the construction costs associated with the El Porto Wall project.

A \$33,444 transfer out of the Underground Utility Construction Fund to the General Fund to reimburse the City for bond issuance costs.

City of Manhattan Beach
Notes to Financial Statements (Continued)

Note 4: Capital Assets and Depreciation

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Assets. 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, 2005:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|----------------------|----------------------|--------------------|--------------------|----------------------|
| Governmental Activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 33,634,566 | \$ - | \$ - | \$ - | \$ 33,634,566 |
| Construction-in-progress | 10,832,326 | 15,571,575 | - | 2,692,809 | 29,096,710 |
| Total Capital Assets, Not Being Depreciated | 44,466,892 | 15,571,575 | - | 2,692,809 | 62,731,276 |
| Capital assets, being depreciated: | | | | | |
| Buildings and structures | 4,811,732 | - | - | - | 4,811,732 |
| Machinery and equipment | 4,043,229 | 161,825 | (129,795) | - | 4,075,259 |
| Vehicles | 5,085,841 | 233,885 | (87,231) | - | 5,232,495 |
| Streets and roadways | 32,989,222 | 2,861,565 | - | (1,059,905) | 34,790,882 |
| Parks and recreation | 9,252,595 | 43,190 | - | (1,632,904) | 7,662,881 |
| Total Capital Assets, Being Depreciated | 56,182,619 | 3,300,465 | (217,026) | (2,692,809) | 56,573,249 |
| Less accumulated depreciation: | | | | | |
| Buildings and structures | (1,952,558) | (94,770) | - | - | (2,047,328) |
| Machinery and equipment | (2,412,727) | (332,256) | 102,535 | - | (2,642,448) |
| Vehicles | (3,130,254) | (436,209) | 87,231 | - | (3,479,232) |
| Streets and roadways | (14,530,225) | (953,165) | - | - | (15,483,390) |
| Parks and recreation | (2,968,136) | (173,943) | - | - | (3,142,079) |
| Total Accumulated Depreciation | (24,993,900) | (1,990,343) | 189,766 | - | (26,794,477) |
| Total Capital Assets, Being Depreciated, Net | 31,188,719 | 1,310,122 | (27,260) | (2,692,809) | 29,778,772 |
| Governmental Activities Capital Assets, Net | \$ 75,655,611 | \$ 16,881,697 | \$ (27,260) | \$ - | \$ 92,510,048 |

City of Manhattan Beach
Notes to Financial Statements (Continued)

Note 4: Capital Assets and Depreciation (Continued)

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|--------------------------|-----------------------|-----------------|------------------------|--------------------------|
| Business-Type Activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land - water | \$ 307,967 | \$ - | \$ - | \$ - | \$ 307,967 |
| Land - storm water | 7,650 | - | - | - | 7,650 |
| Land - parking | 1,441,817 | - | - | - | 1,441,817 |
| Construction-in-progress | <u>13,922,072</u> | <u>1,032,704</u> | <u>-</u> | <u>(1,220,222)</u> | <u>13,734,554</u> |
| Total Capital Assets, Not Being Depreciated | <u>15,679,506</u> | <u>1,032,704</u> | <u>-</u> | <u>(1,220,222)</u> | <u>15,491,988</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings and structures - parking | 1,881,778 | - | - | - | 1,881,778 |
| Machinery and equipment - parking | 689,151 | - | - | - | 689,151 |
| Water | 16,197,376 | - | - | 1,220,222 | 17,417,598 |
| Storm water | 5,729,338 | - | - | - | 5,729,338 |
| Wastewater | <u>9,168,712</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,168,712</u> |
| Total Capital Assets, Being Depreciated | <u>33,666,355</u> | <u>-</u> | <u>-</u> | <u>1,220,222</u> | <u>34,886,577</u> |
| Less Accumulated Depreciation: | | | | | |
| Buildings and structures - parking | (547,056) | (29,067) | - | - | (576,123) |
| Machinery and equipment - parking | (354,418) | (25,010) | - | - | (379,428) |
| Water | (7,346,292) | (263,370) | - | - | (7,609,662) |
| Storm water | (2,207,046) | (132,611) | - | - | (2,339,657) |
| Wastewater | <u>(4,332,611)</u> | <u>(127,129)</u> | <u>-</u> | <u>-</u> | <u>(4,459,740)</u> |
| Total Accumulated Depreciation | <u>(14,787,423)</u> | <u>(577,187)</u> | <u>-</u> | <u>-</u> | <u>(15,364,610)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>18,878,932</u> | <u>(577,187)</u> | <u>-</u> | <u>1,220,222</u> | <u>19,521,967</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 34,558,438</u> | <u>\$ 455,517</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 35,013,955</u> |

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

Note 4: Capital Assets and Depreciation (Continued)

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

| | |
|---|---------------------|
| Governmental Activities: | |
| General government | \$ 134,719 |
| Public safety | 148,753 |
| Public works | 1,472,066 |
| Culture and recreation | <u>234,805</u> |
| Total Depreciation Expense - Governmental Activities | <u>\$ 1,990,343</u> |
| Business-Type Activities: | |
| Water | \$ 263,370 |
| Storm water | 132,611 |
| Wastewater | 127,129 |
| Parking | <u>54,077</u> |
| Total Depreciation Expense - Business-Type Activities | <u>\$ 577,187</u> |

Note 5: Long-Term Liabilities

The following is a summary of changes in long-term liability for the year ended June 30, 2005:

| | Balance July 1, 2004 | Additions | Deletions | Balance June 30, 2005 | Due Within One Year |
|---|-------------------------|----------------------|---------------------|--------------------------|------------------------|
| Governmental Activities: | | | | | |
| Long-term debt: | | | | | |
| Capital lease | \$ 62,495 | \$ - | \$ (62,495) | \$ - | \$ - |
| Marine Avenue certificate of participation | 9,155,000 | - | (185,000) | 8,970,000 | 190,000 |
| Police Fire COPs | - | 12,980,000 | - | 12,980,000 | - |
| Other long-term liabilities: | | | | | |
| Supplemental leave allowance | 43,923 | 1,369 | - | 45,292 | - |
| Compensated absences | 1,697,787 | 251,236 | (179,547) | 1,769,476 | 165,882 |
| Workers' compensation claims | 1,856,533 | 254,791 | - | 2,111,324 | - |
| General liability claims | <u>108,656</u> | <u>205,672</u> | <u>-</u> | <u>314,328</u> | <u>-</u> |
| Governmental Activity Long-Term Liabilities | <u>\$ 12,924,394</u> | <u>\$ 13,693,068</u> | <u>\$ (427,042)</u> | <u>\$ 26,190,420</u> | <u>\$ 355,882</u> |
| | | | Unamortized premium | <u>186,055</u> | |
| | | | | <u>\$ 26,376,475</u> | |
| Business-Type Activities: | | | | | |
| Long-term debt: | | | | | |
| Water Fund certificate of participation | \$ 2,751,370 | \$ - | \$ (60,322) | \$ 2,691,048 | \$ 63,681 |
| Wastewater Fund certificate of participation | 1,353,630 | - | (29,678) | 1,323,952 | 31,319 |
| Metlox certificate of participation | 13,350,000 | - | (255,000) | 13,095,000 | 260,000 |
| Other long-term liabilities: | | | | | |
| Compensated absences | <u>57,644</u> | <u>8,439</u> | <u>(2,541)</u> | <u>63,542</u> | <u>6,253</u> |
| Business-Type Activity Long-Term Liabilities | <u>\$ 17,512,644</u> | <u>\$ 8,439</u> | <u>\$ (347,541)</u> | <u>\$ 17,173,542</u> | <u>\$ 361,253</u> |

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

Note 5: Long-Term Liabilities (Continued)

a. Capital Lease: Municipal Energy Retrofit Program

During the 1994-1995 fiscal year, the City entered into an energy-retrofitting program with Honeywell Home & Building Controls Services. As part of this program, the City contracted for the upgrade, replacement and maintenance of heating, lighting and air conditioning equipment for facilities at a variety of locations. In doing so, the City entered into a Lease-Purchase Agreement consisting of 41 consecutive quarterly payments commencing November 1994. This lease obligation was fully paid off, as scheduled, in the current fiscal year.

b. Marine Avenue Certificates of Participation

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

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

| Fiscal Year Ending June 30, 2005 | Principal | Interest | Total |
|-------------------------------------|---------------------|---------------------|----------------------|
| 2006 | \$ 190,000 | \$ 361,364 | \$ 551,364 |
| 2007 | 200,000 | 353,287 | 553,287 |
| 2008 | 205,000 | 345,542 | 550,542 |
| 2009 | 210,000 | 335,975 | 545,975 |
| 2010 | 220,000 | 327,555 | 547,555 |
| 2011-2015 | 1,230,000 | 1,492,108 | 2,722,108 |
| 2016-2020 | 1,460,000 | 1,216,405 | 2,676,405 |
| 2021-2025 | 1,745,000 | 885,884 | 2,630,884 |
| 2026-2030 | 2,075,000 | 493,671 | 2,568,671 |
| 2031-2033 | 1,435,000 | 76,917 | 1,511,917 |
| Total | <u>\$ 8,970,000</u> | <u>\$ 5,888,708</u> | <u>\$ 14,858,708</u> |

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

Note 5: Long-Term Liabilities (Continued)

c. Police and Fire Facility Certificates of Participation

The City of Manhattan Beach issued \$12,980,000 of fixed rate Certificates of Participation (COP) to fund the construction of a new integrated Police and Fire safety facility, fund reserve requirements, and pay related issuance costs. The facility is located on the Civic Center campus, includes approximately 350 subterranean parking spaces, and is scheduled for completion within fiscal year 2005-2006. The COP's were issued on November 4, 2004. These certificates evidence and represent the proportionate interests of the registered owners thereof in lease payments to be made by the City as rent for the real property on which it is located. The certificates bear interest at 2% to 5% and mature through 2036. The COP's final series mature on January 1, 2036.

