






Agenda Item # _____

Staff Report

City of Manhattan Beach

TO: Members of the Finance Subcommittee

FROM: Steve S. Charelian, Finance Director 
Henry Mitzner, Controller 
Libby Bretthauer, Senior Financial Analyst 
Julie Bondarchuk, Senior Accountant

DATE: December 5, 2019

SUBJECT: Review of the Financial Audit Results for FY 2018-2019

RECOMMENDATION:

Staff recommends that the Finance Subcommittee discuss the FY 2018-2019 audit results, and receive and file this report.

FISCAL IMPLICATION:

There are no fiscal implications associated with the recommended action.

BACKGROUND:

At the end of each fiscal year, independent auditors, hired by the City Council, perform an audit of the City's financial statements. A report is then prepared and presented to the City Council with the results. Prior to that report, the auditors meet with the Finance Subcommittee to discuss the outcome.

DISCUSSION:

Due to the timing of the completion of the FY 2018-2019 audit staff has attached the financial statements and footnotes from the draft Comprehensive Annual Financial Report (CAFR). The final CAFR, Letter of Transmittal, Management Discussion and Analysis, and Statistical Section are in production, and will be included with the final report provided to the full City Council on December 17, 2019. Mr. Brian Gruber, partner with the audit firm of Lance, Soll and Lunghard, will also be present to answer questions.

Attachment: Draft Financial Statements with Footnotes for the FY 2018-2019 CAFR.

CITY OF MANHATTAN BEACH, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019



Prepared by the Finance Department
Steve S. Charelian, Finance Director

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CITY OF MANHATTAN BEACH
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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CITY OF MANHATTAN BEACH

STATEMENT OF NET POSITION
JUNE 30, 2019

| | Primary Government | | |
|---|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets: | | | |
| Cash and investments | \$ 65,224,034 | \$ 59,525,678 | \$ 124,749,712 |
| Receivables: | | | |
| Accounts | 736,117 | 1,459,914 | 2,196,031 |
| Taxes | 3,038,369 | - | 3,038,369 |
| Accrued interest | 699,777 | - | 699,777 |
| Prepaid costs | 695,842 | 999 | 696,841 |
| Due from other governments | 3,195,073 | - | 3,195,073 |
| Due from OPEB Trust Fund | 315,517 | - | 315,517 |
| Inventories | 78,082 | 261,096 | 339,178 |
| Restricted assets: | | | |
| Cash and investments | 1,068,946 | - | 1,068,946 |
| Cash with fiscal agent | 223,061 | 158,229 | 381,290 |
| Total Current Assets | 75,274,818 | 61,405,916 | 136,680,734 |
| Net OPEB Asset | 3,742,902 | 224,306 | 3,967,208 |
| Notes and loans | 41,994 | - | 41,994 |
| Capital assets not being depreciated | 44,903,374 | 5,532,520 | 50,435,894 |
| Capital assets, net of depreciation | 79,816,556 | 47,707,143 | 127,523,699 |
| Total Noncurrent Assets | 128,504,826 | 53,463,969 | 181,968,795 |
| Total Assets | 203,779,644 | 114,869,885 | 318,649,529 |
| Deferred Outflows of Resources: | | | |
| Deferred charge on refunding | 402,354 | - | 402,354 |
| Deferred pension related items | 18,258,168 | 396,184 | 18,654,352 |
| Deferred OPEB related items | 25,283 | 1,264 | 26,547 |
| Total Deferred Outflows of Resources | 18,685,805 | 397,448 | 19,083,253 |
| Liabilities: | | | |
| Accounts payable | 5,866,691 | 2,044,529 | 7,911,220 |
| Accrued liabilities | 552,542 | 210,575 | 763,117 |
| Accrued payroll | 481,256 | - | 481,256 |
| Payroll liabilities | 1,207,584 | - | 1,207,584 |
| Accrued interest | 222,256 | 158,056 | 380,312 |
| Unearned revenue | 1,049,034 | - | 1,049,034 |
| Deposits payable | 2,298,786 | 789,533 | 3,088,319 |
| Long-term liabilities due within one year: | | | |
| Long term debt | 820,000 | 665,000 | 1,485,000 |
| Accrued employee benefits | 688,066 | 21,282 | 709,348 |
| Accrued workers comp/liability claims and judgments | 10,531,036 | - | 10,531,036 |
| Total Current Liabilities | 23,717,251 | 3,888,975 | 27,606,226 |
| Noncurrent liabilities: | | | |
| Long term liabilities due in more than one year | | | |
| Long term debt | 12,895,675 | 8,766,767 | 21,662,442 |
| Accrued employee benefits | 2,236,919 | 69,188 | 2,306,107 |
| Accrued workers comp/liability claims and judgments | 6,665,286 | - | 6,665,286 |
| Net pension liability - PERS | 73,092,014 | 1,759,113 | 74,851,127 |
| Net pension liability - City Plans | 253,080 | - | 253,080 |
| Total Noncurrent Liabilities | 95,142,974 | 10,595,068 | 105,738,042 |
| Total Liabilities | 118,860,225 | 14,484,043 | 133,344,268 |
| Deferred Inflows of Resources: | | | |
| Deferred pension related items | 3,881,621 | 100,130 | 3,981,751 |
| Total Deferred Inflows of Resources | 3,881,621 | 100,130 | 3,981,751 |
| Net Position: | | | |
| Net investment in capital assets | 111,406,609 | 43,807,896 | 155,214,505 |
| Restricted for: | | | |
| Public safety | 724,355 | - | 724,355 |
| Public works | 44,857 | - | 44,857 |
| Capital projects | 6,235,010 | - | 6,235,010 |
| Post-employment benefits | 1,068,946 | - | 1,068,946 |
| Business improvement districts | - | 571,598 | 571,598 |
| Unrestricted | (19,756,174) | 56,303,666 | 36,547,492 |
| Total Net Position | \$ 99,723,603 | \$ 100,683,160 | \$ 200,406,763 |

CITY OF MANHATTAN BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

| | Expenses | Program Revenues | | |
|---------------------------------------|-----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Contributions and Grants | Capital Contributions and Grants |
| Functions/Programs | | | | |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General government | \$ 15,887,856 | \$ 6,495,480 | \$ 665,934 | \$ 904,532 |
| Public safety | 46,314,516 | 3,538,806 | 263,522 | - |
| Culture and recreation | 9,922,148 | 3,757,047 | 712,461 | - |
| Public works | 10,805,410 | 5,540,348 | 548,180 | 3,142,185 |
| Interest on long-term debt | 439,858 | - | - | - |
| Total Governmental Activities | 83,369,788 | 19,331,681 | 2,190,097 | 4,046,717 |
| Business-Type Activities: | | | | |
| Water | 12,141,933 | 15,424,972 | - | - |
| Stormwater | 1,052,389 | 350,106 | - | - |
| Wastewater | 1,754,562 | 3,462,973 | - | - |
| Refuse | 4,109,233 | 4,131,074 | 28,271 | - |
| Parking | 2,230,402 | 3,033,916 | 4,574 | - |
| County Parking Lot | 557,386 | 815,801 | - | - |
| State Pier and Parking Lot | 773,410 | 589,735 | 84,988 | - |
| Total Business-Type Activities | 22,619,315 | 27,808,577 | 117,833 | - |
| Total Primary Government | \$ 105,989,103 | \$ 47,140,258 | \$ 2,307,930 | \$ 4,046,717 |

General Revenues:

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Business licenses taxes

Real estate transfer taxes

Motor vehicle in lieu - unrestricted

Use of money and property

Other

Gain on sale of capital asset

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

Net (Expenses) Revenues and Changes in Net Position
Primary Government

| Governmental Activities | Business-Type Activities | Total |
|------------------------------------|-------------------------------------|-----------------------|
| \$ (7,821,910) | \$ - | \$ (7,821,910) |
| (42,512,188) | - | (42,512,188) |
| (5,452,640) | - | (5,452,640) |
| (1,574,697) | - | (1,574,697) |
| (439,858) | - | (439,858) |
| (57,801,293) | - | (57,801,293) |
| - | 3,283,039 | 3,283,039 |
| - | (702,283) | (702,283) |
| - | 1,708,411 | 1,708,411 |
| - | 50,112 | 50,112 |
| - | 808,088 | 808,088 |
| - | 258,415 | 258,415 |
| - | (98,687) | (98,687) |
| - | 5,307,095 | 5,307,095 |
| (57,801,293) | 5,307,095 | (52,494,198) |
| 32,107,341 | - | 32,107,341 |
| 5,140,858 | - | 5,140,858 |
| 9,734,444 | - | 9,734,444 |
| 1,234,752 | - | 1,234,752 |
| 4,053,020 | - | 4,053,020 |
| 1,013,516 | - | 1,013,516 |
| 17,276 | - | 17,276 |
| 5,747,403 | 2,237,070 | 7,984,473 |
| 3,556 | - | 3,556 |
| 24,387 | - | 24,387 |
| (1,009,910) | 1,009,910 | - |
| 58,066,643 | 3,246,980 | 61,313,623 |
| 265,350 | 8,554,075 | 8,819,425 |
| 99,458,253 | 92,129,085 | 191,587,338 |
| \$ 99,723,603 | \$ 100,683,160 | \$ 200,406,763 |

CITY OF MANHATTAN BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

| | <u>Special Revenue Funds</u> | | | <u>Capital Projects Fund</u> |
|--|------------------------------|---------------------|----------------------|----------------------------------|
| | <u>General</u> | <u>Gas Tax</u> | <u>Proposition C</u> | <u>Capital Improvement</u> |
| Assets: | | | | |
| Pooled cash and investments | \$ 27,099,945 | \$ 2,266,432 | \$ 4,218,640 | \$ 8,345,963 |
| Receivables: | | | | |
| Accounts | 726,858 | - | - | - |
| Taxes | 2,963,009 | - | - | 75,360 |
| Notes and loans | - | - | - | 41,994 |
| Accrued interest | 699,777 | - | - | - |
| Prepaid costs | 684,023 | - | - | - |
| Due from other governments | 922,759 | 179,620 | 1,151,426 | 911,666 |
| Due from OPEB Trust Fund | 315,517 | - | - | - |
| Inventories | 7,167 | - | - | - |
| Restricted assets: | | | | |
| Cash and investments | 1,068,946 | - | - | - |
| Cash and investments with fiscal agents | 90,858 | - | - | 132,203 |
| Total Assets | \$ 34,578,859 | \$ 2,446,052 | \$ 5,370,066 | \$ 9,507,186 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 2,851,147 | \$ 1,428,006 | \$ 265,972 | \$ 629,814 |
| Accrued payables | 67,989 | 177,290 | 3,444 | 246,274 |
| Accrued payroll | 481,256 | - | - | - |
| Payroll liabilities | 1,207,584 | - | - | - |
| Interest payable | 90,775 | - | - | 131,481 |
| Unearned revenues | 1,049,034 | - | - | - |
| Deposits payable | 2,297,045 | - | - | - |
| Total Liabilities | 8,044,830 | 1,605,296 | 269,416 | 1,007,569 |
| Deferred Inflows of Resources: | | | | |
| Unavailable revenues | 79,433 | 117,743 | 1,151,426 | 901,482 |
| Total Deferred Inflows of Resources | 79,433 | 117,743 | 1,151,426 | 901,482 |
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Inventory | 7,167 | - | - | - |
| Prepaid costs | 684,023 | - | - | - |
| Restricted for: | | | | |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Capital projects | - | 723,013 | 3,949,224 | - |
| Post-employment benefits | 1,068,946 | - | - | - |
| Committed to: | | | | |
| Capital projects | - | - | - | 7,598,135 |
| Unassigned | 24,694,460 | - | - | - |
| Total Fund Balances | 26,454,596 | 723,013 | 3,949,224 | 7,598,135 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 34,578,859 | \$ 2,446,052 | \$ 5,370,066 | \$ 9,507,186 |