Construction costs for the project are valued at \$40.7 million (including construction contingency amounts of \$3.6 million). \$12 million of this cost was to be funded from the net proceeds of the Certificates and \$28.7 million will be funded out of available accumulated project reserves. All project funds, both bond financed and city contributed, are being held in trust with a third party safekeeping institution. As of June 30, 2005 the project was 62% complete.

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

| Fiscal Year Ending June 30, 2005 | Principal | Interest | Total |
|-------------------------------------|----------------------|----------------------|----------------------|
| 2006 | \$ - | \$ 861,750 | \$ 861,750 |
| 2007 | 240,000 | 287,250 | 527,250 |
| 2008 | 245,000 | 569,700 | 814,700 |
| 2009 | 250,000 | 564,188 | 814,188 |
| 2010 | 255,000 | 557,938 | 812,938 |
| 2011-2015 | 1,425,000 | 2,657,469 | 4,082,469 |
| 2016-2020 | 1,705,000 | 2,368,919 | 4,073,919 |
| 2021-2025 | 2,090,000 | 1,985,650 | 4,075,650 |
| 2026-2030 | 2,630,000 | 1,442,500 | 4,072,500 |
| 2031-2035 | 3,365,000 | 714,750 | 4,079,750 |
| 2035-2036 | 775,000 | 38,750 | 813,750 |
| Total | <u>\$ 12,980,000</u> | <u>\$ 12,048,864</u> | <u>\$ 25,028,864</u> |

d. Compensated Absences

At June 30, 2005, the total citywide accrued liability for compensated absences amounted to \$1,833,018, which is comprised of \$1,615,811 and \$217,207 of vested vacation and sick leave, respectively. \$1,603,594 of this compensated leave liability has been determined to be long-term in nature and related to general governmental services. Additionally \$57,289 of proprietary fund type long-term leave of absences is recorded in the enterprise funds.

e. Workers' Compensation Claims

This is an estimation of the workers' compensation claims that have been incurred but not reported. At June 30, 2005, the long-term portion was \$2,111,324.

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

Note 5: Long-Term Liabilities (Continued)

f. General Liability Claims

This is an estimation of the general liability claims incurred but not reported. At June 30, 2005, the long-term portion was \$314,328.

g. Water and Wastewater Certificates of Participation

In September 1996, the Manhattan Beach Capital Improvements Corporation issued \$4,615,000 of debt in the form of Certificates of Participation. This debt was issued to finance 1996 and 1997 enterprise fund projects related specifically to the water and wastewater systems. The certificates bear interest at 5.3% to 5.8% and mature through 2026. Installment payments to be made by the City will be secured by net revenues received by the subject enterprise funds and do not obligate the City's General Funds. The following schedule illustrates the debt service requirements to maturity for bonds outstanding as of June 30, 2005:

| Fiscal Year Ending June 30, 2005 | Water | | | Wastewater | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2006 | \$ 63,681 | \$ 151,342 | \$ 215,023 | \$ 31,319 | \$ 74,458 | \$ 105,777 |
| 2007 | 67,018 | 147,853 | 214,871 | 32,982 | 72,742 | 105,724 |
| 2008 | 70,376 | 144,161 | 214,537 | 34,624 | 70,925 | 105,549 |
| 2009 | 73,727 | 140,288 | 214,015 | 36,273 | 69,020 | 105,293 |
| 2010 | 77,079 | 136,235 | 213,314 | 37,921 | 67,026 | 104,947 |
| 2011-2015 | 459,120 | 610,274 | 1,069,394 | 225,880 | 300,245 | 526,125 |
| 2016-2020 | 623,331 | 457,853 | 1,081,184 | 306,669 | 225,256 | 531,925 |
| 2021-2025 | 841,162 | 248,662 | 1,089,824 | 413,838 | 122,338 | 536,176 |
| 2026-2029 | 415,554 | 24,491 | 440,045 | 204,446 | 12,049 | 216,495 |
| Total | <u>\$ 2,691,048</u> | <u>\$ 2,061,159</u> | <u>\$ 4,752,207</u> | <u>\$ 1,323,952</u> | <u>\$ 1,014,059</u> | <u>\$ 2,338,011</u> |

h. Metlox Certificate of Participation

In January 2003, the City of Manhattan Beach issued \$13,350,000 of fixed rate Certificates of Participation (COP) to finance the construction of a public parking structure at the City owned Metlox site. This site is positioned adjacent to City Hall in the downtown district and the structure's construction was completed in January 2004. Interest rates on the certificates range from 2% to 5% and mature through 2033. These certificates evidence and represent the proportionate interests of the registered owners thereof in lease payments to be made by the City as rent for use of certain real property and improvements thereon. City Hall and adjacent land are encumbered as security for the COP.

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

Note 5: Long-Term Liabilities (Continued)

Annual debt service requirements to maturity for the Metlox Parking Facility (COP) are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|----------------------|----------------------|----------------------|
| 2006 | \$ 260,000 | \$ 592,771 | \$ 852,771 |
| 2007 | 265,000 | 587,571 | 852,571 |
| 2008 | 270,000 | 581,609 | 851,609 |
| 2009 | 280,000 | 574,184 | 854,184 |
| 2010 | 285,000 | 565,784 | 850,784 |
| 2001-2015 | 1,620,000 | 3,149,204 | 4,769,204 |
| 2016-2020 | 1,995,000 | 2,202,432 | 4,197,432 |
| 2021-2025 | 2,520,000 | 1,660,800 | 4,180,800 |
| 2026-2030 | 3,235,000 | 930,500 | 4,165,500 |
| 2031-2033 | 2,365,000 | 122,250 | 2,487,250 |
| Total | <u>\$ 13,095,000</u> | <u>\$ 10,967,105</u> | <u>\$ 24,062,105</u> |

Note 6: Non-City Obligation

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

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

Note 7: Classification Fund Balance and Enterprise Fund Net Assets

The City's governmental funds reserves and designations at June 30, 2005 are presented below:

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

Note 7: Classification Fund Balance and Enterprise Fund Net Assets (Continued)

| | General Fund | Capital Improvement Fund | Police & Fire Construction Fund | Underground Construction Fund | Other Governmental Funds | Total Governmental Funds |
|-----------------------------|-----------------|--------------------------------|---------------------------------------|-------------------------------------|--------------------------------|--------------------------------|
| Total Fund Equity | \$ 17,440,250 | \$ 7,425,069 | \$ 17,547,335 | \$ 661,402 | \$ 5,493,705 | \$ 48,567,761 |
| Reserved: | | | | | | |
| Encumbrances | \$ 285,067 | \$ - | \$ 1,939 | \$ - | \$ 6,209 | \$ 293,215 |
| Prepays | 17,031 | - | - | - | - | 17,031 |
| Long term notes | 723,091 | - | - | - | - | 723,091 |
| Debt Service | 49,300 | 1,337,805 | 17,071,334 | 660,981 | - | 19,119,420 |
| Continuing capital projects | - | 4,746,211 | - | - | 3,048,792 | 7,795,003 |
| Total Reserved | 1,074,489 | 6,084,016 | 17,073,273 | 660,981 | 3,055,001 | 27,947,760 |
| Unreserved | 16,365,761 | 1,341,053 | 474,062 | 421 | 2,438,704 | 20,620,001 |
| Designated: | | | | | | |
| Financial policy | 7,747,805 | - | - | - | - | 7,747,805 |
| Economic uncertainty | 4,000,000 | - | - | - | - | 4,000,000 |
| Pension stabilization | 2,024,545 | - | - | - | - | 2,024,545 |
| Employee leave benefit | 1,648,886 | - | - | - | - | 1,648,886 |
| Artesia Blvd. | - | 100,000 | - | - | - | 100,000 |
| Total Designated | 15,421,236 | 100,000 | - | - | - | 15,521,236 |
| Undesignated | 944,525 | 1,241,053 | 474,062 | 421 | 2,438,704 | 5,098,765 |

The City's Enterprise Fund restrictions and City Council designations at June 30, 2005 are presented below:

| | Water Fund | Storm Fund | Waste Water Fund | Refuse Fund | Parking Fund | Nonmajor Enterprise Fund | Total Enterprise Funds |
|-------------------------------------|---------------|---------------|------------------------|----------------|-----------------|--------------------------------|------------------------------|
| Total Net Assets | \$ 17,175,942 | \$ 5,029,017 | \$ 5,404,026 | \$ 845,636 | \$ 6,953,970 | \$ 1,413,241 | \$ 36,821,832 |
| Restricted: | | | | | | | |
| Debt service | \$ 227,156 | \$ - | \$ 111,525 | \$ - | \$ 3,309,393 | \$ - | \$ 3,648,074 |
| BID | - | - | - | - | 427,607 | - | 427,607 |
| Total Restricted | 227,156 | - | 111,525 | - | 3,737,000 | - | 4,075,681 |
| Investment in Net Capital Assets | 8,107,986 | 3,785,166 | 3,563,875 | - | 2,446,928 | - | 17,903,955 |
| Unrestricted | 8,840,800 | 1,243,851 | 1,728,626 | 845,636 | 770,042 | 1,413,241 | 14,842,196 |
| Designations: | | | | | | | |
| Continuing CIPs | 3,475,968 | 878,102 | 1,311,145 | - | - | 100,000 | 5,765,215 |
| Financial policy | 2,038,000 | 66,000 | 321,000 | - | 102,750 | 93,000 | 2,620,750 |
| Total Designated | 5,513,968 | 944,102 | 1,632,145 | - | 102,750 | 193,000 | 8,385,965 |
| After Designations | 3,326,832 | 299,749 | 96,481 | 845,636 | 667,292 | 1,220,241 | 6,456,231 |

City of Manhattan Beach
Notes to Financial Statements (Continued)

Note 8: Retirement Plans

a. California Public Employees Retirement System

Plan Description

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

In fiscal year 2001-2002, the City Safety Retirement Plan was unbundled and replaced with separate Police and Fire Plans. The Police Plan was modified from the 2% at 50 to the 3% at 50 benefits. The Fire Plan was modified from the 2% at 50 to the 3% at 55 benefits.

Funding Policy

Active plan members in the Safety and Miscellaneous Plans are required to contribute 9% and 7% of their annual covered salary, respectively. The City of Manhattan Beach is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. In accordance with existing bargaining group labor agreements, the City fully pays the employee contribution for all full time salaried safety and miscellaneous employees. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal year 2004-2005 was 31.35%, 27.09%, and 0% for police, fire and miscellaneous employees, respectively. The contribution requirements of the plan members are established by state statute, and the employer contribution rate is established, and may be amended, by PERS.

Annual Pension Cost

For fiscal year 2004-2005, the City of Manhattan Beach's annual pension cost was \$2,447,521 for the Police, Fire and Miscellaneous Plans combined, and was equal to the City's required and actual contributions. The City also contributed \$1,385,797 for the 2004-2005 fiscal year on behalf of the employees. The City's payroll for employees covered by the plans for the year ended June 30, 2005 was \$17,440,809. The total payroll for the year was \$21,138,738. The required contributions for fiscal year 2004-2005 were determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percentage of pay. The actuarial assumptions included: a) 7.75% investment rate of return (net of administrative expenses); b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members (from 3.25% to 13.15% for safety members); and c) 2% maximum cost-of-living adjustment not to exceed the consumer price index. Both a) and b) include an inflation component of 3%. The actuarial value of the Safety and Miscellaneous

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

Note 8: Retirement Plans (Continued)

Plans' assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five-year period depending on the size of investment gains and/or losses. The Safety and Miscellaneous Plans' unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period ends June 30, 2011.

Three-Year Trend Information for PERS Police Plan

| <u>Fiscal Year</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------|----------------------------------|--------------------------------------|-------------------------------|
| 6/30/2003 | \$ 600,254 | 95.23% | \$ (563,550) |
| 6/30/2004 | 749,380 | 95.35% | (528,698) |
| 6/30/2005 | 1,622,501 | 97.42% | (486,837) |

Annual Pension Cost and Net Pension Obligation Police Plan

The City of Manhattan Beach annual pension cost and change net pension obligation in fiscal year ending June 30, 2005 was as follows:

| | <u>Police</u> |
|--|---------------------|
| Annual required contributions (ARC) | \$ 1,580,640 |
| Interest on net pension obligation (NPO) | (43,618) |
| Amortization of net pension obligation | <u>85,479</u> |
| Annual pension cost | 1,622,501 |
| Actual contributions made in fiscal year | <u>1,580,640</u> |
| Increase (Decrease) in NPO | 41,861 |
| NPO at Beginning of Year | <u>(528,698)</u> |
| NPO at End of Year | <u>\$ (486,837)</u> |

Schedules of Funding Progress for PERS Police Plan*

| <u>Valuation Date</u> | <u>Entry Level Normal Accrued Liability</u> | <u>Actuarial Value of Assets</u> | <u>Unfunded (Overfunded) Liability</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a % of Payroll</u> |
|-----------------------|---|----------------------------------|--|---------------------|------------------------|-------------------------------|
| 6/30/2001 | \$ 41,984,208 | \$ 46,777,031 | \$ (4,792,823) | 114.2% | \$ 4,508,938 | (106.3)% |
| 6/30/2002 | 45,740,848 | 43,425,575 | 2,315,273 | 94.9% | 4,334,074 | 53.4 % |
| 6/30/2003 | 48,429,096 | 43,795,748 | 4,633,348 | 90.4% | 4,332,400 | 106.9 % |

* latest available data

City of Manhattan Beach
Notes to Financial Statements (Continued)

Note 8: Retirement Plans (Continued)

| Three-Year Trend Information for PERS Fire Plan | | | |
|---|----------------------------------|--------------------------------------|-------------------------------|
| <u>Fiscal Year</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
| 6/30/2003 | 151,798 | 89.38% | (316,994) |
| 6/30/2004 | 397,223 | 95.06% | (297,390) |
| 6/30/2005 | 890,449 | 97.36% | (273,843) |

Annual Pension Cost and Net Pension Obligation Fire Plan

The City of Manhattan Beach annual pension cost and change net pension obligation in fiscal year ending June 30, 2005 was as follows:

| | <u>Fire</u> |
|--|---------------------|
| Annual required contributions (ARC) | \$ 866,882 |
| Interest on net pension obligation (NPO) | (24,535) |
| Amortization of net pension obligation | <u>48,082</u> |
| Annual pension cost | 890,429 |
| Actual contributions made in fiscal year | <u>866,882</u> |
| Increase (Decrease) in NPO | 23,547 |
| NPO at Beginning of Year | <u>(297,390)</u> |
| NPO at End of Year | <u>\$ (273,843)</u> |

Schedules of Funding Progress for PERS Fire Plan*

| <u>Valuation Date</u> | <u>Entry Level Normal Accrued Liability</u> | <u>Actuarial Value of Assets</u> | <u>Unfunded (Overfunded) Liability</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a % of Payroll</u> |
|-----------------------|---|----------------------------------|--|---------------------|------------------------|-------------------------------|
| 6/30/2001 | 22,790,321 | 26,700,234 | (3,909,913) | 117.2% | 2,467,527 | (158.45)% |
| 6/30/2002 | 24,650,004 | 24,596,413 | 53,591 | 99.8% | 2,619,069 | 2.05 % |
| 6/30/2003 | 26,854,031 | 24,596,413 | 2,257,618 | 91.6% | 2,894,043 | 78.01 % |

* latest available data

| Three-Year Trend Information for PERS Miscellaneous Plan | | | |
|--|----------------------------------|--------------------------------------|-------------------------------|
| <u>Fiscal Year</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
| 6/30/2003 | \$ - | 0% | \$ - |
| 6/30/2004 | - | 0% | - |
| 6/30/2005 | - | 0% | - |

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

Note 8: Retirement Plans (Continued)

Schedules of Funding Progress for PERS Miscellaneous Plan*

| Valuation Date | Entry Level Normal Accrued Liability | Actuarial Value of Assets | Unfunded (Overfunded) Liability | Funded Ratio | Covered Payroll | UAAL as a % of Payroll |
|----------------|--------------------------------------|---------------------------|---------------------------------|--------------|-----------------|------------------------|
| 6/30/2001 | \$ 28,873,800 | \$ 41,183,641 | \$ (12,309,841) | 142.6% | \$ 7,750,542 | (158.83)% |
| 6/30/2002 | 31,063,455 | 38,260,387 | (7,196,932) | 123.2% | 8,131,217 | (88.51)% |
| 6/30/2003 | 35,960,101 | 38,187,633 | (2,227,532) | 106.2% | 8,613,453 | (25.86)% |

* latest available data

b. City Funded Pension Plans

1. Supplemental Retirement Plan

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

The City has ceded the liabilities of active participants in the plan to PERS as of January 1, 1995. The City's remaining obligation is to fund the benefits for those participants who are currently retired.

The number of participants covered under the plan as of June 30, 2005 was as follows:

Retirees and beneficiaries receiving benefits:
Management/Confidential

5

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

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

Note 8: Retirement Plans (Continued)

Schedules of Funding Progress for Supplemental Plan

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded (Overfunded) Accrued Liability | Covered Payroll | UAAL as a % of Payroll |
|--------------------------------|---------------------------------|-----------------------------------|--|--------------------|---------------------------------|
| 6/30/2000 | \$ 234,028 | \$ 208,773 | (25,240) | N/A | N/A |
| 6/30/2001 | 227,989 | 208,773 | (19,216) | N/A | N/A |
| 6/30/2002 | 234,488 | 200,915 | (33,573) | N/A | N/A |
| 6/30/2003 | 224,064 | 200,915 | (23,149) | N/A | N/A |
| 6/30/2004 | 196,711 | 196,289 | (422) | N/A | N/A |
| 6/30/2005 | 183,066 | 196,289 | 13,223 | N/A | N/A |

| Year Ended | Annual Actual Contribution | Percentage Contribution |
|---------------|----------------------------------|----------------------------|
| 6/30/2000 | N/A | N/A |
| 6/30/2001 | N/A | N/A |
| 6/30/2002 | N/A | N/A |
| 6/30/2003 | N/A | N/A |
| 6/30/2004 | N/A | N/A |
| 6/30/2005 | N/A | N/A |

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

| | |
|-------------------------------|-----------------------------------|
| Valuation Date | June 30, 2004 |
| Actuarial cost method | Projected Unit Cost Credit method |
| Amortization period | N/A plan is dormant |
| Remaining amortization period | N/A plan is dormant |
| Asset valuation method | N/A plan is dormant |

| | |
|----------------------------|---------------------|
| Actuarial Assumptions: | |
| Investment rate of return | 6.5% |
| Projected salary increases | N/A plan is dormant |
| Includes inflation at | N/A plan is dormant |
| Cost-of-living adjustments | 2% |

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

Note 8: Retirement Plans (Continued)

2. Single Highest Year Plan

The Single Highest Year Plan is a single-employer defined benefit pension plan of the City of Manhattan Beach. This plan was adopted effective January 1, 1990, covering Management/Confidential Employees and Non-management/Confidential Sworn Police Employees on July 1, 1990 and is for employees who retired prior to May 1993. The plan is known as the City Funded Single Highest Year Plan. The plan pays a retiring employee the difference between the pension payable from PERS and what the PERS pension would be if it were based on the single highest year only. "The payment shall be made to the member only while the member is alive and will cease upon death." Upon retirement, the right to their payment shall be regarded as a vested pension benefit to the same extent as the individual's PERS retirement. This plan is being accounted for in the Pension Fund. Benefits vest after five years of service. Retirees must qualify for PERS retirement to qualify for the Single Highest Year Plan. The benefit is payable for the life of the employee and is subject to a 2% annual cost of living increase. This plan is currently dormant as discussed in the next paragraph. The Single Highest Year Plan does not issue a separate annual financial report.