CITY OF MANHATTAN BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

| | Other Governmental Funds | Total Governmental Funds |
|--|---|---|
| Assets: | | |
| Pooled cash and investments | \$ 2,748,382 | \$ 44,679,362 |
| Receivables: | | |
| Accounts | 7,371 | 734,229 |
| Taxes | - | 3,038,369 |
| Notes and loans | - | 41,994 |
| Accrued interest | - | 699,777 |
| Prepaid costs | 6,475 | 690,498 |
| Due from other governments | 29,602 | 3,195,073 |
| Due from OPEB Trust Fund | - | 315,517 |
| Inventories | - | 7,167 |
| Restricted assets: | | |
| Cash and investments | - | 1,068,946 |
| Cash and investments with fiscal agents | - | 223,061 |
| Total Assets | \$ 2,791,830 | \$ 54,693,993 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances: | | |
| Liabilities: | | |
| Accounts payable | \$ 390,909 | \$ 5,565,848 |
| Accrued payables | 49,695 | 544,692 |
| Accrued payroll | - | 481,256 |
| Payroll liabilities | - | 1,207,584 |
| Interest payable | - | 222,256 |
| Unearned revenues | - | 1,049,034 |
| Deposits payable | 1,741 | 2,298,786 |
| Total Liabilities | 442,345 | 11,369,456 |
| Deferred Inflows of Resources: | | |
| Unavailable revenues | 17,500 | 2,267,584 |
| Total Deferred Inflows of Resources | 17,500 | 2,267,584 |
| Fund Balances: | | |
| Nonspendable: | | |
| Inventory | - | 7,167 |
| Prepaid costs | - | 684,023 |
| Restricted for: | | |
| Public safety | 724,355 | 724,355 |
| Public works | 44,857 | 44,857 |
| Capital projects | 1,562,773 | 6,235,010 |
| Post-employment benefits | - | 1,068,946 |
| Committed to: | | |
| Capital projects | - | 7,598,135 |
| Unassigned | - | 24,694,460 |
| Total Fund Balances | 2,331,985 | 41,056,953 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 2,791,830 | \$ 54,693,993 |

CITY OF MANHATTAN BEACH

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

| | | |
|---|---------------------|-----------------------------|
| Fund balances of governmental funds | | \$ 41,056,953 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets net of depreciation have not been included as financial resources | | |
| Capital assets | \$ 178,160,351 | |
| Accumulated depreciation | <u>(58,587,053)</u> | 119,573,298 |
| Governmental funds report all OPEB contributions as expenditures, however, in the statement of net position, the excess of the OPEB plan asset over the OPEB actuarial liability is reported as net OPEB asset. | | 3,541,763 |
| For bond refundings, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred charge on refunding in the Statement of Net Position. | | 402,354 |
| Governmental funds report all pension contributions as expenditures. However, the net pension liability has a measurement date of June 30, 2017, and pension contributions subsequent to the measurement date are reclassified as deferred outflows of resources. | | 7,527,763 |
| Deferred inflows of resources reported for the pension plan for government-wide statements are amortized: | | |
| Differences between expected and actual experiences | 1,156,105 | |
| Changes in assumptions | 6,942,400 | |
| Net difference between projected and actual earnings | 530,344 | |
| Adjustment due to difference in proportions | 1,559,647 | |
| Difference in proportionate share | <u>11,174</u> | 10,199,670 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. | | |
| COPS payable | (13,025,000) | |
| Compensated Absences | (2,924,985) | |
| Unamortized bond premiums/discounts | <u>(690,675)</u> | (16,640,660) |
| Governmental funds report all pension contributions as expenditures, however, in the statement of net position, the excess of the plan proportionate share of the total pension liability over the proportionate share of the plan fiduciary net position is reported as a net pension liability. | | (71,117,606) |
| Deferred inflows of resources reported for the pension plan for government-wide statements are amortized: | | |
| Changes in assumptions | (348,950) | |
| Differences between expected and actual experiences | (1,432,334) | |
| Adjustment due to difference in proportions | (130,000) | |
| Difference in proportionate share | <u>(1,845,765)</u> | (3,757,049) |
| Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. | | 2,267,584 |
| Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position. | | <u>6,669,533</u> |
| Net Position of Governmental Activities | | <u>\$ 99,723,603</u> |

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CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

| | Special Revenue Funds | | | Capital Projects Fund |
|--|-----------------------|-------------------|---------------------|--------------------------|
| | General | Gas Tax | Proposition C | Capital Improvement |
| Revenues: | | | | |
| Taxes and assessments | \$ 52,272,101 | \$ - | \$ 590,966 | \$ 781,830 |
| Licenses and permits | 3,048,263 | - | - | 36,340 |
| Intergovernmental | 355,520 | 1,618,605 | 34,152 | 448,758 |
| Charges for services | 12,076,449 | - | - | 649,026 |
| Use of money and property | 5,304,823 | 129,144 | 188,350 | 808 |
| Fines and forfeitures | 1,963,412 | - | - | 88,280 |
| Miscellaneous Revenues | 1,112,149 | - | - | 19,650 |
| Total Revenues | 76,132,717 | 1,747,749 | 813,468 | 2,024,692 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 15,125,085 | - | - | 456,138 |
| Public safety | 42,632,070 | - | - | - |
| Culture and recreation | 8,383,582 | - | - | - |
| Public works | 7,190,483 | 1,408,154 | 299,247 | 224,258 |
| Capital outlay: | | | | |
| General government | 65,704 | - | - | 21,470 |
| Public safety | 328,757 | - | - | 255,020 |
| Culture and recreation | 5,497 | - | - | 1,298,891 |
| Public works | 5,999 | 2,451,409 | 856,585 | 2,528,106 |
| Debt service: | | | | |
| Principal retirement | 295,000 | - | - | 500,000 |
| Interest and fiscal charges | 185,975 | - | - | 270,462 |
| Fees | 1,600 | - | - | 1,800 |
| Total Expenditures | 74,219,752 | 3,859,563 | 1,155,832 | 5,556,145 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,912,965 | (2,111,814) | (342,364) | (3,531,453) |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 263,873 | - | - | 560,100 |
| Transfers out | (2,594,296) | - | - | - |
| Total Other Financing Sources (Uses) | (2,330,423) | - | - | 560,100 |
| Net Change in Fund Balances | (417,458) | (2,111,814) | (342,364) | (2,971,353) |
| Fund Balances: | | | | |
| Beginning of Year | \$ 26,872,054 | \$ 2,834,827 | \$ 4,291,588 | \$ 10,569,488 |
| End of Year | \$ 26,454,596 | \$ 723,013 | \$ 3,949,224 | \$ 7,598,135 |

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

| | Other Governmental Funds | Total Governmental Funds |
|--|---|---|
| Revenues: | | |
| Taxes and assessments | \$ 2,336,125 | \$ 55,981,022 |
| Licenses and permits | - | 3,084,603 |
| Intergovernmental | 268,428 | 2,725,463 |
| Charges for services | 17,988 | 12,743,463 |
| Use of money and property | 124,278 | 5,747,403 |
| Fines and forfeitures | - | 2,051,692 |
| Miscellaneous Revenues | 530 | 1,132,329 |
| Total Revenues | 2,747,349 | 83,465,975 |
| Expenditures: | | |
| Current: | | |
| General government | - | 15,581,223 |
| Public safety | 258,822 | 42,890,892 |
| Culture and recreation | 966,664 | 9,350,246 |
| Public works | 844,148 | 9,966,290 |
| Capital outlay: | | |
| General government | - | 87,174 |
| Public safety | - | 583,777 |
| Culture and recreation | - | 1,304,388 |
| Public works | 1,139,369 | 6,981,468 |
| Debt service: | | |
| Principal retirement | - | 795,000 |
| Interest and fiscal charges | - | 456,437 |
| Fees | - | 3,400 |
| Total Expenditures | 3,209,003 | 88,000,295 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (461,654) | (4,534,320) |
| Other Financing Sources (Uses): | | |
| Transfers in | 180,460 | 1,004,433 |
| Transfers out | (158,107) | (2,752,403) |
| Total Other Financing Sources (Uses) | 22,353 | (1,747,970) |
| Net Change in Fund Balances | (439,301) | (6,282,290) |
| Fund Balances: | | |
| Beginning of Year | \$ 2,771,286 | \$ 47,339,243 |
| End of Year | \$ 2,331,985 | \$ 41,056,953 |

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CITY OF MANHATTAN BEACH

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Net change in fund balances - total governmental funds \$ (6,282,290)

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

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

| | | |
|----------------------------|--------------------|-----------|
| Cost of assets capitalized | \$ 9,608,705 | |
| Depreciation expense | <u>(3,119,846)</u> | 6,488,859 |

The issuance of long-term debt (e.g. bonds, leases) provides current resources to governmental funds, while the repayment of long term debt principal consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities

| | | |
|--|-----------------|---------|
| Repayment of bond principal: | | |
| Police & Fire Facility 2013 Refunding Certificates of Participation | 500,000 | |
| Marine Avenue Park 2016 Refunding Certificates of Participation | 295,000 | |
| Amortization of bond premiums - Police Fire Facility bonds refunding | 52,158 | |
| Amortization of deferred charges on refunding | <u>(32,188)</u> | 814,979 |

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 376,786

Pension obligation expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (4,518,069)

OPEB 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. 73,522

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. 1,154,686

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities. 2,156,877

Change in Net Position of Governmental Activities \$ 265,350

CITY OF MANHATTAN BEACH

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2019

| | <u>Business-Type Activities - Enterprise Funds</u> | | |
|--|--|----------------------|----------------------|
| | <u>Water</u> | <u>Wastewater</u> | <u>Parking</u> |
| Assets: | | | |
| Current: | | | |
| Cash and investments | \$ 40,452,488 | \$ 11,864,469 | \$ 2,331,042 |
| Receivables: | | | |
| Accounts | 890,243 | 242,319 | 6,058 |
| Prepaid costs | 999 | - | - |
| Inventories | 261,096 | - | - |
| Restricted: | | | |
| Cash with fiscal agent | 18,568 | 9,156 | 130,505 |
| Total Current Assets | <u>41,623,394</u> | <u>12,115,944</u> | <u>2,467,605</u> |
| Noncurrent: | | | |
| Net OPEB Asset | 128,989 | 34,016 | 19,340 |
| Capital assets - net of accumulated depreciation | 22,167,303 | 9,396,059 | 17,587,292 |
| Total Noncurrent Assets | <u>22,296,292</u> | <u>9,430,075</u> | <u>17,606,632</u> |
| Total Assets | <u>63,919,686</u> | <u>21,546,019</u> | <u>20,074,237</u> |
| Deferred Outflows of Resources: | | | |
| Deferred pension related items | 224,271 | 82,950 | 22,324 |
| Deferred OPEB related items | 692 | 286 | 116 |
| Total Deferred Outflows of Resources | <u>224,963</u> | <u>83,236</u> | <u>22,440</u> |
| Liabilities: | | | |
| Current: | | | |
| Accounts payable | 705,597 | 98,217 | 101,543 |
| Accrued payables | 1,683 | 202,430 | 1,500 |
| Accrued interest | 18,568 | 9,156 | 130,332 |
| Deposits payable | 1,360 | - | 410 |
| Accrued compensated absences | 21,282 | - | - |
| Workers' compensation claims | - | - | - |
| Accrued claims and judgments | - | - | - |
| Bonds, notes, and capital leases | 137,401 | 67,599 | 460,000 |
| Total Current Liabilities | <u>885,891</u> | <u>377,402</u> | <u>693,785</u> |
| Noncurrent: | | | |
| Net pension liability | 1,007,984 | 329,908 | 96,935 |
| Accrued compensated absences | 69,188 | - | - |
| Workers' compensation claims | - | - | - |
| Accrued claims and judgments | - | - | - |
| Bonds, notes, and capital leases | 1,004,681 | 494,281 | 7,267,805 |
| Total Noncurrent Liabilities | <u>2,081,853</u> | <u>824,189</u> | <u>7,364,740</u> |
| Total Liabilities | <u>2,967,744</u> | <u>1,201,591</u> | <u>8,058,525</u> |
| Deferred Inflows of Resources: | | | |
| Deferred pension related items | 57,372 | 19,067 | 5,171 |
| Total Deferred Inflows of Resources | <u>57,372</u> | <u>19,067</u> | <u>5,171</u> |
| Net Position: | | | |
| Net investment in capital assets | 21,025,221 | 8,834,179 | 9,859,487 |
| Restricted for business improvement district | - | - | 571,598 |
| Unrestricted | 40,094,312 | 11,574,418 | 1,601,896 |
| Total Net Position | <u>\$ 61,119,533</u> | <u>\$ 20,408,597</u> | <u>\$ 12,032,981</u> |