The City has ceded the liabilities of active participants in the plan to PERS as of July 1, 1993. The City's remaining obligation is to fund the benefits for those participants who are currently retired. The number of participants covered under the plan as of June 30, 2005 was as follows:

Retirees and beneficiaries receiving benefits:

| | |
|-------------------------|------------------|
| Management/Confidential | 5 |
| Miscellaneous | 0 |
| Fire | 2 |
| Police | <u>5</u> |
| Total | <u><u>12</u></u> |

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

Schedules of Funding Progress for Single Highest Year

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded (Overfunded) Accrued Liability | Covered Payroll | UAAL as a % of Payroll |
|--------------------------------|---------------------------------|-----------------------------------|--|--------------------|---------------------------------|
| 6/30/2000 | \$ 596,885 | \$ 532,507 | \$ (64,378) | N/A | N/A |
| 6/30/2001 | 580,156 | 532,507 | (47,649) | N/A | N/A |
| 6/30/2002 | 602,569 | 516,298 | (86,271) | N/A | N/A |
| 6/30/2003 | 582,400 | 516,298 | (66,102) | N/A | N/A |
| 6/30/2004 | 499,227 | 498,155 | (1,072) | N/A | N/A |
| 6/30/2005 | 472,367 | 498,155 | 25,788 | N/A | N/A |

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

Note 8: Retirement Plans (Continued)

| <u>Year Ended</u> | <u>Annual Actual Contribution</u> | <u>Percentage Contribution</u> |
|-----------------------|---|------------------------------------|
| 6/30/2000 | N/A | N/A |
| 6/30/2001 | N/A | N/A |
| 6/30/2002 | N/A | N/A |
| 6/30/2003 | N/A | N/A |
| 6/30/2004 | N/A | N/A |
| 6/30/2005 | N/A | N/A |

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

| | |
|-------------------------------|-----------------------------------|
| Valuation Date | June 30, 2004 |
| Actuarial cost method | Projected Unit Cost Credit Method |
| Amortization period | N/A plan is dormant |
| Remaining amortization period | N/A plan is dormant |
| Asset valuation method | N/A plan is dormant |

| | |
|----------------------------|---------------------|
| Actuarial Assumptions: | |
| Investment rate of return | 6.5% |
| Projected salary increases | N/A plan is dormant |
| Includes inflation at | N/A plan is dormant |
| Cost-of-living adjustments | 2% |

3. Post Retirement Plan for Firefighters

The Post Retirement Plan for Firefighters is a single-employer defined benefit pension plan of the City of Manhattan Beach. This plan was effective December 7, 1996 and is covered under the collective bargaining agreement with the Firefighters Association. The plan covers all firefighters covered under the collective bargaining agreement with the Firefighter's Association of Manhattan Beach. The plan provides for \$300 per month to cover the cost of insurance premiums. Eligibility includes any firefighter who takes a service retirement on and after December 7, 1996, and who has a minimum of 20 years of service with the City of Manhattan Beach. The benefit is payable until the participant qualifies for Medicare benefits. This plan is being accounted for in the Pension Fund. The Post Retirement Plan for Firefighters does not issue a separate annual financial report.

The number of participants covered under the plan as of June 30, 2005 was as follows:

| | |
|--|------------------|
| Retirees and beneficiaries receiving benefits: | |
| Fire - Active | 26 |
| Fire - Retirees | <u>1</u> |
| Total | <u><u>27</u></u> |

City of Manhattan Beach
Notes to Financial Statements (Continued)

Note 8: Retirement Plans (Continued)

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

| Schedules of Funding Progress for POST Retirement Health - Firefighters | | | | | |
|---|-----------------|-------------------|---|-----------------|------------------------|
| Valuation Date | Value of Assets | Accrued Liability | Unfunded (Overfunded) Accrued Liability | Covered Payroll | UAAL as a % of Payroll |
| 6/30/2001 | \$ 164,422 | \$ 109,979 | \$ (54,443) | N/A | N/A |
| 6/30/2002 | 124,731 | 106,873 | (17,858) | N/A | N/A |
| 6/30/2003 | 130,150 | 106,873 | (23,277) | N/A | N/A |
| 6/30/2004 | 208,679 | 208,231 | (448) | N/A | N/A |
| 6/30/2005 | 217,113 | 208,231 | (8,882) | N/A | N/A |

Plan valuations and liabilities reflect post retirement benefits put into place in the 2000-2001 fiscal year.

| Year Ended | Annual Actual Contribution | Percentage Contribution |
|------------|----------------------------|-------------------------|
| 6/30/2001 | N/A | N/A |
| 6/30/2002 | N/A | N/A |
| 6/30/2003 | N/A | N/A |
| 6/30/2004 | N/A | N/A |
| 6/30/2005 | N/A | N/A |

4. Post Retirement Plan for Police

The Post Retirement Plan for Police is a single-employer defined benefit pension plan of the City of Manhattan Beach. This plan was effective December 1, 2004 and is covered under the collective bargaining agreement with the Police Officers Association. The plan covers all police officers covered under the collective bargaining agreement with the Police Officers Association of Manhattan Beach. The plan provides for \$300 per month to cover the cost of insurance premiums. Eligibility includes any officer who takes a service retirement on and after December 1, 2004, and who has a minimum of 20 years of service with the City of Manhattan Beach. The benefit is payable until the participant qualifies for Medicare benefits. This plan is being accounted for in the Pension Fund. The Post Retirement Plan for Police does not issue a separate annual financial report.

The number of participants covered under the plan as of June 30, 2005 was as follows:

| | |
|--|-----------|
| Retirees and beneficiaries receiving benefits: | |
| Fire - Active | 60 |
| Fire - Retirees | 0 |
| Total | <u>60</u> |

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

Note 8: Retirement Plans (Continued)

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

| Schedules of Funding Progress for POST Retirement Health -Police | | | | | |
|--|-----------------|-------------------|---|-----------------|------------------------|
| Valuation Date | Value of Assets | Accrued Liability | Unfunded (Overfunded) Accrued Liability | Covered Payroll | UAAL as a % of Payroll |
| 6/30/2005 | \$ 695,000 | \$ 695,000 | \$ - | N/A | N/A |

Plan valuations and liabilities reflect post retirement benefits put into place in the 2004-2005 fiscal year. The plan's accrued liability at the plan inception was valued at \$695,000 and was funded via a transfer from available General Fund Reserves.

| Year Ended | Annual Actual Contribution | Percentage Contribution |
|------------|----------------------------|-------------------------|
| 6/30/2005 | N/A | N/A |

5. Detail of Individual Pension Plans

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

| Plan Activity | Supplemental | Single Highest Year | Fire Medical | Police Medical | Total |
|--|--------------|---------------------|--------------|----------------|--------------|
| Additions: | | | | | |
| Interest | \$ 10,724 | \$ 27,887 | \$ 12,048 | \$ - | \$ 50,659 |
| Total Additions | 10,724 | 27,887 | 12,048 | - | 50,659 |
| Deductions: | | | | | |
| Benefits | 24,369 | 54,750 | 3,614 | - | 82,733 |
| Transfer in | - | - | - | 695,000 | 695,000 |
| Changes in net assets | (13,645) | (26,863) | 8,434 | 695,000 | 662,926 |
| Net Assets Held in Trust for Pension Benefits: | | | | | |
| Opening balance July 1,2004 | 196,711 | 499,230 | 208,679 | - | 904,620 |
| Ending balance June 30, 2005 | \$ 183,066 | \$ 472,367 | \$ 217,113 | \$ 695,000 | \$ 1,567,546 |

6. 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.

City of Manhattan Beach
Notes to Financial Statements (Continued)

Note 8: Retirement Plans (Continued)

The PARS plan is a defined contribution plan. All members' earnings are subject to contribution from the employee and the employer. The contribution rate for the employee is 3.75% and for the employer is 3.75% of payroll.

Total payroll for employees covered by this plan for the year was \$1,661,520. The amount of employee contribution was \$62,307, and employer contribution was \$62,307.

Note 9: Post-Employment Health Insurance

In addition to the pension benefits described in Note 8, the City provides certain health insurance benefits, in accordance with memoranda of understanding, to retired employees. To qualify, a retiree must meet the criteria for PERS retirement.

Effective January 1, 1990, the City shall pay \$1 per month for police, fire and management retirees electing to participate in the PERS medical insurance program. The \$1 per month amount will increase each year by 5% of the remaining \$15 per month to a maximum of \$16 per month. The City shall pay any mandated surcharge increases required by PERS.

The City recognizes the cost of providing these benefits by recording the insurance premiums as expenditures. The cost to the City in fiscal year 2004-2005 for this benefit was \$5,908.

Note 10: Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City currently reports all of its risk management activities in its Insurance Reserve Fund. The City adopted a self-insured workers' compensation program that is administered by a service agent. The City is self-insured for the first \$750,000 on each claim. Insurance coverage in excess of the self-insured amount is provided by a private insurance company up to a limit of \$100,000,000. Also, the City is self-insured for the first \$500,000 on each general liability claim against the City. The insurance coverage in excess of the self-insured amount is provided by Independent Cities Risk Management Authority (ICRMA) up to a limit of \$20,000,000.

ICRMA is considered a self-sustaining risk pool. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2005, the amount of these liabilities was \$5,400,891. The amount represents an estimate of \$2,975,240 for reported claims through June 30, 2005, and \$2,425,651 of estimated incurred but not reported claims. This liability is the City's best estimate based on available information. Changes in the reported liability at June 30, 2005 resulted from the following:

| Year | Liability Beginning of Year | Claims and Changes in Estimates | Claims and Payments | Liability End of Year |
|------|-----------------------------------|---------------------------------------|------------------------|-----------------------------|
| 2004 | \$ 4,032,421 | \$ 1,444,631 | \$ (1,410,224) | \$ 4,066,828 |
| 2005 | 4,066,828 | 2,434,949 | (1,100,886) | 5,400,891 |

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

Note 10: Risk Management (Continued)

The City is a member of the ICRMA, a public entity risk pool currently operating as a common risk management and insurance program for 28 California cities. The City pays an annual premium to the pool for its excess general liability insurance coverage. The agreement for information of the ICRMA provides that the pool will be self-sustaining through member premiums. The City continues to carry commercial companies for all other risks of loss, including property insurance including earthquake and flood, auto physical damage insurance and special events insurance.

During the past three fiscal (claims) years, none of the above programs have 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, 2005, which can be obtained from Independent Cities Risk Management Authority, 14156 Magnolia Park, Sherman Oaks, California.

Note 11: 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, 2005, was 20.4%.