CITY OF MANHATTAN BEACH

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2019

| | Business-Type Activities - Enterprise Funds | | Governmental Activities - Internal Services Funds |
|--|--|------------------------------|--|
| | Other Enterprise Funds | Totals | |
| Assets: | | | |
| Current: | | | |
| Cash and investments | \$ 4,877,679 | \$ 59,525,678 | \$ 20,544,672 |
| Receivables: | | | |
| Accounts | 321,294 | 1,459,914 | 1,888 |
| Prepaid costs | - | 999 | 5,344 |
| Inventories | - | 261,096 | 70,915 |
| Restricted: | | | |
| Cash with fiscal agent | - | 158,229 | - |
| Total Current Assets | <u>5,198,973</u> | <u>61,405,916</u> | <u>20,622,819</u> |
| Noncurrent: | | | |
| Net OPEB Asset | 41,961 | 224,306 | 225,020 |
| Capital assets - net of accumulated depreciation | 4,089,009 | 53,239,663 | 5,146,632 |
| Total Noncurrent Assets | <u>4,130,970</u> | <u>53,463,969</u> | <u>5,371,652</u> |
| Total Assets | <u>9,329,943</u> | <u>114,869,885</u> | <u>25,994,471</u> |
| Deferred Outflows of Resources: | | | |
| Deferred pension related items | 66,639 | 396,184 | 530,735 |
| Deferred OPEB related items | 170 | 1,264 | 1,402 |
| Total Deferred Outflows of Resources | <u>66,809</u> | <u>397,448</u> | <u>532,137</u> |
| Liabilities: | | | |
| Current: | | | |
| Accounts payable | 1,139,172 | 2,044,529 | 300,843 |
| Accrued payables | 4,962 | 210,575 | 7,850 |
| Accrued interest | - | 158,056 | - |
| Deposits payable | 787,763 | 789,533 | - |
| Accrued compensated absences | - | 21,282 | - |
| Workers' compensation claims | - | - | 9,191,172 |
| Accrued claims and judgments | - | - | 1,339,864 |
| Bonds, notes, and capital leases | - | 665,000 | - |
| Total Current Liabilities | <u>1,931,897</u> | <u>3,888,975</u> | <u>10,839,729</u> |
| Noncurrent: | | | |
| Net pension liability | 324,286 | 1,759,113 | 2,227,488 |
| Accrued compensated absences | - | 69,188 | - |
| Workers' compensation claims | - | - | 6,000,891 |
| Accrued claims and judgments | - | - | 664,395 |
| Bonds, notes, and capital leases | - | 8,766,767 | - |
| Total Noncurrent Liabilities | <u>324,286</u> | <u>10,595,068</u> | <u>8,892,774</u> |
| Total Liabilities | <u>2,256,183</u> | <u>14,484,043</u> | <u>19,732,503</u> |
| Deferred Inflows of Resources: | | | |
| Deferred pension related items | 18,520 | 100,130 | 124,572 |
| Total Deferred Inflows of Resources | <u>18,520</u> | <u>100,130</u> | <u>124,572</u> |
| Net Position: | | | |
| Net investment in capital assets | 4,089,009 | 43,807,896 | 5,146,632 |
| Restricted for business improvement district | - | 571,598 | - |
| Unrestricted | 3,033,040 | 56,303,666 | 1,522,901 |
| Total Net Position | <u>\$ 7,122,049</u> | <u>\$ 100,683,160</u> | <u>\$ 6,669,533</u> |

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019

| | <u>Business-Type Activities - Enterprise Funds</u> | | |
|--|--|-----------------------------|-----------------------------|
| | <u>Water</u> | <u>Wastewater</u> | <u>Parking</u> |
| Operating Revenues: | | | |
| Sales and service charges | \$ 15,423,233 | \$ 3,453,253 | \$ 3,018,947 |
| Interdepartmental charges | - | - | - |
| Miscellaneous | 2,800 | 9,720 | 19,543 |
| Total Operating Revenues | <u>15,426,033</u> | <u>3,462,973</u> | <u>3,038,490</u> |
| Operating Expenses: | | | |
| Salaries | 721,413 | 291,587 | 85,515 |
| Employee benefits | 431,894 | 163,657 | 78,570 |
| Contract and professional services | 6,848,612 | 23,121 | 508,087 |
| Materials and services | 1,538,109 | 466,074 | 534,279 |
| Utilities | 273,695 | 64,353 | 85,989 |
| Administrative service charges | 1,665,005 | 459,809 | 392,160 |
| Internal services | - | - | 38,856 |
| Leases and rents | - | - | - |
| Claims expense | - | - | - |
| Depreciation expense | 633,129 | 271,144 | 261,306 |
| Total Operating Expenses | <u>12,111,857</u> | <u>1,739,745</u> | <u>1,984,762</u> |
| Operating Income (Loss) | <u>3,314,176</u> | <u>1,723,228</u> | <u>1,053,728</u> |
| Nonoperating Revenues (Expenses): | | | |
| Interest revenue | 1,574,118 | 451,788 | 71,319 |
| Interest expense | (30,076) | (14,817) | (245,640) |
| Grant revenue | - | - | - |
| Gain (loss) on disposal of capital assets | - | - | - |
| Total Nonoperating Revenues (Expenses) | <u>1,544,042</u> | <u>436,971</u> | <u>(174,321)</u> |
| Income (Loss) Before Transfers and Contributions | 4,858,218 | 2,160,199 | 879,407 |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Changes in Net Position | 4,858,218 | 2,160,199 | 879,407 |
| Net Position: | | | |
| Beginning of Fiscal Year | <u>56,261,315</u> | <u>18,248,398</u> | <u>11,153,574</u> |
| End of Fiscal Year | <u>\$ 61,119,533</u> | <u>\$ 20,408,597</u> | <u>\$ 12,032,981</u> |

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019

| | Business-Type Activities - Enterprise Funds | | Governmental Activities- Internal Service Funds |
|---|--|-----------------------|--|
| | Other Enterprise Funds | Totals | |
| Operating Revenues: | | | |
| Sales and service charges | \$ 5,880,667 | \$ 27,776,100 | \$ - |
| Interdepartmental charges | - | - | 13,596,360 |
| Miscellaneous | 91,037 | 123,100 | 271,547 |
| Total Operating Revenues | 5,971,704 | 27,899,200 | 13,867,907 |
| Operating Expenses: | | | |
| Salaries | 182,964 | 1,281,479 | 1,944,541 |
| Employee benefits | 91,768 | 765,889 | 841,114 |
| Contract and professional services | 4,451,389 | 11,831,209 | 1,427,894 |
| Materials and services | 618,037 | 3,156,499 | 2,109,060 |
| Utilities | 70,317 | 494,354 | 102,917 |
| Administrative service charges | 477,756 | 2,994,730 | - |
| Internal services | - | 38,856 | - |
| Leases and rents | 448,690 | 448,690 | - |
| Claims expense | - | - | 5,100,797 |
| Depreciation expense | 151,497 | 1,317,076 | 947,154 |
| Total Operating Expenses | 6,492,418 | 22,328,782 | 12,473,477 |
| Operating Income (Loss) | (520,714) | 5,570,418 | 1,394,430 |
| Nonoperating Revenues (Expenses): | | | |
| Interest revenue | 138,784 | 2,236,009 | - |
| Interest expense | - | (290,533) | - |
| Grant revenue | 28,271 | 28,271 | - |
| Gain (loss) on disposal of capital assets | - | - | 24,387 |
| Total Nonoperating Revenues (Expenses) | 167,055 | 1,973,747 | 24,387 |
| Income (Loss) Before Transfers and Contributions | (353,659) | 7,544,165 | 1,418,817 |
| Transfers in | 1,273,783 | 1,273,783 | 758,406 |
| Transfers out | (263,873) | (263,873) | (20,346) |
| Changes in Net Position | 656,251 | 8,554,075 | 2,156,877 |
| Net Position: | | | |
| Beginning of Fiscal Year | 6,465,798 | 92,129,085 | 4,512,656 |
| End of Fiscal Year | \$ 7,122,049 | \$ 100,683,160 | \$ 6,669,533 |

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019

| | <u>Business-Type Activities - Enterprise Funds</u> | | |
|---|--|-----------------------------|----------------------------|
| | <u>Water</u> | <u>Wastewater</u> | <u>Parking</u> |
| Cash Flows from Operating Activities: | | | |
| Cash received from customers and users | \$ 15,417,119 | \$ 3,460,810 | \$ 3,039,054 |
| Cash received from interfund service provided | - | - | - |
| Cash paid to suppliers for goods and services | (11,049,350) | (1,207,515) | (1,551,999) |
| Cash paid to employees for services | (1,221,844) | (270,115) | (155,775) |
| Net Cash Provided (Used) by Operating Activities | <u>3,145,925</u> | <u>1,983,180</u> | <u>1,331,280</u> |
| Cash Flows from Non-Capital Financing Activities: | | | |
| Cash transfers out | - | - | - |
| Cash transfers in | - | - | - |
| Grant subsidy | - | - | - |
| Net Cash Provided (Used) by Non-Capital Financing Activities | <u>-</u> | <u>-</u> | <u>-</u> |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Acquisition and construction of capital assets | (451,235) | (812,196) | - |
| Principal paid on capital debt | (130,698) | (64,302) | (440,000) |
| Interest paid on capital debt | (42,394) | (20,855) | (278,264) |
| Cash from sale of property | - | - | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(624,327)</u> | <u>(897,353)</u> | <u>(718,264)</u> |
| Cash Flows from Investing Activities: | | | |
| Interest received | 1,574,118 | 451,788 | 71,319 |
| Net Cash Provided (Used) by Investing Activities | <u>1,574,118</u> | <u>451,788</u> | <u>71,319</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>4,095,716</u> | <u>1,537,615</u> | <u>684,335</u> |
| Cash and Cash Equivalents at Beginning of Year | 36,375,340 | 10,336,010 | 1,777,212 |
| Cash and Cash Equivalents at End of Year | <u>\$ 40,471,056</u> | <u>\$ 11,873,625</u> | <u>\$ 2,461,547</u> |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities: | | | |
| Operating income (loss) | \$ 3,314,176 | \$ 1,723,228 | \$ 1,053,728 |
| Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities: | | | |
| Depreciation | 633,129 | 271,144 | 261,306 |
| (Increase) decrease in accounts receivable | (8,864) | (2,163) | 534 |
| (Increase) decrease in prepaid expense | (999) | - | - |
| (Increase) decrease in inventory | (58,929) | - | - |
| Increase (decrease) in net OPEB asset | (1,439) | (594) | (242) |
| Increase (decrease) in accounts payable | (664,001) | (194,158) | 7,372 |
| Increase (decrease) in accrued payables | (158,393) | 175,496 | 1,500 |
| Increase (decrease) in deposits payable | (50) | - | 30 |
| Increase (decrease) in net pension liability | (10,171) | 5,586 | (4,369) |
| Increase (decrease) in deferred pension related items | 75,615 | 4,927 | 11,537 |
| Increase (decrease) in deferred OPEB related items | (692) | (286) | (116) |
| Increase (decrease) in workers' compensation claims | - | - | - |
| Increase (decrease) in claims and judgments | - | - | - |
| Increase (decrease) in compensated absences | 26,543 | - | - |
| Total Adjustments | <u>(168,251)</u> | <u>259,952</u> | <u>277,552</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 3,145,925</u> | <u>\$ 1,983,180</u> | <u>\$ 1,331,280</u> |
| Non-Cash Investing, Capital, and Financing Activities: | | | |
| Bond premium amortization | \$ 9,689 | \$ 4,766 | \$ 23,825 |

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2019

| | Business-Type Activities - Enterprise Funds | | Governmental Activities- Internal Service Funds |
|---|--|----------------------|--|
| | Other Enterprise Funds | Totals | |
| Cash Flows from Operating Activities: | | | |
| Cash received from customers and users | \$ 5,976,066 | \$ 27,893,049 | \$ 269,659 |
| Cash received from interfund service provided | - | - | 13,596,360 |
| Cash paid to suppliers for goods and services | (6,184,076) | (19,992,940) | (8,573,719) |
| Cash paid to employees for services | (323,148) | (1,970,882) | (2,665,699) |
| Net Cash Provided (Used) by Operating Activities | (531,158) | 5,929,227 | 2,626,601 |
| Cash Flows from Non-Capital Financing Activities: | | | |
| Cash transfers out | (263,873) | (263,873) | (20,346) |
| Cash transfers in | 1,273,783 | 1,273,783 | 758,406 |
| Grant subsidy | 28,271 | 28,271 | - |
| Net Cash Provided (Used) by Non-Capital Financing Activities | 1,038,181 | 1,038,181 | 738,060 |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Acquisition and construction of capital assets | - | (1,263,431) | (1,414,100) |
| Principal paid on capital debt | - | (635,000) | - |
| Interest paid on capital debt | - | (341,513) | - |
| Cash from sale of property | - | - | 47,588 |
| Net Cash Provided (Used) by Capital and Related Financing Activities | - | (2,239,944) | (1,366,512) |
| Cash Flows from Investing Activities: | | | |
| Interest received | 138,784 | 2,236,009 | - |
| Net Cash Provided (Used) by Investing Activities | 138,784 | 2,236,009 | - |
| Net Increase (Decrease) in Cash and Cash Equivalents | 645,807 | 6,963,473 | 1,998,149 |
| Cash and Cash Equivalents at Beginning of Year | 4,231,872 | 52,720,434 | 18,546,523 |
| Cash and Cash Equivalents at End of Year | \$ 4,877,679 | \$ 59,683,907 | \$ 20,544,672 |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities: | | | |
| Operating income (loss) | \$ (520,714) | \$ 5,570,418 | \$ 1,394,430 |
| Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities: | | | |
| Depreciation | 151,497 | 1,317,076 | 947,154 |
| (Increase) decrease in accounts receivable | 654 | (9,839) | (1,888) |
| (Increase) decrease in prepaid expense | - | (999) | 11,241 |
| (Increase) decrease in inventory | - | (58,929) | (3,186) |
| Increase (decrease) in net OPEB asset | (353) | (2,628) | 13,521 |
| Increase (decrease) in accounts payable | (117,887) | (968,674) | 64,791 |
| Increase (decrease) in accrued payables | (74,170) | (55,567) | 4,379 |
| Increase (decrease) in deposits payable | 3,708 | 3,688 | - |
| Increase (decrease) in net pension liability | 4,736 | (4,218) | (34,185) |
| Increase (decrease) in deferred pension related items | 21,541 | 113,620 | 154,076 |
| Increase (decrease) in deferred OPEB related items | (170) | (1,264) | (1,128) |
| Increase (decrease) in workers' compensation claims | - | - | 213,772 |
| Increase (decrease) in claims and judgments | - | - | (136,376) |
| Increase (decrease) in compensated absences | - | 26,543 | - |
| Total Adjustments | (10,444) | 358,809 | 1,232,171 |
| Net Cash Provided (Used) by Operating Activities | \$ (531,158) | \$ 5,929,227 | \$ 2,626,601 |
| Non-Cash Investing, Capital, and Financing Activities: | | | |
| Bond premium amortization | \$ - | \$ 38,280 | \$ - |

CITY OF MANHATTAN BEACH

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2019

| | <u>Agency Funds</u> | <u>Pension Trust Fund</u> |
|---|----------------------------|-------------------------------|
| Assets: | | |
| Pooled cash and investments | \$ 2,940,491 | \$ 150,738 |
| Receivables: | | |
| Accounts | 22,231 | - |
| Restricted assets: | | |
| Cash and investments with fiscal agents | 523,916 | - |
| Total Assets | <u>\$ 3,486,638</u> | <u>150,738</u> |
| Liabilities: | | |
| Accounts payable | \$ 475 | - |
| Art development fees | 1,975,954 | - |
| Deposits payable | 16,693 | - |
| Due to bond holders | 1,493,516 | - |
| Total Liabilities | <u>\$ 3,486,638</u> | <u>-</u> |
| Net Position: | | |
| Restricted for pensions | | 150,738 |
| Total Net Position | | <u>\$ 150,738</u> |

CITY OF MANHATTAN BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2019

| | <u>Pension Trust Fund</u> |
|--|---------------------------------|
| Additions: | |
| OPEB reimbursement | \$ 170,390 |
| Contribution from City | 100,000 |
| Interest and change in fair value of investments | <u>5,713</u> |
| Total Additions | <u>276,103</u> |
| Deductions: | |
| Benefit payments | <u>243,209</u> |
| Total Deductions | <u>243,209</u> |
| Changes in Net Position | 32,894 |
| Net Position - Beginning of the Year | <u>117,844</u> |
| Net Position - End of the Year | <u><u>\$ 150,738</u></u> |

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Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

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

Blended Component Unit

Manhattan Beach Capital Improvements Corporation - The Manhattan Beach Capital Improvements Corporation (the Corporation) is a nonprofit public benefits corporation, organized under the laws of the State of California in September 1996, pursuant to the Nonprofit Public Benefit Corporation Laws (Title I, Division 2, Part 2, Section 5110). The sole purpose of the Corporation is to issue debt for capital improvements. Certificates of participation are debt issued by the Corporation providing the holder an interest, i.e. the right to participate in the lease payments paid by the City to the Corporation. In September of 1996, this entity issued \$4,615,000 of debt in the form of Certificates of Participation (the "1996 Certificates") to fund specific projects related to the City's water and wastewater infrastructure. This debt is accounted for in the proprietary fund types within the Water and Wastewater Funds. In April of 2002, this entity issued \$9,535,000 of debt to pay the cost of refinancing existing ground lease commitments with the Beach Cities' Health District for the newly constructed Marine Avenue Sports Fields. This debt was structured as a variable rate demand Certificate of Participation. In January 2003, this entity issued \$13,350,000 of fixed rate Certificates of Participation (the "2003 Certificates") for the construction of a two-level downtown subterranean parking structure and outdoor plaza. This endeavor is commonly known as the Metlox Public Improvement project. The parking lot portion of the project was completed in January 2004, and the public plaza portion of the project was completed in November 2005. In November 2004, this entity issued fixed rate Certificates of Participation (the "2004 Certificates") in the amount of \$12,980,000 to contribute toward the full funding of the construction of a new Police and Fire facility and adjoining City Hall plaza. This major project was completed in December 2007. Capital construction costs for the project were \$38,404,048. In July 2012, the entity issued \$12,975,000 of Certificates of Participation, Series 2012 (the "2012 Certificates"), to refund the outstanding balance of the 1996 Certificates of Participation and the outstanding balance of the 2003 Certificates of Participation. In February 2013, the entity issued \$10,510,000 of Certificates of Participation, Series 2013 (the "2013 Certificates"), to refund the outstanding balance of the 2004 Certificates of Participation. In November 2017, the entity issued \$5,905,000 Certificates of Participation (Marine field Refunding) Series 2017 to refund the Variable Rate Demand Refunding Certificates of Participation (Marine Sports Field Capital Lease Refinancing) Series 2002. There are no separately issued financial statements for this entity.

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

b. Accounting and Reporting Policies

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

c. Description of Funds

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

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

Governmental Fund Types

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

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

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

Proprietary Fund Types

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

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

Fiduciary Fund Types

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

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

Agency Funds:

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

d. Basis of Accounting/Measurement Funds

Government-Wide Financial Statements

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

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

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

Financial Statement Classification

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

Net Investment in capital assets

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

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

Restricted Net Position

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

Unrestricted Net Position

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

Governmental Fund Financial Statements

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

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

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

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

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

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

Proprietary Funds Financial Statements

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

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

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

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

Fiduciary Funds

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

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

Major Funds

Governmental Accounting Standards Board Statement 34 (GASB 34) requires the City to report all major funds in the basic financial statements. In accordance with GASB 34, the following funds are classified as major governmental funds:

The General Fund is used to account for all unrestricted resources except those required to be accounted for in another fund. This fund accounts for general citywide operations.

The Gas Tax Fund is used to account for the City's share of the state and county gasoline tax collection in accordance with the provisions of the State of California Streets and Highway Code. Revenues are disbursed by the state based on population and must be used toward the maintenance and repair of City streets that serve as state and county thoroughfares.

Proposition C Fund is used to account for proceeds from the half-cent sales taxes generated by the approval of Proposition 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.

The Capital Improvement Capital Projects Fund accounts for financial resources segregated for the acquisition or construction of major capital facilities, other than those financed by Enterprise, Internal Service Funds or other project specific funds.

The following funds are classified as major proprietary funds:

Water Fund is used to account for the operation of the City's water utility system. Revenues are generated from user fees, which are adjusted periodically to meet the costs of administration, operation, maintenance and capital improvements to the system. In fiscal year 1997, the City completed a comprehensive utility fee study and issued certificates of participation for the purpose of upgrading the City's water and wastewater systems.

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

Parking Fund is used to account for the general operations and maintenance of City parking lots and spaces. Revenues are generated from the use of these properties.

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

e. Property Tax Calculator

Property tax revenue is recognized on the modified accrual basis, 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.

f. Cash and Investments

Cash and Cash Equivalents

For purpose of the Statement of Cash Flows, the City considers cash and cash equivalents as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The City follows the practice of pooling cash and investments of all funds except for funds in its 125 medical flex plan; outstanding Water and Wastewater; Marine Avenue Sports Field; and Metlox, Police & Fire Facility bonded debt, which are held by outside trustees.

Investments

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

For purposes of the Statement of Cash Flows, the proprietary fund types consider all cash and investments to be cash equivalents, as these funds participate in the citywide cash and investment pool.

g. Restricted Cash and Investments

Certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Additionally, the City established the PARS Post-Employment Benefits Trust as a tax-exempt trust within the meaning of Section 115 of the IRS Code and relevant statutory provisions of the State of California for the purpose of pre-funding pension obligation and/or OPEB obligation. The City's adoption and operation of the Trust has no effect on any of the current or former employee's entitlement to post-employment benefits. The balances and activities of the Trust are irrevocably dedicated to funding future post-employment benefit obligations. The assets will benefit the City through reduced future cash flow demands on the City's General fund resources and continue to be assets of the City. These amounts are reflected as restricted cash and investments in the General fund.