Summarized audited financial information for SBRPCA at June 30, 2004*, is presented below:

Balance Sheet

| | |
|--|----------------------|
| Assets | <u>\$ 10,945,474</u> |
| Liabilities to member cities (all current) | \$ 572,775 |
| Bonds payable | 8,990,000 |
| Fund equity | <u>1,382,699</u> |
| Total Liabilities and Fund Equity | <u>\$ 10,945,474</u> |

Revenues and Expenditures

| | |
|--------------------------------------|---------------------|
| Revenues | \$ 5,867,429 |
| Expenditures | <u>(5,382,547)</u> |
| Excess of Expenditures Over Revenues | 484,882 |
| Fund equity - July 1, 2003 | 897,817 |
| Contributed capital | <u>-</u> |
| Fund equity - June 30, 2004 | <u>\$ 1,382,699</u> |

*Most current information available.

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

Note 11: Joint Ventures and Jointly Governed Organizations (Continued)

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

b. Jointly Governed Organization

Los Angeles Interagency Metropolitan Police Apprehension Crime Task Force

The City of Manhattan Beach is a member of Los Angeles Interagency Metropolitan Police Apprehension Crime Task Force (L.A. IMPACT), a joint powers authority of the police departments of cities and other institutions in Los Angeles County. The Organization was formed July 1, 1991 with the mission to promote coordinated law enforcement efforts and to address emerging criminal justice issues, mainly in the areas of drug trafficking enterprise and money laundering. The Executive Council consists of 14 police chiefs and other various police officers. All financial decisions were made by the Executive Council. The members received monetary distributions from the asset seizures based on their respective contribution to the effort.

Separate financial statements of L.A. IMPACT are available at the City of La Verne, California.

Summarized audited financial information for L.A. IMPACT at June 30, 2004*, is presented below:

Statement of Net Assets

| | |
|--|---------------------|
| Current assets | \$ 2,783,782 |
| Capital assets | <u>360,627</u> |
| Total Assets | 3,144,409 |
| Liabilities to member cities (all current) | <u>1,248,291</u> |
| Total Net Assets | <u>\$ 1,896,118</u> |

Revenues and Expenditures

| | |
|---|---------------------|
| Revenues | \$ 3,843,905 |
| Expenditures | <u>(5,929,392)</u> |
| Excess of Expenditures Over Revenues | (2,085,487) |
| Fund equity As Restated - June 30, 2003 | <u>3,981,605</u> |
| Fund equity - June 30, 2004 | <u>\$ 1,896,118</u> |

*Most current information available.

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

City of Manhattan Beach
Notes to Financial Statements (Continued)

Note 12: Employee 401(a) Plan

The City contributes to a 401(a) plan to its management confidential employees into which employees can make voluntary post-tax contributions. The market value of the plan assets at June 30, 2005 was \$1,046,659.

As of June 30, 2005, the following balances of assets and liabilities were present:

| | Market Value <u>401(a) Plan</u> |
|--------------------------------|---------------------------------------|
| Total Assets | <u>\$ 1,046,659</u> |
| Liability to Plan Participants | <u>\$ 1,046,659</u> |

Note 13: Related Party Transactions

In June 1995, the City entered into a loan agreement with its City Manager to be used toward the purchase of his residence within the City. The original loan amount was \$430,000. The outstanding principal balance of the loan at June 30, 2005 was \$332,205.

In July 2000, the City entered into a loan agreement with its Police Chief to be used toward the purchase of his residence within the City. The original loan amount was \$427,500. The outstanding principal balance of the loan at June 30, 2005 was \$390,886. This note receivable was paid off in full in the subsequent period concurrent with the sale of the subject property.

Note 14: Commitments and Contingencies

There are certain lawsuits pending against the City that seek monetary damages. The outcome and financial effect of these matters on the City cannot presently be determined, and no provision for any potential liability or losses has been included in the basic financial statements as of June 30, 2005. However, City management expects such amounts, if any, to be immaterial.

Construction Management Services Contract - Police and Fire Facility

The City of Manhattan Beach has entered into a contract with Vanir Construction, Inc. to provide construction management services for the Police and Fire facility project. The original contract was for an amount not to exceed \$1,420,592. As of June 30, 2005, the remaining balance on the contract was \$33,916. In October 2005, the City approved a contract amendment increasing the total contract value for these services to \$1,688,072.

Architect Contract - Police and Fire Facility

The City of Manhattan Beach has entered into a contract with Hellmuth, Obata & Kassabaum, Inc. to provide architectural services for the Police and Fire facility project. The original contract was for an amount not to exceed \$2,475,234. As of June 30, 2005, the remaining balance on the contract was \$42,955. In October 2005, the City approved a contract amendment increasing the total contract value to \$2,575,530.

**City of Manhattan Beach
Notes to Financial Statements (Continued)**

Note 15: Operating Agreement

On January 16, 2001, the City of Manhattan Beach entered into an operating agreement with the South Bay Regional Public Communications Authority (the Authority). The operating agreement provides a funding mechanism for the Authority to upgrade the 911 emergency telephone and radio dispatch center. The City has committed to the following future lease payments:

| <u>Fiscal Year Ending June 30</u> | <u>Amount</u> |
|---------------------------------------|---------------------|
| 2006 | \$ 145,699 |
| 2007 | 147,636 |
| 2008 | 149,478 |
| 2009 | 145,836 |
| 2010 | 147,464 |
| 2011-2015 | 543,135 |
| 2016-2020 | 524,327 |
| 2021-2025 | 530,864 |
| 2026-2030 | 529,957 |
| 2031 | <u>(24,521)</u> |
| Total | <u>\$ 2,839,875</u> |

Note 16: Fund Balance Restatement

| | |
|---|----------------------|
| Major Governmental Fund: | |
| General Fund - Beginning Balance as originally Stated | \$ 20,667,534 |
| Prior year expenses understated | <u>723,091</u> |
| General Fund - Beginning balance Restated | <u>\$ 21,390,625</u> |

In the prior year, long-term notes receivable related to outstanding employee mortgage loans were recorded as deferred revenue in the General Fund based upon initial interpretations of GASB 34 requirements. Upon further technical review this current year, this amount has been reclassified as an equity reserve amount with the affect of increasing overall equity and total assets. Unreserved fund balance remains unchanged.

CITY OF MANHATTAN BEACH

JUNE 30, 2005

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 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.

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

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.

CITY OF MANHATTAN BEACH
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

| | Special Revenue Funds | | |
|--|----------------------------------|---------------------|---------------------|
| | Street Lighting and Landscape | Gas Tax | Asset Forfeiture |
| Assets: | | | |
| Pooled cash and investments | \$ 143,791 | \$ 2,659,353 | \$ 710,332 |
| Receivables: | | | |
| Accounts | 7,600 | - | - |
| Due from other governments | - | 119,858 | - |
| | - | 119,858 | - |
| Total Assets | \$ 151,391 | \$ 2,779,211 | \$ 710,332 |
| Liabilities and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts payable | \$ 36,433 | \$ - | \$ 278 |
| | 36,433 | - | 278 |
| Total Liabilities | 36,433 | - | 278 |
| Fund Balances: | | | |
| Reserved: | | | |
| Reserved for encumbrances | 3,859 | - | - |
| Reserved for continuing projects | - | 2,097,607 | - |
| Unreserved: | | | |
| Undesignated | 111,099 | 681,604 | 710,054 |
| | 111,099 | 681,604 | 710,054 |
| Total Fund Balances | 114,958 | 2,779,211 | 710,054 |
| Total Fund Equity | 114,958 | 2,779,211 | 710,054 |
| Total Liabilities and Fund Balances | \$ 151,391 | \$ 2,779,211 | \$ 710,332 |

| Special Revenue Funds | | | | Total |
|---------------------------------|-------------------|---------------------|-------------------|-------------------------------|
| Public Safety Grants | Prop A | Prop C | AB 2766 | Governmental Funds |
| \$ 104,115 | \$ 313,018 | \$ 1,393,160 | \$ 95,735 | \$ 5,419,504 |
| - | - | - | - | 7,600 |
| - | - | - | 12,157 | 132,015 |
| \$ 104,115 | \$ 313,018 | \$ 1,393,160 | \$ 107,892 | \$ 5,559,119 |
| | | | | |
| \$ 3,475 | \$ 1,799 | \$ 23,429 | \$ - | \$ 65,414 |
| 3,475 | 1,799 | 23,429 | - | 65,414 |
| | | | | |
| - | - | 2,350 | - | 6,209 |
| - | - | 951,185 | - | 3,048,792 |
| 100,640 | 311,219 | 416,196 | 107,892 | 2,438,704 |
| 100,640 | 311,219 | 1,369,731 | 107,892 | 5,493,705 |
| 100,640 | 311,219 | 1,369,731 | 107,892 | 5,493,705 |
| \$ 104,115 | \$ 313,018 | \$ 1,393,160 | \$ 107,892 | \$ 5,559,119 |

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

| | <u>Special Revenue Funds</u> | | |
|--|--|---------------------|-----------------------------|
| | <u>Street Lighting and Landscape</u> | <u>Gas Tax</u> | <u>Asset Forfeiture</u> |
| Revenues: | | | |
| Taxes and assessments | \$ 378,354 | \$ - | \$ - |
| Intergovernmental | - | 674,479 | 7,071 |
| Charges for services | - | - | - |
| Use of money and property | 3,700 | 59,060 | 17,984 |
| Miscellaneous | 39,356 | - | - |
| Total Revenues | 421,410 | 733,539 | 25,055 |
| Expenditures: | | | |
| Public safety | - | - | 82,401 |
| Culture and recreation | - | - | - |
| Public works | 462,080 | 258,826 | - |
| Total Expenditures | 462,080 | 258,826 | 82,401 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (40,670) | 474,713 | (57,346) |
| Net Change in Fund Balances | (40,670) | 474,713 | (57,346) |
| Fund Balances, Beginning of Year | 155,628 | 2,304,498 | 767,400 |
| Fund Balances, End of Year | \$ 114,958 | \$ 2,779,211 | \$ 710,054 |

| Special Revenue Funds | | | | Total |
|---------------------------------|-------------------|---------------------|-------------------|-------------------------------|
| Public Safety Grants | Prop A | Prop C | AB 2766 | Governmental Funds |
| \$ - | \$ 528,964 | \$ 438,871 | \$ - | \$ 1,346,189 |
| 100,000 | - | - | 44,416 | 825,966 |
| - | 5,861 | - | - | 5,861 |
| 3,701 | 7,896 | 35,883 | 1,994 | 130,218 |
| - | - | - | - | 39,356 |
| 103,701 | 542,721 | 474,754 | 46,410 | 2,347,590 |
| 190,367 | - | - | - | 272,768 |
| - | 790,374 | - | - | 790,374 |
| - | 16,766 | 1,056,547 | 4,000 | 1,798,219 |
| 190,367 | 807,140 | 1,056,547 | 4,000 | 2,861,361 |
| (86,666) | (264,419) | (581,793) | 42,410 | (513,771) |
| (86,666) | (264,419) | (581,793) | 42,410 | (513,771) |
| 187,306 | 575,638 | 1,951,524 | 65,482 | 6,007,476 |
| \$ 100,640 | \$ 311,219 | \$ 1,369,731 | \$ 107,892 | \$ 5,493,705 |

**BUDGETARY COMPARISON SCHEDULE
STREET LIGHTING AND LANDSCAPE
YEAR ENDED JUNE 30, 2005**

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-----------------------|-------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Resources (Inflows): | | | | |
| Taxes and assessments | \$ 385,366 | \$ 385,366 | \$ 378,354 | \$ (7,012) |
| Use of money and property | 4,000 | 4,000 | 3,700 | (300) |
| Miscellaneous | - | - | 39,356 | 39,356 |
| Total Resources | 389,366 | 389,366 | 421,410 | 32,044 |
| Charges to Appropriation (Outflow): | | | | |
| Public works | 429,161 | 429,161 | 462,080 | (32,919) |
| Total Charges to Appropriation | 429,161 | 429,161 | 462,080 | (32,919) |
| Other Financing Sources: | | | | |
| Transfers from other funds | 39,356 | 39,356 | - | (39,356) |
| Total Other Financing Sources | 39,356 | 39,356 | - | (39,356) |
| Net Change in Fund Balances | (439) | (439) | (40,670) | (40,231) |
| Fund Balance, Beginning of Year | 155,628 | 155,628 | 155,628 | - |
| Fund Balance, End of Year | \$ 155,189 | \$ 155,189 | \$ 114,958 | \$ (40,231) |

CITY OF MANHATTAN BEACH

Schedule 3B

**BUDGETARY COMPARISON SCHEDULE
GAS TAX
YEAR ENDED JUNE 30, 2005**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|-------------------|---------------------|---|
| | Original | Final | | |
| Resources (Inflows): | | | | |
| Intergovernmental | \$ 665,100 | \$ 665,100 | \$ 674,479 | \$ 9,379 |
| Use of money and property | 27,500 | 27,500 | 59,060 | 31,560 |
| Total Resources | 692,600 | 692,600 | 733,539 | 40,939 |
| Charges to Appropriation (Outflow): | | | | |
| Public works | 1,149,778 | 2,352,541 | 258,826 | 2,093,715 |
| Total Charges to Appropriation | 1,149,778 | 2,352,541 | 258,826 | 2,093,715 |
| Net Change in Fund Balance | (457,178) | (1,659,941) | 474,713 | 2,134,654 |
| Fund Balance, Beginning of Year | 2,304,498 | 2,304,498 | 2,304,498 | - |
| Fund Balance, End of Year | \$ 1,847,320 | \$ 644,557 | \$ 2,779,211 | \$ 2,134,654 |

CITY OF MANHATTAN BEACH

Schedule 3C

**BUDGETARY COMPARISON SCHEDULES
ASSET FORFEITURE
YEAR ENDED JUNE 30, 2005**

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-----------------------|-------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Resources (Inflows): | | | | |
| Intergovernmental | \$ - | \$ - | \$ 7,071 | \$ 7,071 |
| Use of money and property | 17,100 | 17,100 | 17,984 | 884 |
| Total Resources | 17,100 | 17,100 | 25,055 | 7,955 |
| Charges to Appropriation (Outflow): | | | | |
| Public safety | 332,522 | 363,223 | 82,401 | 280,822 |
| Total Charges to Appropriation | 332,522 | 363,223 | 82,401 | 280,822 |
| Net Change in Fund Balances | (315,422) | (346,123) | (57,346) | 288,777 |
| Fund Balance, Beginning of Year | 767,400 | 767,400 | 767,400 | - |
| Fund Balance, End of Year | \$ 451,978 | \$ 421,277 | \$ 710,054 | \$ 288,777 |

CITY OF MANHATTAN BEACH

Schedule 3D

**BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY GRANTS
YEAR ENDED JUNE 30, 2005**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------|------------------|-------------------|---|
| | Original | Final | | |
| Resources (Inflows): | | | | |
| Intergovernmental | \$ - | \$ 100,000 | \$ 100,000 | \$ - |
| Use of money and property | - | - | 3,701 | 3,701 |
| Total Resources | - | 100,000 | 103,701 | 3,701 |
| Charges to Appropriation (Outflow): | | | | |
| Public safety | - | 189,813 | 190,367 | (554) |
| Total Charges to Appropriation | - | 189,813 | 190,367 | (554) |
| Net Change in Fund Balance | - | (89,813) | (86,666) | 3,147 |
| Fund Balance, Beginning of Year | 187,306 | 187,306 | 187,306 | - |
| Fund Balance, End of Year | \$ 187,306 | \$ 97,493 | \$ 100,640 | \$ 3,147 |

CITY OF MANHATTAN BEACH

Schedule 3E

**BUDGETARY COMPARISON SCHEDULE
PROPOSITION A
YEAR ENDED JUNE 30, 2005**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Resources (Inflows): | | | | |
| Taxes | \$ 462,000 | \$ 462,000 | \$ 528,964 | \$ 66,964 |
| Charges for services | 6,000 | 6,000 | 5,861 | (139) |
| Use of money and property | 9,900 | 9,900 | 7,896 | (2,004) |
| Total Resources | 477,900 | 477,900 | 542,721 | 64,821 |
| Charges to Appropriation (Outflow): | | | | |
| Culture and recreation | 472,001 | 827,001 | 790,374 | 36,627 |
| Public works | 25,000 | 25,000 | 16,766 | 8,234 |
| Total Charges to Appropriation | 497,001 | 852,001 | 807,140 | 44,861 |
| Net Change in Fund Balance | (19,101) | (374,101) | (264,419) | 109,682 |
| Fund Balance, Beginning of Year | 575,638 | 575,638 | 575,638 | - |
| Fund Balance, End of Year | \$ 556,537 | \$ 201,537 | \$ 311,219 | \$ 109,682 |

CITY OF MANHATTAN BEACH

Schedule 3F

**BUDGETARY COMPARISON SCHEDULE
PROPOSITION C
YEAR ENDED JUNE 30, 2005**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|-------------------|---------------------|---|
| | Original | Final | | |
| Resources (Inflows): | | | | |
| Taxes and assessments | \$ 381,000 | \$ 381,000 | \$ 438,871 | \$ 57,871 |
| Use of money and property | 30,600 | 30,600 | 35,883 | 5,283 |
| Total Resources | 411,600 | 411,600 | 474,754 | 63,154 |
| Charges to Appropriation (Outflow): | | | | |
| Public works | 374,103 | 2,169,179 | 1,056,547 | 1,112,632 |
| Total Charges to Appropriation | 374,103 | 2,169,179 | 1,056,547 | 1,112,632 |
| Net Change in Fund Balance | 37,497 | (1,757,579) | (581,793) | 1,175,786 |
| Fund Balance, Beginning of Year | 1,951,524 | 1,951,524 | 1,951,524 | - |
| Fund Balance, End of Year | \$ 1,989,021 | \$ 193,945 | \$ 1,369,731 | \$ 1,175,786 |

CITY OF MANHATTAN BEACH

Schedule 3G

BUDGETARY COMPARISON SCHEDULE
 AB 2766
 YEAR ENDED JUNE 30, 2005

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Resources (Inflows): | | | | |
| Intergovernmental | \$ 40,000 | \$ 40,000 | \$ 44,416 | \$ 4,416 |
| Use of money and property | 2,970 | 2,970 | 1,994 | (976) |
| Total Resources | 42,970 | 42,970 | 46,410 | 3,440 |
| Charges to Appropriation (Outflow): | | | | |
| Public works | 2,000 | 2,000 | 4,000 | (2,000) |
| Total Charges to Appropriation | 2,000 | 2,000 | 4,000 | (2,000) |
| Net Change in Fund Balance | 40,970 | 40,970 | 42,410 | 1,440 |
| Fund Balance, Beginning of Year | 65,482 | 65,482 | 65,482 | - |
| Fund Balance, End of Year | \$ 106,452 | \$ 106,452 | \$ 107,892 | \$ 1,440 |

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT
YEAR ENDED JUNE 30, 2005**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-----------------------|---------------------|---------------------------|---|
| | Original | Final | | |
| Resources (Inflows): | | | | |
| Taxes and assessments | \$ 328,000 | \$ 328,000 | \$ 359,096 | \$ 31,096 |
| Licenses and permits | 36,366 | 36,366 | 38,087 | 1,721 |
| Intergovernmental | - | 837,000 | 1,035,000 | 198,000 |
| Charges for services | 531,041 | 531,041 | 550,718 | 19,677 |
| Use of money and property | - | - | 24,556 | 24,556 |
| Fines and forfeitures | 130,810 | 130,810 | 116,508 | (14,302) |
| Other | 271,840 | 271,840 | - | (271,840) |
| Other financing sources | - | - | - | - |
| Total Resources | 1,298,057 | 2,135,057 | 2,123,965 | (11,092) |
| Charges to Appropriation (Outflow): | | | | |
| Public safety | 783,508 | 783,508 | 706,572 | 76,936 |
| Culture and recreation | 10,000 | 83,013 | 63,190 | 19,823 |
| Public works | 2,500,000 | 4,731,737 | 1,504,538 | 3,227,199 |
| Total Charges to Appropriation | 3,293,508 | 5,598,258 | 2,274,300 | 3,323,958 |
| Other Financing Sources: | | | | |
| Transfers in | 1,635,635 | 2,756,164 | 2,756,164 | - |
| Transfers out | (5,500,000) | (5,533,330) | (5,533,330) | - |
| Bond proceeds | - | 980,000 | 980,000 | - |
| Premium on bonds issued | - | 186,055 | 186,055 | - |
| Total Other Financing Sources | (3,864,365) | (1,611,111) | (1,611,111) | - |
| Net Change in Fund Balance | (5,859,816) | (5,074,312) | (1,761,446) | 3,312,866 |
| Fund Balance, Beginning of Year | 9,186,515 | 9,186,515 | 9,186,515 | - |
| Fund Balance, End of Year | \$ 3,326,699 | \$ 4,112,203 | \$ 7,425,069 | \$ 3,312,866 |