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

h. Capital Assets

Capital assets, which include land, machinery and equipment, buildings and improvements, intangibles, and infrastructure (roads, bridges, curbs and gutters, streets, walk-streets and sidewalks, parks and recreation improvements), are reported in the government-wide financial statements. Capital assets and infrastructure are defined by the City as assets with an initial, individual cost of more than \$5,000 and \$100,000 respectively (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

i. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports deferred outflows of resources for pension contributions made after the actuarial measurement date which will be recognized in the following year, for the net difference between projected and actual earnings on pension plan investments, the difference between expected and actual experience, the changes of assumptions, adjustments due to the difference in proportions, and the difference in proportionate share. The government also reports deferred outflows for deferred charges on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Financial Position and the Governmental Fund Balance Sheet report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. The item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from grant

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

revenues. These amounts are deferred and recognized as an inflow of resources in the period when the amounts become available. In addition, the government has deferred inflows of resources relating to the net pension obligation reported in the government-wide statement of net position and the proprietary funds. These deferred inflows of resources are the result of changes in assumptions, differences between expected and actual experiences, adjustments due to the difference in proportions and difference in proportionate share.

j. Net Pension Liability

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

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For the pension plan administered under the California Public Employee's Retirement System (CalPERS), the following timeframes are used:

| | |
|---------------------|-------------------------------|
| Valuation Date: | June 30, 2017 |
| Measurement Date: | June 30, 2018 |
| Measurement Period: | July 1, 2017 to June 30, 2018 |

k. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

| | |
|---------------------|-------------------------------|
| Valuation Date: | June 30, 2017 |
| Measurement Date: | June 30, 2018 |
| Measurement Period: | July 1, 2017 to June 30, 2018 |

l. 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 governmental funds. Elimination of these transactions would distort the direct costs and program revenues for the various functions. Certain eliminations have been made regarding interfund activities,

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

payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental, business-type, and Trust and Agency activities have not been eliminated.

m. Long-Term Obligations

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

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

The City has recorded all judgment and claim liabilities resulting from workers' compensation and liability insurance claims in the Insurance Reserve Fund, which is a component of the Internal Service Funds Group. The recorded liability is based upon an estimate of reported claims as provided by an analysis of a third-party administrator. Reported short-term and long-term estimated losses and reserves of \$10,531,036 and \$6,665,286 respectively, are recorded in the Insurance Reserve Fund.

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

n. Vacation and Sick Leave

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

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

o. Allocation of Interest Income

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

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

p. Other Accounting Policies

Inventories

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

Prepays

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

q. Estimates

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

r. Net Position Flow Assumption

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

s. Fund Balance Flow Assumption

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

t. Fund Balance Policy

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

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Note 2: Stewardship, Compliance and Accountability

a. Excess of Expenditures Over Appropriations

Excess expenditures over appropriations were as follows:

| | <u>Expenditures</u> | <u>Appropriations</u> | <u>Excess</u> |
|---------------------------------|---------------------|-----------------------|---------------|
| AB 2766 | \$ 160,207 | \$ 151,567 | \$ 8,640 |
| Underground Assessment District | 197,474 | - | 197,474 |

b. Deficit Fund Balance and Net Position

At June 30, 2019, the Insurance Reserve Fund and the Building Maintenance and Operations Fund have deficit net position of \$2,006,073 and \$327,069 respectively. These deficits will be resolved by future contributions from other funds.

Note 3: Cash and Investments

As of June 30, 2019, cash and investments were reported in the accompanying financial statements as follows:

| | |
|----------------------------|-----------------------|
| Governmental Funds | \$ 45,971,369 |
| Internal Service | 20,544,672 |
| Business-type activities | 59,683,907 |
| Agency | 3,464,407 |
| Pension Trust | <u>150,738</u> |
| Total Cash and Investments | <u>\$ 129,815,093</u> |

Note 3: Cash and Investments (Continued)

The City pools all cash and investments that is available for use for all funds, including fiduciary funds. Unrestricted and restricted cash and investments, as indicated in the Government wide statement of net position, do not include Agency and Pension Trust cash and investments. These cash amounts are included in the Statement of Fiduciary Net Position – Fiduciary Funds. Each fund type's position in the pool is reported on the Combined Balance Sheet as cash and investments. The City has adopted an investment policy, which authorizes it to invest in various investments.

a. Deposits

At June 30, 2019, the carrying amount of the City's deposits was \$4,149,382 and the bank balance was \$5,353,675. The \$1,204,293 difference represents outstanding checks and other reconciling items.

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

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

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

b. Authorized Investments

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

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

Note 3: Cash and Investments (Continued)

The City's investment policy does not allow the use of reverse-repurchase agreements and, accordingly, the City did not borrow through the use of reverse-repurchase agreements at any time during the year.

c. Investments Authorized by Debt Agreements

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

d. Investments in State Investment Pool

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

The City is required to disclose its methods and assumptions used to estimate the fair value of its holdings in LAIF. The City relied upon information provided by the State Treasurer in estimating the City's fair value position of its holdings in LAIF. The City had a contractual withdrawal value of \$33,200,000 whose pro-rata share of fair value was estimated by the State Treasurer to be \$33,256,831.

e. 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, 2019, the book value exceeded the fair value of investments by \$875,771.

Note 3: Cash and Investments (Continued)

f. 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, 2019, the City's investment in medium-term notes consisted of investments with General Electric Capital Corp., Microsoft Corp., JP Morgan Chase Bank, Costco Wholesale Corp., Exxon Mobil Corp., Johnson & Johnson, Procter & Gamble Co., Pfizer Inc, Unilever Cap Corp, Berkshire Hathaway Inc., Coca Cola Co., United Parcel Service, Costco Wholesale Corp., Apple Inc., Oracle Corp, Toyota Motor Credit Corp., and National Australia Bank. All MTN's were rated "A" or higher by Moody's at time of purchase. Investment in government agencies issued by the Federal National Mortgage Association, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal Farm Credit Banks, and Student Loan Marketing Association were rated "Aaa" by Moody's and "AA+" by Standard & Poor's. Asset-Backed Securities were rated "Aaa" by Moody's and "AAA" by Standard & Poor's.

All securities were investment grade and were legal under state and city policies. Investments in U.S. government securities are not considered to have credit risk; therefore, their credit quality is not disclosed. As of June 30, 2019, the City's investments in external investment pools and money market mutual funds are unrated.

g. Custodial Credit Risk

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

As of June 30, 2019, none of the City's deposits or investments was exposed to custodial credit risk.

h. Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer for the following types of investments. With respect to concentration of credit risk, as of June 30, 2019, the City is in compliance with its investment policy's restrictions.

In accordance with GASB Statement No. 40, if the city has invested more than 5% of its total investments in any one issuer then it is exposed to credit risk. The following issuers are above the 5% of total investments: Federal Home Loan Bank (10.41%), Federal Farm Credit (10.55%), Federal Home Loan Mortgage Corporation (10.41%), and Federal National Mortgage Association (8.76%). These government-sponsored investments are backed by the federal government and are below the City's investment policy limit of 33.33% of total investments.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 3: Cash and Investments (Continued)

i. 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.

j. Fair Value Measurement and Application

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Debt securities classified in Level 2 of the fair value hierarchy use a market approach to measure fair value. The City's pricing vendor, through rules based logic, utilizes valuation techniques that reflect market participants' assumptions and vary by asset class and per methodology, and maximizes the use of relevant observable data including quoted prices for similar assets, benchmark yield curves and market corroborated inputs.

The City has the following recurring fair value measurements as of June 30, 2019:

| Investment Type | Total | Investments not Measured at Fair Value | Fair Value Level | | |
|-------------------------------------|-----------------------|--|------------------|----------------------|-------------|
| | | | 1 | 2 | 3 |
| Local Agency Investment Fund (LAIF) | \$ 33,256,831 | \$ 33,256,831 | \$ - | \$ - | \$ - |
| US Treasury and Agency Notes | 70,161,370 | - | - | 70,161,370 | - |
| Medium-Term Corporate Notes | 19,583,585 | - | - | 19,583,585 | - |
| Total Investments | \$ 123,001,786 | \$ 33,256,831 | \$ - | \$ 89,744,955 | \$ - |

As of June 30, 2019, the City had the following investments and original maturities:

| | Remaining Investment Maturities | | | | Fair Value |
|--|---------------------------------|---------------------|----------------------|----------------------|-----------------------|
| | 6 months or less | 6 months to 1 year | 1 to 3 years | More than 3 years | |
| Pooled investments: | | | | | |
| Local Government Fund | \$ 33,256,831 | \$ - | \$ - | \$ - | \$ 33,256,831 |
| US Treasury and agency notes | 7,989,080 | 4,992,520 | 30,885,100 | 26,294,670 | 70,161,370 |
| Medium-term notes | 4,997,170 | 998,310 | 8,524,935 | 5,063,170 | 19,583,585 |
| | \$ 46,243,081 | \$ 5,990,830 | \$ 39,410,035 | \$ 31,357,840 | 123,001,786 |
| Investment with Fiscal Agents: | | | | | |
| PARS pension | | | | | 1,068,946 |
| Utility undergrounding | | | | | 523,916 |
| Water/Wastewater, Metlox Refunding bonds | | | | | 158,229 |
| Marine certificates of participation | | | | | 90,858 |
| Police & Fire certificate of participation refunding bonds | | | | | 132,203 |
| | | | | | 1,974,152 |
| Demand deposits | | | | | 4,149,382 |
| Other deposits | | | | | 688,321 |
| Petty cash | | | | | 1,452 |
| | | | | | 4,839,155 |
| | | | | | \$ 129,815,093 |

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 4: 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, 2019, are presented below:

| | Transfers In | | | | | Total |
|-----------------------------|-------------------|--------------------------|-----------------------------|----------------------------|------------------------|---------------------|
| | General Fund | Capital Improvement Fund | Nonmajor Governmental Funds | Nonmajor Proprietary Funds | Internal Service Funds | |
| <u>Transfers Out</u> | | | | | | |
| General Fund | \$ - | \$ 560,100 | \$ 160,114 | \$ 1,273,783 | \$ 600,299 | \$ 2,594,296 |
| Capital Improvement Fund | - | - | - | - | - | - |
| Nonmajor Governmental Funds | - | - | - | - | 158,107 | 158,107 |
| Nonmajor Proprietary Funds | 263,873 | - | - | - | - | 263,873 |
| Internal Service Funds | - | - | 20,346 | - | - | 20,346 |
| Total | <u>\$ 263,873</u> | <u>\$ 560,100</u> | <u>\$ 180,460</u> | <u>\$ 1,273,783</u> | <u>\$ 758,406</u> | <u>\$ 3,036,622</u> |

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

- The General Fund transferred \$560,100 to the Capital Improvement Fund for Fire Station 2 Design and Wayfinding Signs.
- The General Fund transferred \$160,114 to the Street Lighting Fund and Proposition A Fund to relieve a deficit fund balance.
- The General Fund transferred \$1,273,783 to the Stormwater Fund to relieve a deficit fund balance.
- The General Fund transferred \$600,299 to the Information System Internal Service Fund for an ERP implementation.
- The AB 2766 transferred \$158,107 to the Fleet Management Fund to reimburse for vehicle purchase.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 5: Capital Assets and Depreciation