CITY OF MANHATTAN BEACH

Schedule 4B

**BUDGETARY COMPARISON SCHEDULE
SAFETY AND CIVIC CENTER CONSTRUCTION
YEAR ENDED JUNE 30, 2005**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|----------------------|---------------------|----------------------|---|
| | Original | Final | | |
| Resources (Inflows): | | | | |
| Use of money and property | \$ - | \$ - | \$ 304,139 | \$ 304,139 |
| Total Resources | - | - | 304,139 | 304,139 |
| Charges to Appropriation (Outflow): | | | | |
| Public works | 18,600,000 | 27,211,565 | 15,571,575 | 11,639,990 |
| Total Charges to Appropriation | 18,600,000 | 27,211,565 | 15,571,575 | 11,639,990 |
| Other Financing Sources: | | | | |
| Transfers in | 5,500,000 | 8,858,330 | 8,858,330 | - |
| Bond proceeds | 14,250,000 | 14,250,000 | 12,000,000 | (2,250,000) |
| Total Other Financing Sources | 19,750,000 | 23,108,330 | 20,858,330 | (2,250,000) |
| Net Change in Fund Balance | 1,150,000 | (4,103,235) | 5,590,894 | 9,694,129 |
| Fund Balance, Beginning of Year | 11,956,441 | 11,956,441 | 11,956,441 | - |
| Fund Balance, End of Year | \$ 13,106,441 | \$ 7,853,206 | \$ 17,547,335 | \$ 9,694,129 |

CITY OF MANHATTAN BEACH

Schedule 4C

**BUDGETARY COMPARISON SCHEDULE
UNDERGROUND ASSESSMENT DISTRICT
YEAR ENDED JUNE 30, 2005**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|------------------|-------------------|---|
| | Original | Final | | |
| Resources (Inflows): | | | | |
| Contributions from property owners | \$ 5,150,000 | \$ 3,372,889 | \$ 3,372,891 | \$ 2 |
| Use of money and property | - | - | 20,413 | 20,413 |
| Total Resources | 5,150,000 | 3,372,889 | 3,393,304 | 20,415 |
| Charges to Appropriation (Outflow): | | | | |
| Public works | 5,150,000 | 4,787,108 | 4,178,434 | 608,674 |
| Total Charges to Appropriation | 5,150,000 | 4,787,108 | 4,178,434 | 608,674 |
| Other Financing Sources: | | | | |
| Transfers Out | - | (33,444) | (33,444) | - |
| Total Other Financing Sources | - | (33,444) | (33,444) | - |
| Net Change in Fund Balance | - | (1,447,663) | (818,574) | 629,089 |
| Fund Balance, Beginning of Year | 1,479,976 | 1,479,976 | 1,479,976 | - |
| Fund Balance, End of Year | \$ 1,479,976 | \$ 32,313 | \$ 661,402 | \$ 629,089 |

CITY OF MANHATTAN BEACH

JUNE 30, 2005

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.

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 but controlled by the City through an operating agreement.

**COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2005**

| | County Parking Lots | State Pier and Parking Lot | Totals |
|---|--------------------------------|---------------------------------------|---------------------|
| Assets: | | | |
| Current: | | | |
| Cash and investments | \$ 120,941 | \$ 1,419,745 | \$ 1,540,686 |
| Prepaid costs | - | 128 | 128 |
| Total Current Assets | 120,941 | 1,419,873 | 1,540,814 |
| Total Assets | \$ 120,941 | \$ 1,419,873 | \$ 1,540,814 |
| Liabilities and Net Assets: | | | |
| Liabilities: | | | |
| Current: | | | |
| Accounts payable | \$ 117,636 | \$ 9,390 | \$ 127,026 |
| Deposits payable | 547 | - | 547 |
| Total Current Liabilities | 118,183 | 9,390 | 127,573 |
| Total Liabilities | 118,183 | 9,390 | 127,573 |
| Net Assets: | | | |
| Unrestricted | 2,758 | 1,410,483 | 1,413,241 |
| Total Net Assets | 2,758 | 1,410,483 | 1,413,241 |
| Total Liabilities and Net Assets | \$ 120,941 | \$ 1,419,873 | \$ 1,540,814 |

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005**

| | <u>County Parking Lots</u> | <u>State Pier and Parking Lot</u> | <u>Totals</u> |
|---|--------------------------------|---------------------------------------|---------------------|
| Operating Revenues: | | | |
| Sales and service charges | \$ 381,330 | \$ 326,419 | \$ 707,749 |
| Total Operating Revenues | 381,330 | 326,419 | 707,749 |
| Operating Expenses: | | | |
| Salaries and wages | 12,057 | 13,255 | 25,312 |
| Employee benefits | 2,737 | 2,847 | 5,584 |
| Contract and professional services | 23,366 | 92,536 | 115,902 |
| Materials and services | 12,996 | 23,268 | 36,264 |
| Utilities | 2,559 | 29,439 | 31,998 |
| Administrative service charges | 15,148 | 15,148 | 30,296 |
| Leases and rents | 209,732 | - | 209,732 |
| Total Operating Expenses | 278,595 | 176,493 | 455,088 |
| Operating Income (Loss) | 102,735 | 149,926 | 252,661 |
| Nonoperating Revenues (Expenses): | | | |
| Interest revenue | - | 31,254 | 31,254 |
| Total Nonoperating Revenues (Expenses) | - | 31,254 | 31,254 |
| Income (Loss) Before Transfers | 102,735 | 181,180 | 283,915 |
| Transfers out | (293,000) | - | (293,000) |
| Changes in Net Assets | (190,265) | 181,180 | (9,085) |
| Net Assets: | | | |
| Beginning of Fiscal Year | 193,023 | 1,229,303 | 1,422,326 |
| End of Fiscal Year | \$ 2,758 | \$ 1,410,483 | \$ 1,413,241 |

**STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005**

| | <u>County Parking Lot</u> | <u>State Pier and Parking Lot</u> | <u>Totals</u> |
|---|-------------------------------|---|---------------------|
| Cash Flows from Operating Activities: | | | |
| Cash received from customers and users | \$ 381,330 | \$ 326,419 | \$ 707,749 |
| Cash paid to supplies for good and services | (269,481) | (149,536) | (419,017) |
| Cash paid to employees for services | (14,795) | (16,101) | (30,896) |
| Cash paid for interfund services used | (15,148) | (18,577) | (33,725) |
| Net Cash Provided (Used) by Operating Activities | <u>81,906</u> | <u>142,205</u> | <u>224,111</u> |
| Cash Flows from Noncapital Financing Activities: | | | |
| Cash transfer to other funds | (293,000) | - | (293,000) |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>(293,000)</u> | <u>-</u> | <u>(293,000)</u> |
| Cash Flows from Investing Activities: | | | |
| Interest received | - | 31,255 | 31,255 |
| Net Cash Provided (Used) by Investing Activities | <u>-</u> | <u>31,255</u> | <u>31,255</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (211,094) | 173,460 | (37,634) |
| Cash and Cash Equivalents at Beginning of Year | 332,035 | 1,246,285 | 1,578,320 |
| Cash and Cash Equivalents at End of Year | <u>\$ 120,941</u> | <u>\$ 1,419,745</u> | <u>\$ 1,540,686</u> |
| Reconciliation of Operating Income to Net Cash | | | |
| Operating income (loss) | \$ 102,735 | \$ 149,926 | \$ 252,661 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| (Increase) decrease in prepaid expense | - | (128) | (128) |
| Increase (decrease) in accounts payable | (20,829) | (7,593) | (28,422) |
| Total Adjustments | <u>(20,829)</u> | <u>(7,721)</u> | <u>(28,550)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 81,906</u> | <u>\$ 142,205</u> | <u>\$ 224,111</u> |

CITY OF MANHATTAN BEACH

JUNE 30, 2005

NONMAJOR 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.