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Position. The City elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructure reporting, whereby depreciation expense and accumulated depreciation have been recorded. The following table presents the capital assets activity for the year ended June 30, 2019:

| | Ending Balance June 30, 2018 | Transfers | Increases additions | Decreases (deletions) | Ending Balance June 30, 2019 |
|---|------------------------------------|--------------------|------------------------|--------------------------|------------------------------------|
| Governmental Activities | | | | | |
| Land | \$ 33,634,565 | \$ - | \$ - | \$ - | \$ 33,634,565 |
| Construction-in-progress | | | | | |
| Buildings | - | (300,646) | 577,135 | - | 276,489 |
| Streets / Roadways | 6,383,186 | (1,705,087) | 5,780,959 | - | 10,459,058 |
| Recreation | 533,262 | - | - | - | 533,262 |
| Total Capital Assets, Not Being Depreciated | 40,551,013 | (2,005,733) | 6,358,094 | - | 44,903,374 |
| Buildings and structures | 43,458,144 | 300,646 | - | - | 43,758,790 |
| Machinery and equipment | 4,321,386 | - | 405,957 | - | 4,727,343 |
| Vehicles | 11,795,452 | - | 1,414,100 | (882,547) | 12,327,005 |
| Infrastructure | | | | | |
| Streets / Roadways | 56,189,749 | 1,705,087 | 893,862 | - | 58,788,698 |
| Parks & Recreation | 21,027,931 | - | 1,298,891 | - | 22,326,822 |
| Investment in Joint Venture (RCC) | 3,003,423 | - | 651,901 | - | 3,655,324 |
| Total Capital Assets, Being Depreciated | 139,796,085 | 2,005,733 | 4,664,711 | (882,547) | 145,583,982 |
| Less Accumulated Depreciation: | | | | | |
| Buildings and Structures | (12,104,659) | - | (857,134) | - | (12,961,793) |
| Machinery and Equipment | (3,316,282) | - | (366,788) | - | (3,683,070) |
| Vehicles | (7,092,565) | - | (947,154) | 859,346 | (7,180,373) |
| Infrastructure | | | | | |
| Streets / Roadways | (32,326,226) | - | (1,343,391) | - | (33,669,617) |
| Parks & Recreation | (6,593,479) | - | (396,148) | - | (6,989,627) |
| Investment in Joint Venture (RCC) | (1,126,561) | - | (156,385) | - | (1,282,946) |
| Total Accumulated Depreciation | (62,559,772) | - | (4,067,000) | 859,346 | (65,767,426) |
| Total Capital Assets, Being Depreciated, Net | 77,236,313 | 2,005,733 | 597,711 | (23,201) | 79,816,556 |
| Governmental Activities Capital Assets, Net | \$ 117,787,326 | \$ - | \$ 6,955,805 | \$ (23,201) | \$ 124,719,930 |

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 5: Capital Assets and Depreciation (Continued)

| | Ending Balance June 30, 2018 | Transfers | Increases additions | Decreases (deletions) | Ending Balance June 30, 2019 |
|---|------------------------------------|------------------|------------------------|--------------------------|------------------------------------|
| Business-Type Activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land - water | \$ 307,967 | \$ - | \$ - | \$ - | \$ 307,967 |
| Land - storm water | 857,650 | - | - | - | 857,650 |
| Land - parking | 1,441,817 | - | - | - | 1,441,817 |
| Construction-in-progress | 2,473,922 | (812,267) | 1,263,431 | - | 2,925,086 |
| Total Capital Assets, Not Being Depreciated | 5,081,356 | (812,267) | 1,263,431 | - | 5,532,520 |
| Capital assets, being depreciated: | | | | | |
| Buildings and structures - parking | 18,163,159 | - | - | - | 18,163,159 |
| Machinery and equipment - parking | 1,726,962 | - | - | - | 1,726,962 |
| Water | 33,684,112 | 685,132 | - | - | 34,369,244 |
| Storm water | 7,703,407 | 127,135 | - | - | 7,830,542 |
| Wastewater | 14,815,159 | - | - | - | 14,815,159 |
| Total Capital Assets, Being Depreciated | 76,092,799 | 812,267 | - | - | 76,905,066 |
| Less Accumulated Depreciation: | | | | | |
| Buildings and structures - parking | (2,492,232) | - | (169,209) | - | (2,661,441) |
| Machinery and equipment - parking | (991,110) | - | (92,097) | - | (1,083,207) |
| Water | (13,343,110) | - | (633,129) | - | (13,976,239) |
| Storm water | (4,320,549) | - | (151,494) | - | (4,472,043) |
| Wastewater | (6,733,846) | - | (271,147) | - | (7,004,993) |
| Total Accumulated Depreciation | (27,880,847) | - | (1,317,076) | - | (29,197,923) |
| Total Capital Assets, Being Depreciated, Net | 48,211,952 | 812,267 | (1,317,076) | - | 47,707,143 |
| Business-Type Activities Capital Assets, Net | \$ 53,293,308 | \$ - | \$ (53,645) | \$ - | \$ 53,239,663 |

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

| | |
|--|---------------------|
| Governmental Activities: | |
| General government | \$ 247,276 |
| Public safety | 1,103,133 |
| Public works | 1,409,831 |
| Parks and recreation | 359,606 |
| Internal service funds | 947,154 |
| Total Depreciation Expense - Governmental Activities | \$ 4,067,000 |
| Business-Type Activities: | |
| Water | \$ 633,129 |
| Wastewater | 271,144 |
| Parking | 261,306 |
| Storm water | 151,497 |
| Total Depreciation Expense - Business-Type Activities | \$ 1,317,076 |

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**

Note 6: Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

| | Balance June 30, 2018 | Additions | Deletions | Balance June 30, 2019 | Due in One Year |
|--|--------------------------|-------------|-------------------|--------------------------|--------------------|
| Governmental Activities: | | | | | |
| Certificates of participation | | | | | |
| Marine Ave Park refunding COP Series 2016 | \$ 5,640,000 | \$ - | \$ 295,000 | \$ 5,345,000 | \$ 305,000 |
| 2013 Police and Fire Refunding COP | 8,180,000 | - | 500,000 | 7,680,000 | 515,000 |
| Total Governmental | <u>\$ 13,820,000</u> | <u>\$ -</u> | <u>\$ 795,000</u> | 13,025,000 | <u>\$ 820,000</u> |
| Unamortized premium | | | | 690,675 | |
| | | | | <u>\$ 13,715,675</u> | |
| Business-Type Activities: | | | | | |
| Certificates of participation | | | | | |
| 2012 Metlox and Water/Wastewater Refunding COP | \$ 9,675,000 | \$ - | \$ 635,000 | \$ 9,040,000 | \$ 665,000 |
| Total Business Type | <u>\$ 9,738,927</u> | <u>\$ -</u> | <u>\$ 635,000</u> | 9,040,000 | <u>\$ 665,000</u> |
| Unamortized premium | | | | 391,767 | |
| | | | | <u>\$ 9,431,767</u> | |

a. Marine Avenue Certificates of Participation Series 2017

On November 9, 2017, the City issued \$5,905,000 Certificate of Participation Series 2017 (Marine Field Refunding) Series 2017 to refund the outstanding balance of the Variable Rate Demand Refunding Certificates of Participation Series 2002. The Certificates represents the proportionate interest on the lease payments to be made by the City as rent for the use of certain real property located in the City and consisting of the police department and fire department headquarter facility. The Certificates bear interest at a rate of 3% to 4% with principal ranging from \$265,000 to 465,000 and maturing on January 2033. The balance at June 30, 2019, includes an unamortized bond premium of \$361,170 which will be amortized over the life of the issue.

Annual debt service requirements to maturity for the Marine Avenue Certificates of Participation Series 2017 are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|---------------------|---------------------|---------------------|
| 2020 | \$ 305,000 | \$ 181,550 | \$ 486,550 |
| 2021 | 310,000 | 172,400 | 482,400 |
| 2022 | 320,000 | 163,100 | 483,100 |
| 2023 | 335,000 | 150,300 | 485,300 |
| 2024 | 345,000 | 136,900 | 481,900 |
| 2025-2029 | 1,940,000 | 470,150 | 2,410,150 |
| 2030-2033 | 1,790,000 | 136,050 | 1,926,050 |
| Total | <u>\$ 5,345,000</u> | <u>\$ 1,410,450</u> | <u>\$ 6,755,450</u> |

In the event of a default, there is no remedy of acceleration of the total lease payments due over the term of the lease agreement and the trustee is not empower to sell the leased premises and use the proceeds of such a sale to redeem the 2017 certificates or pay debt service thereon. The city will be liable only for lease payments on an annual basis, and the trustee will be required to seek a separate judgment each year for the year's defaulted lease payments.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 6: Long-Term Debt (Continued)**b. 2013 Police and Fire Facility Refunding Certificates of Participation**

In February 2013, the City issued \$10,510,000 of Certificates of Participation, Series 2013, to advance refund the 2004 Police and Fire Certificates of Participation (2004 COP). The payments under the lease agreement are due January and July of each year until maturity in January 2032 and include interest rates ranging from 2% to 4%. The proceeds were used to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The balance at June 30, 2019, includes an unamortized bond premium of \$329,505 which will be amortized over the life of the issue.

The reacquisition price exceeded the net carrying amount of the old debt by \$595,473. This amount is being deferred as an outflow of resources and amortized over the remaining life of the refunded debt. The outstanding balance at June 30, 2019 is \$402,345.

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

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|---------------------|---------------------|---------------------|
| 2020 | \$ 515,000 | \$ 262,963 | \$ 777,963 |
| 2021 | 530,000 | 247,513 | 777,513 |
| 2022 | 545,000 | 231,613 | 776,613 |
| 2023 | 560,000 | 215,263 | 775,263 |
| 2024 | 575,000 | 198,463 | 773,463 |
| 2025-2029 | 3,240,000 | 633,819 | 3,873,819 |
| 2030-2032 | 1,715,000 | 99,000 | 1,814,000 |
| Total | <u>\$ 7,680,000</u> | <u>\$ 1,888,634</u> | <u>\$ 9,568,634</u> |

In the event of a default, there is no remedy of acceleration of the total lease payments due over the term of the lease agreement and the trustee is not empower to sell the leased premises and use the proceeds of such a sale to redeem the 2013 certificates or pay debt service thereon. The city will be liable only for lease payments on an annual basis, and the trustee will be required to seek a separate judgment each year for the year's defaulted lease payments.

c. 2012 Metlox and Water/Wastewater Refunding Certificates of Participation

In July 2012, the City of Manhattan Beach issued \$12,975,000 of fixed rate Certificates of Participation (COP) to refund the City's 2003 Metlox Public Improvements Certificates of Participation and the 1996 Water and Wastewater Improvement Project Certificates of Participation. The payments under the lease agreement are due January and July of each year with interest rates ranging from 2% to 4% and mature through January 2032. The COP includes an unamortized premium of \$391,767 at June 30, 2019, which will be amortized over the life of the issue.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 6: Long-Term Debt (Continued)

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

| Fiscal Year Ending June 30, | Water | | | Wastewater | | |
|--------------------------------|---------------------|-------------------|---------------------|-------------------|------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2020 | \$ 137,401 | \$ 37,165 | \$ 174,566 | \$ 67,599 | \$ 18,285 | \$ 85,884 |
| 2021 | 140,752 | 33,043 | 173,795 | 69,248 | 16,257 | 85,505 |
| 2022 | 147,454 | 28,821 | 176,275 | 72,546 | 14,179 | 86,725 |
| 2023 | 154,157 | 24,397 | 178,554 | 75,843 | 12,003 | 87,846 |
| 2024 | 157,508 | 18,230 | 175,738 | 77,492 | 8,970 | 86,462 |
| 2025-2027 | 341,826 | 17,158 | 358,984 | 168,174 | 8,442 | 176,616 |
| Total | <u>\$ 1,079,098</u> | <u>\$ 158,814</u> | <u>\$ 1,237,912</u> | <u>\$ 530,902</u> | <u>\$ 78,136</u> | <u>\$ 609,038</u> |

| Fiscal Year Ending June 30, | Metlox | | | Total | | |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2020 | \$ 460,000 | \$ 260,663 | \$ 720,663 | \$ 665,000 | \$ 316,113 | \$ 981,113 |
| 2021 | 470,000 | 246,863 | 716,863 | 680,000 | 296,163 | 976,163 |
| 2022 | 490,000 | 232,763 | 722,763 | 710,000 | 275,763 | 985,763 |
| 2023 | 500,000 | 218,063 | 718,063 | 730,000 | 254,463 | 984,463 |
| 2024 | 530,000 | 198,063 | 728,063 | 765,000 | 225,263 | 990,263 |
| 2025-2029 | 2,950,000 | 688,313 | 3,638,313 | 3,460,000 | 713,913 | 4,173,913 |
| 2030-2032 | 2,030,000 | 147,100 | 2,177,100 | 2,030,000 | 147,100 | 2,177,100 |
| Total | <u>\$ 7,430,000</u> | <u>\$ 1,991,828</u> | <u>\$ 9,421,828</u> | <u>\$ 9,040,000</u> | <u>\$ 2,228,778</u> | <u>\$ 11,268,778</u> |

In the event of a default, there is no remedy of acceleration of the total lease payments due over the term of the lease agreement and the trustee is not empower to sell the leased premises and use the proceeds of such a sale to redeem the 2012 certificates or pay debt service thereon. The city will be liable only for lease payments on an annual basis, and the trustee will be required to seek a separate judgment each year for the year's defaulted lease payments.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 7: Compensated Absences

At June 30, 2019, the total citywide accrued liability for compensated absences amounted to \$3,015,455. \$2,924,985 relates to general government services and \$90,470 to business-type activities. The governmental activities liability is generally liquidated by the General Fund and the business-type activities liabilities are liquidated by the corresponding proprietary funds. The following is a summary of changes in compensated absences liabilities for the year ended June 30, 2019:

| | Balance June 30, 2018 | Additions | Deletions | Balance June 30, 2019 | Due in One Year |
|----------------------------------|--------------------------|---------------------|---------------------|--------------------------|--------------------|
| Governmental Activities: | | | | | |
| Compensated Absences | 3,301,771 | 1,971,480 | 2,348,266 | 2,924,985 | 688,066 |
| Business-Type Activities: | | | | | |
| Compensated Absences | 63,927 | 99,175 | 72,632 | 90,470 | 21,282 |
| Total Business Type | <u>\$ 3,365,698</u> | <u>\$ 2,070,655</u> | <u>\$ 2,420,898</u> | <u>\$ 3,015,455</u> | <u>\$ 709,348</u> |

Note 8: Non-City Obligation

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

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

In March 2019, the City refunded the outstanding bonds of the above Underground Districts. The amount refunded was \$6,245,000. The sources of the refunding were bond proceeds of \$4,995,000, balance in the capital improvement fund, current year assessments, and net reduction in bond reserve requirements. There will be future interest rate savings to the property owners. Coupons at set at a uniform annual rate of 3.00%. Including bond premium of \$187,000, the effective interest rate will be 2.15%. These bonds mature in September 2026.

The refunding bonds have the same characteristics of the refunded bonds as stated in first two paragraphs above. The bonds are secured solely by assessments against the subject properties and the amounts held in the reserve account. 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 9: CalPERS Retirement Plans

a. Miscellaneous Employee Pension Plan

Plan Description

The Miscellaneous Plan of the City of Manhattan Beach is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in their respective June 30, 2018 Annual Actuarial Valuation Reports. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation reports. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Benefit Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The plan provisions and benefits in effect at June 30, 2019, are summarized as follows:

| | Miscellaneous Plan | |
|--|--|---|
| | Tier I * | PEPRA |
| Hire date | Prior to or on December 31, 2012 | On or after January 1, 2013 |
| Benefit formula | 2.0% @ 55 | 2.0% @ 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | minimum 50 yrs | minimum 52 yrs |
| Monthly benefits, as a % of eligible compensation | 1.426% - 2.418% 50 yrs - 63+ yrs, respectively | 1.000% - 2.500%, 52 yrs - 67+ yrs, respectively |
| Required employee contribution rates | 7.000% | 6.25% (2) |
| Required employer contribution rates (1) | 8.504% | 8.504% |

* Closed to new entrants

(1) Blended rate.

(2) Blended rate. Miscellaneous employees contribute and additional 0.75% to the city

Benefit payments are calculated using the benefit formula above multiplied by the number of years of service and highest single year of compensation for Tier 1 or highest three year average of compensation for PEPRA.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 9: CalPERS Retirement Plans (Continued)

At June 30, 2018, the following employees were covered by the benefit terms of the plan:

| Description | Number of Participants |
|-----------------------------------|------------------------|
| | Miscellaneous Plan |
| Active members | 256 |
| Transferred members | 122 |
| Terminated members | 459 |
| Retired members and beneficiaries | 237 |
| Total | 1,074 |

Contribution Description

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

For the year ended June 30, 2019, the employer contributions recognized as a reduction to the net pension liability for the Miscellaneous Plan was \$2,241,242.

Net Pension Liability

The City's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Miscellaneous Plans is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Note 9: CalPERS Retirement Plans (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2017 valuation was rolled forward to determine the June 30, 2018 total pension liability, based on the following actuarial methods and assumptions:

| | |
|----------------------------------|--|
| Valuation Date | June 30, 2017 |
| Measurement Date | June 30, 2018 |
| Actuarial Cost Method | Entry Age Normal Cost Method |
| Actuarial Assumptions | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Projected Salary Increases | Varies by Entry Age and Service |
| Mortality Rate Table (1) | Derived using CalPERS' Membership Data for all Funds |
| Post Retirement Benefit Increase | Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter |

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Changes of Assumptions

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Long-term Expected Rate of Return

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 9: CalPERS Retirement Plans (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as followed:

| <u>Asset Class (1)</u> | <u>Assumed Asset Allocation</u> | <u>Real Return Years 1 - 10 (2)</u> | <u>Real Return Years 11+ (3)</u> |
|------------------------|---------------------------------|-------------------------------------|----------------------------------|
| Global Equity | 50.00% | 4.80% | 5.98% |
| Fixed Income | 28.00% | 1.00% | 2.62% |
| Inflation Assets | 0.00% | 0.77% | 1.81% |
| Private Equity | 8.00% | 6.30% | 7.23% |
| Real Estate | 13.00% | 3.75% | 4.93% |
| Liquidity | 1.00% | 0.00% | -0.92% |
| Total | <u>100.00%</u> | | |

(1) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(2) An expected inflation of 2.0% used for this period.

(3) An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 9: CalPERS Retirement Plans (Continued)

Changes in the Net Pension Liability

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

| | Total Pension Liability (a) | Increase (Decrease) Plan Fiduciary Net Position (b) | Net Pension Liability/(Assets) (c)=(a)-(b) |
|--|--------------------------------|--|---|
| Balance at: 6/30/2017 (Valuation Date) | \$ 103,220,341 | \$ 79,788,882 | \$ 23,431,459 |
| Changes Recognized for the Measurement Period: | | | |
| Service Cost | 2,639,954 | - | 2,639,954 |
| Interest on the Total Pension Liability | 7,282,132 | - | 7,282,132 |
| Changes of Assumptions | (577,483) | - | (577,483) |
| Difference between Expected and Actual Experience | 11,137 | - | 11,137 |
| Net Plan to Plan Resource Movement | | (198) | 198 |
| Contribution from the Employer | | 2,257,840 | (2,257,840) |
| Contributions from Employees | | 1,194,936 | (1,194,936) |
| Net Investment Income | | 6,733,944 | (6,733,944) |
| Benefit Payments including Refunds of Employee Contributions | (4,251,920) | (4,251,920) | - |
| Administrative Expense | | (124,333) | 124,333 |
| Other Miscellaneous Income/(Expense) (1) | | (236,111) | 236,111 |
| Net Changes During 2017/19 | 5,103,820 | 5,574,158 | (470,338) |
| Balance at: 6/30/2018 (Measurement Date) | \$ 108,324,161 | \$ 85,363,040 | \$ 22,961,121 |

(1) During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75. Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

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

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

| | Discount Rate - 1% (6.15%) | Current Discount Rate (7.15%) | Discount Rate +1% (8.15%) |
|---------------------------------------|-------------------------------|----------------------------------|------------------------------|
| Plan's Net Pension Liability/(Assets) | \$ 37,957,227 | \$ 22,961,121 | \$ 10,616,566 |

Note 9: CalPERS Retirement Plans (Continued)***Pension Plan Fiduciary Net Position***

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves. Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See CalPERS website for additional information.

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

As of the start of the measurement period (July 1, 2017), the net pension liability was \$23,431,459. For the measurement period ending June 30, 2018 (the measurement date), the City incurred a pension expense/(income) of \$4,078,795 for the Plan.

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

As of June 30, 2019, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| City pension contributions subsequent to measurement date | \$ 2,659,903 | \$ - |
| CalPERS deferrals | | |
| Changes of assumptions | 2,345,304 | (417,071) |
| Difference between expected and actual experience | 8,043 | (875,851) |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 233,034 | - |
| Total CalPERS deferrals | 2,586,381 | (1,292,922) |
| Total | \$ 5,246,284 | \$ (1,292,922) |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 9: CalPERS Retirement Plans (Continued)

\$2,659,903 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Measurement Period ended June 30: | Net Deferred Outflows/(Inflows) of Resources |
|---|--|
| 2020 | \$ 1,980,294 |
| 2021 | 421,615 |
| 2022 | (892,268) |
| 2023 | (216,182) |
| | \$ 1,293,459 |

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

| | |
|--|--|
| Net Difference between projected and actual earnings on pension plan investments | 5 year straight-line amortization |
| All other amounts | Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period |

The EARSL for the Plan for the measurement period ending June 30, 2018 is 3.6 years, which was obtained by dividing the total service years of 2,618 (the sum of remaining service lifetimes of the active employees) by 736 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Note 9: CalPERS Retirement Plans (Continued)

b. Safety Police Pension Plan and Safety Fire Pension Plan

Plan Description

All qualified permanent and probationary safety employees are eligible to participate in the Safety Risk Pool Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of a safety risk pool, which are comprised of individual employer safety rate plans, respectively. Individual employers may sponsor more than one safety rate plan. Each individual employer rate plan generally has less than 100 active members

Benefits Provided

The Plan was established to provide retirement, death and disability benefits to public agency rate plans with generally less than 100 active members. The benefit provisions for PERF C employees are established by statute. A full description regarding the number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information for the respective rate plan is listed in the respective rate plan's June 30, 2017 Annual Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the funding valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be found on CalPERS' website at <https://www.calpers.ca.gov/page/forms-publications>.

Below is a summary of the plan provisions and benefits in effect at June 30, 2019, for which the City of Manhattan Beach has contracted:

| | Safety Police Plan | | Safety Fire Plan | |
|---|------------------------------------|---|---|---|
| | Tier I * | PEPRA | Tier I * | PEPRA |
| Hire date | Prior to or on December 31,2012 | On or after January 1, 2013 | Prior to or on December 31,2012 | On or after January 1, 2013 |
| Benefit formula | 3.0% @ 50 | 2.0% @ 57 | 3.0% @ 55 | 2.0% @ 57 |
| Benefit vesting schedule | 5 years of service | 5 years of service | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life | monthly for life | monthly for life |
| Retirement age | minimum 50 yrs | minimum 50 yrs | minimum 50 yrs | minimum 50 yrs |
| Monthly benefits, as a % of eligible compensation | 3.000%, 50+ yrs | 1.426% - 2.000%, respectively 50 yrs - 57+ yrs, | 2.400% - 3.000%, respectively 50 yrs - 55+ yrs, | 1.426% - 2.000%, respectively 50 yrs - 57+ yrs, |
| Required employee contribution rates | 9.000% (1) | 12.750% | 9.000% (1) | 12.750% |
| Required employer contribution rates | 22.346% | 12.965% | 20.416% | 12.965% (4) |
| Management safety | | | | |
| Employee | 9.000% | 12.750% (4) | 9.000% | 12.750% |
| Employer | 22.346% | 12.965% | 20.416% | 12.965% |

* Closed to new entrants

(1) Not including 3% cost share, which would increase rate to 12%.