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2005**

| | <u>Insurance Reserve</u> | <u>Information Systems</u> | <u>Fleet Management</u> | <u>Building Maintenance and Operations</u> | <u>Total</u> |
|--|------------------------------|--------------------------------|-----------------------------|--|---------------------|
| Assets: | | | | | |
| Current: | | | | | |
| Cash and investments | \$ 5,031,809 | \$ 635,206 | \$ 1,829,423 | \$ 46,423 | \$ 7,542,861 |
| Prepays | - | 1,400 | - | 6,882 | 8,282 |
| Inventories | - | - | - | 92,949 | 92,949 |
| Total Current Assets | 5,031,809 | 636,606 | 1,829,423 | 146,254 | 7,644,092 |
| Noncurrent: | | | | | |
| Fixed assets-net of accumulated depreciation | - | - | 1,753,263 | - | 1,753,263 |
| Total Assets | \$ 5,031,809 | \$ 636,606 | \$ 3,582,686 | \$ 146,254 | \$ 9,397,355 |
| Liabilities and Fund Equity: | | | | | |
| Liabilities: | | | | | |
| Current: | | | | | |
| Accounts payable | \$ 576 | \$ 59,854 | \$ 27,318 | \$ 33,212 | \$ 120,960 |
| Workers' compensation claims | 2,735,889 | - | - | - | 2,735,889 |
| General liability claims | 239,351 | - | - | - | 239,351 |
| Total Current Liabilities | 2,975,816 | 59,854 | 27,318 | 33,212 | 3,096,200 |
| Noncurrent: | | | | | |
| Workers' compensation claims | 2,111,324 | - | - | - | 2,111,324 |
| General liability claims | 314,327 | - | - | - | 314,327 |
| Total Noncurrent Liabilities | 2,425,651 | - | - | - | 2,425,651 |
| Total Liabilities | 5,401,467 | 59,854 | 27,318 | 33,212 | 5,521,851 |
| Net Assets: | | | | | |
| Invested in capital assets, net of related debt | - | - | 1,753,263 | - | 1,753,263 |
| Unrestricted | (369,658) | 576,752 | 1,802,105 | 113,042 | 2,122,241 |
| Total Net Assets | (369,658) | 576,752 | 3,555,368 | 113,042 | 3,875,504 |
| Total Liabilities and Net Assets | \$ 5,031,809 | \$ 636,606 | \$ 3,582,686 | \$ 146,254 | \$ 9,397,355 |

**COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2005**

| | <u>Insurance Reserve</u> | <u>Information Systems</u> | <u>Fleet Management</u> | <u>Building Maintenance and Operations</u> | <u>Totals</u> |
|--|------------------------------|--------------------------------|-----------------------------|--|---------------------|
| Operating Revenues: | | | | | |
| Sales and service charges | \$ 2,651,540 | \$ 760,244 | \$ 1,355,002 | \$ 830,864 | \$ 5,597,650 |
| Miscellaneous | 94,923 | - | 98,421 | - | 193,344 |
| Total Operating Revenues | 2,746,463 | 760,244 | 1,453,423 | 830,864 | 5,790,994 |
| Operating Expenses: | | | | | |
| Salaries and wages | 153,191 | 314,750 | 211,659 | 163,151 | 842,751 |
| Employee benefits | 40,909 | 56,782 | 159,179 | 38,498 | 295,368 |
| Contract and professional services | 16,966 | 91,288 | 56,878 | 198,371 | 363,503 |
| Material and services | 3,472,722 | 270,067 | 424,179 | 265,209 | 4,432,177 |
| Utilities | 8,433 | 2,440 | - | 135,425 | 146,298 |
| Administrative service charges | 53,985 | - | 47,404 | 24,354 | 125,743 |
| Depreciation | - | - | 436,211 | - | 436,211 |
| Total Operating Expenses | 3,746,206 | 735,327 | 1,335,510 | 825,008 | 6,642,051 |
| Operating Income (Loss) | (999,743) | 24,917 | 117,913 | 5,856 | (851,057) |
| Income Before Contributions and Transfers | (999,743) | 24,917 | 117,913 | 5,856 | (851,057) |
| Transfers in | 355,000 | - | - | - | 355,000 |
| Change in Net Assets | (644,743) | 24,917 | 117,913 | 5,856 | (496,057) |
| Net Assets: | | | | | |
| Beginning of Fiscal Year | 275,085 | 551,835 | 3,437,455 | 107,186 | 4,371,561 |
| End of Fiscal Year | \$ (369,658) | \$ 576,752 | \$ 3,555,368 | \$ 113,042 | \$ 3,875,504 |

CITY OF MANHATTAN BEACH
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2005

| | <u>Insurance Reserve</u> | <u>Information Systems</u> |
|---|------------------------------|--------------------------------|
| Cash Flows from Operating Activities: | | |
| Cash received from customers and users | \$ 102,867 | \$ 3,940 |
| Cash received from interfund service provided | 2,651,540 | 760,244 |
| Cash payments to supplies for goods and services | (1,880,995) | (291,264) |
| Cash payments to employees for services | (193,918) | (371,330) |
| Cash payments for interfund services used | <u>(345,568)</u> | <u>(20,819)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>333,926</u> | <u>80,771</u> |
| Cash Flows from Non-Capital Financing Activities: | | |
| Cash transfer from other funds | <u>355,000</u> | <u>-</u> |
| Net Cash Provided (Used) by Non-Capital Financing Activities | 355,000 | - |
| Cash Flows from Capital and Related Financing Activities: | | |
| Purchases of capital assets | <u>-</u> | <u>-</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>-</u> | <u>-</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 688,926 | 80,771 |
| Cash and Cash Equivalents at Beginning of Year | <u>4,342,883</u> | <u>554,435</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 5,031,809</u> | <u>\$ 635,206</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | |
| Operating income (loss) | \$ (999,743) | \$ 24,917 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation | - | - |
| (Increase) decrease in inventories | - | - |
| (Increase) decrease in prepaid expense | - | (1,400) |
| (Increase) decrease in due from other funds | - | - |
| Increase (decrease) in accounts payable | 2,545 | 57,254 |
| Increase (decrease) in deposits | (2,939) | - |
| Increase (decrease) in claims payable | <u>1,334,063</u> | <u>-</u> |
| Total Adjustments | <u>1,333,669</u> | <u>55,854</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 333,926</u> | <u>\$ 80,771</u> |

Schedule 10

| <u>Fleet Management</u> | <u>Building Maintenance</u> | <u>Totals</u> |
|-------------------------|-----------------------------|---------------------|
| \$ 30,618 | \$ 437 | \$ 137,862 |
| 1,422,805 | 830,863 | 5,665,452 |
| (436,356) | (590,172) | (3,198,787) |
| (273,578) | (201,472) | (1,040,298) |
| (183,933) | (60,640) | (610,960) |
| 559,556 | (20,984) | 953,269 |
| - | - | 355,000 |
| - | - | 355,000 |
| (233,887) | - | (233,887) |
| (233,887) | - | (233,887) |
| 325,669 | (20,984) | 1,074,382 |
| 1,503,754 | 67,407 | 6,468,479 |
| \$ 1,829,423 | \$ 46,423 | \$ 7,542,861 |
| \$ 117,913 | \$ 5,856 | \$ (851,057) |
| 436,209 | - | 436,209 |
| - | (580) | (580) |
| - | - | (1,400) |
| - | (6,882) | (6,882) |
| 5,434 | (19,378) | 45,855 |
| - | - | (2,939) |
| - | - | 1,334,063 |
| 441,643 | (26,840) | 1,804,326 |
| \$ 559,556 | \$ (20,984) | \$ 953,269 |

CITY OF MANHATTAN BEACH

JUNE 30, 2005

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.

Underground Assessment District 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.

**COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2005**

| | <u>Underground Assessment District</u> | <u>Special Deposits</u> | <u>Totals</u> |
|------------------------------|--|-----------------------------|----------------------------|
| Assets: | | | |
| Cash And investments | \$ 471,986 | \$ 2,044,724 | \$ 2,516,710 |
| Receivables: | | | |
| Accounts | 5,329 | - | 5,329 |
| Total Assets | <u>\$ 477,315</u> | <u>\$ 2,044,724</u> | <u>\$ 2,522,039</u> |
| | | | |
| Liabilities: | | | |
| Accounts payable | \$ - | \$ 10,000 | \$ 10,000 |
| 401(a) plan deposits | - | 1,046,659 | 1,046,659 |
| Utility development deposits | - | 619,874 | 619,874 |
| Art development fees | - | 286,829 | 286,829 |
| Other deposits | - | 81,362 | 81,362 |
| Due to bondholders | 477,315 | - | 477,315 |
| Total Liabilities | <u>\$ 477,315</u> | <u>\$ 2,044,724</u> | <u>\$ 2,522,039</u> |

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

| | <u>Balance July 1, 2004</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2005</u> |
|---|---------------------------------|----------------------------|--------------------------|----------------------------------|
| <u>Underground Assessment District</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ - | \$ 622,738 | \$ 150,752 | \$ 471,986 |
| Accounts receivable | - | 5,329 | - | 5,329 |
| Total Assets | <u>\$ -</u> | <u>\$ 628,067</u> | <u>\$ 150,752</u> | <u>\$ 477,315</u> |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 165,447 | \$ 165,447 | \$ - |
| Due to bondholders | - | 556,365 | 79,050 | 477,315 |
| Total Liabilities | <u>\$ -</u> | <u>\$ 721,812</u> | <u>\$ 244,497</u> | <u>\$ 477,315</u> |
| <u>Special Deposits</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 1,754,966 | \$ 521,751 | \$ 231,993 | \$ 2,044,724 |
| Total Assets | <u>\$ 1,754,966</u> | <u>\$ 521,751</u> | <u>\$ 231,993</u> | <u>\$ 2,044,724</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 5,261 | \$ 2,000 | \$ 7,261 | \$ - |
| Due to other agencies | 10,000 | - | - | 10,000 |
| 401(a) plan deposits | 849,907 | 196,752 | - | 1,046,659 |
| Utility development deposit | 619,874 | - | - | 619,874 |
| Art development fees | 207,428 | 81,471 | 2,070 | 286,829 |
| Other deposits | 62,496 | 241,528 | 222,662 | 81,362 |
| Total Liabilities | <u>\$ 1,754,966</u> | <u>\$ 521,751</u> | <u>\$ 231,993</u> | <u>\$ 2,044,724</u> |
| <u>Totals</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 1,754,966 | \$ 1,144,489 | \$ 382,745 | \$ 2,516,710 |
| Accounts receivable | - | 5,329 | - | 5,329 |
| Total Assets | <u>\$ 1,754,966</u> | <u>\$ 1,149,818</u> | <u>\$ 382,745</u> | <u>\$ 2,522,039</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 5,261 | \$ 167,447 | \$ 172,708 | \$ - |
| Due to other agencies | 10,000 | - | - | 10,000 |
| 401(a) plan deposits | 849,907 | 196,752 | - | 1,046,659 |
| Utility development deposit | 619,874 | - | - | 619,874 |
| Art development fees | 207,428 | 81,471 | 2,070 | 286,829 |
| Other deposits | 62,496 | 241,528 | 222,662 | 81,362 |
| Due to bondholders | - | 556,365 | 79,050 | 477,315 |
| Total Liabilities | <u>\$ 1,754,966</u> | <u>\$ 1,243,563</u> | <u>\$ 476,490</u> | <u>\$ 2,522,039</u> |