(2) Not including cost share, which will lower rate to 17.416%.

(3) Not including cost share, which will lower rate to 19.346%.

(4) PEPRA contributes an additional 0.1075% to City to realize 50% cost sharing.

Benefit payments are calculated using the benefit formula above multiplied by the number of years of service and highest single year of compensation for Tier 1 or highest three year average of compensation for PEPRA.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 9: CalPERS Retirement Plans (Continued)***Employees Covered***

At June 30, 2018, the following employees were covered by the benefit terms of the Plan:

| Description | Number of members | | | |
|-----------------------------------|--------------------|-------|------------------|-------|
| | Safety Police Plan | | Safety Fire Plan | |
| | Classic | PEPRA | Classic | PEPRA |
| Active members | 48 | 14 | 29 | 1 |
| Transferred members | 14 | 3 | 4 | - |
| Terminated members | 45 | - | 20 | - |
| Retired members and beneficiaries | 115 | - | 43 | - |
| Total | 222 | 17 | 96 | 1 |

Contribution Description

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

For the year ended June 30, 2019, the employer contributions recognized as a reduction to the net pension liability was \$3,375,269 for the Safety Police Plan and \$1,696,373 for the Safety Fire Plan for a total of \$5,071,642 for the safety plans.

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

The City of Manhattan Beach reported net a pension liability at June 30, 2019 of \$35,493,923 for its proportionate shares of the Safety Police Plan and \$16,396,083 for its proportionate shares of the Safety Fire Plan for a total of \$51,890,006 for the safety plans.

The City's net pension liability for the safety plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 9: CalPERS Retirement Plans (Continued)

The City's proportionate share of the net pension liability for the safety plan as of June 30, 2017 and 2018, was as follows:

| | <u>Safety Police Plan</u> | <u>Safety Fire Plan</u> |
|-------------------------------|---------------------------|-------------------------|
| Proportion - June 30, 2017 | 0.586484% | 0.267118% |
| Proportion - June 30, 2018 | 0.604919% | 0.279436% |
| Changes - Increase (Decrease) | 0.018435% | 0.012318% |

For the year ended June 30, 2019, the City recognized pension expense of \$5,907,220 and \$2,515,288 for the Safety Police Plan and the Safety Fire Plan respectively. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Safety - Police</u> | | <u>Safety - Fire</u> | |
|--|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| City pension contribution subsequent to measurement date | \$ 3,375,269 | \$ - | \$ 1,696,373 | \$ - |
| CalPERS Deferrals: | | | | |
| Difference between expected and actual experience | 769,253 | (2,918) | 381,058 | (1,446) |
| Change in Assumptions | 3,512,748 | (473,932) | 1,740,081 | (234,768) |
| Net difference between projected and actual earnings on pension plan investments | 242,393 | - | 120,072 | - |
| Adjustment due to difference in proportions | 875,064 | (75,685) | 684,583 | (54,315) |
| Difference in proportionate share | 11,174 | (1,152,897) | - | (692,868) |
| Total CalPERS Deferrals | <u>5,410,632</u> | <u>(1,705,432)</u> | <u>2,925,794</u> | <u>(983,397)</u> |
| Total | <u>\$ 8,785,901</u> | <u>\$ (1,705,432)</u> | <u>\$ 4,622,167</u> | <u>\$ (983,397)</u> |

\$3,375,269 and \$1,696,373 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| <u>Year Ended June 30,</u> | <u>Net Deferred Outflows/ (Inflows) of Resources</u> | |
|----------------------------|--|-------------------------|
| | <u>Safety Police Plan</u> | <u>Safety Fire Plan</u> |
| 2020 | \$ 3,148,359 | \$ 1,567,350 |
| 2021 | 1,775,999 | 918,680 |
| 2022 | (971,180) | (420,794) |
| 2023 | <u>(247,978)</u> | <u>(122,839)</u> |
| | <u>\$ 3,705,200</u> | <u>\$ 1,942,397</u> |

Note 9: CalPERS Retirement Plans (Continued)

Actuarial Methods and Assumptions

The collective total pension liability for the June 30, 2018 measurement period was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The collective total pension liability was based on the following assumptions:

| Actuarial Cost Method | Entry Age Normal Cost Method |
|----------------------------------|---|
| Actuarial Assumptions | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Salary Increases | Varies by Entry Age and Service |
| Mortality Rate Table (1) | Derived using CalPERS' Membership Data for all Funds |
| Post Retirement Benefit Increase | Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, .2.5% thereafter |

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Changes of Assumptions

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Long-term Expected Rate of Return

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 9: CalPERS Retirement Plans (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as followed:

| <u>Asset Class (1)</u> | <u>Assume Asset Allocation</u> | <u>Real Return Years 1 - 10 (2)</u> | <u>Real Return Years 11+ (3)</u> |
|------------------------|--------------------------------|-------------------------------------|----------------------------------|
| Global Equity | 50.00% | 4.80% | 5.98% |
| Fixed Income | 28.00% | 1.00% | 2.62% |
| Inflation Assets | 0.00% | 0.77% | 1.81% |
| Private Equity | 8.00% | 6.30% | 7.23% |
| Real Estate | 13.00% | 3.75% | 4.93% |
| Liquidity | 1.00% | 0.00% | -0.92% |
| Total | <u>100.00%</u> | | |

(1) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(2) An expected inflation of 2.0% used for this period.

(3) An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Note 9: CalPERS Retirement Plans (Continued)

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

The following presents the City's proportionate share of the net pension liability/ (asset) of the Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.15 percent) or 1% point higher (8.15 percent) than the current rate:

| PERS Cost Sharing Plans | Discount Rate - 1% (6.15%) | Current Discount Rate (7.15%) | Discount Rate +1% (8.15%) |
|-------------------------|-------------------------------|----------------------------------|------------------------------|
| Safety police | \$ 54,044,276 | \$ 35,493,923 | \$ 20,295,229 |
| Safety Fire | 25,585,221 | 16,396,083 | 8,867,230 |

Pension Plan Fiduciary Net Position

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

Note 10: City Retirement Plans

a. Supplemental Retirement Plan

General Information about the Pension Plan

Plan Description

The Supplemental Retirement Plan is a single employer defined benefit pension plan that covers Police, Fire and Management/Confidential employees who retired prior to January 1995. This plan is currently dormant and does not issue a separate annual financial report. The plan information is presented as a fiduciary fund in the City's financial statements in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*.

Benefits Provided

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

Note 10: City Retirement Plans (Continued)

Employees Covered

Employees covered includes sworn law enforcement officers, fire and management/confidential employees who retired prior to January 1995. Therefore, the plan is dormant. The number of participants covered under the plan as of June 30, 2019, was as follows:

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

Net Pension Liability

The net pension liability for the plan is measured as the total pension liability as of June 30, 2019 using an annual actuarial valuation as of June 30, 2019 less the pension plan's fiduciary net position.

| | |
|--|-------------------------|
| Total pension liability | \$ 111,762 |
| Plan fiduciary net position | <u>32,344</u> |
| Net pension liability | <u><u>\$ 79,418</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | 28.94% |

Actuarial Assumptions

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

| | |
|--------------------------------|--|
| Valuation Date | June 30, 2019 |
| Pre-retirement mortality rates | 2014 CalPERS Retiree Mortality for Miscellaneous Employees |
| Asset valuation method | Fair Market Value |
| Inflation Rate | 2.75% per year |
| Discount rate | 3.50 % based on the Bond Buyer 20 Bond Index |

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

Change of Assumptions

In 2019, the accounting discount rate decreased from 4.12 percent to 3.50 percent.

Discount Rate

The discount rate used to measure the total pension liability was 3.50%. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of plan members. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 10: City Retirement Plans (Continued)

Method Used to Value Investments

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

Investment Policy

The Supplemental Plan's policy in regard to the allocation and types of invested assets is established and may be amended by the City of Manhattan Beach's City Council. It is the policy of City Council to pursue an investment strategy that reduces risk. As of June 30, 2019, City Council has approved to have 100% of the Supplemental Plan's assets allocated to cash and cash equivalents.

Change in Net Pension Liability

| | Total Pension Liability (a) | Increase (Decrease) Plan Fiduciary Net Position (b) | Net Pension Liability/(Assets) (c)=(a)-(b) |
|---|-----------------------------------|--|--|
| Balance at: 6/30/2018 | \$ 109,239 | \$ 25,672 | \$ 83,567 |
| Changes Recognized for the Measurement Period: | | | |
| Interest on the Total Pension Liability | 4,045 | - | 4,045 |
| Difference between Expected and Actual Experience | 18,576 | - | 18,576 |
| Changes of Assumptions | 2,027 | - | 2,027 |
| Contribution from the Employer | - | 27,773 | (27,773) |
| Net Investment Income | - | 1,024 | (1,024) |
| Benefit Payments including Refunds of Employee Contributions | (22,125) | (22,125) | - |
| Net Changes During 2018-19 | 2,523 | 6,672 | (4,149) |
| Balance at: 6/30/2019 | \$ 111,762 | \$ 32,344 | \$ 79,418 |

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

The following presents the net pension liability of the Plan, calculated using the discount rate of 3.50%, as well as what the Employer's net pension liability would be if it were calculated using a discount rate that is 1% lower (2.50%) or 1% higher (4.50%) than the current rate:

| | 1% Lower (2.50%) | Current Discount Rate (3.50%) | 1% Higher (4.50%) |
|-----------------------|---------------------|-------------------------------------|----------------------|
| Net pension liability | \$ 82,230 | \$ 79,418 | \$ 76,808 |

Pension Plan Fiduciary Net Position

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

Note 10: City Retirement Plans (Continued)

Pension Expense

Net pension expense for fiscal year 2018-19 was \$23,624 and the General Fund contributed \$27,773 to the plan. The change in net pension liability (\$4,149) plus contribution equals pension expense.

b. Single Highest Year Plan

General Information about the Pension Plan

Plan Description

The Single Highest Year Plan is a single employer defined benefit pension plan of the City. This plan was adopted effective January 1, 1990, covering Management/Confidential Employees and Non-management/Confidential Sworn Police Employees on July 1, 1990, and is for employees who retired prior to May 1993. The plan is known as the City Funded Single Highest Year Plan. This plan is currently dormant and does not issue a separate annual financial report. The plan information is presented as a fiduciary fund in the City's financial statements in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*.

Benefits Provided

The plan pays a retiring employee the difference between the pension payable from PERS and what the PERS pension would be if it were based on the single highest year only. "The payment shall be made to the member only while the member is alive and will cease upon death." Upon retirement, the right to their payment shall be regarded as a vested pension benefit to the same extent as the individual's PERS retirement. Benefits vest after five years of service. Retirees must qualify for PERS retirement to qualify for the Single Highest Year Plan. The benefit is payable for the life of the employee and is subject to a 2% annual cost of living increase.

Employees Covered

Employees covered include sworn law enforcement officers, fire, management or confidential and miscellaneous employees who retired prior to May 1993. Therefore, the plan is dormant. The number of participants covered under the plan as of June 30, 2019, was as follows:

| | |
|------------------------------|----------|
| Retirees receiving benefits: | |
| Management Confidential | 3 |
| Police | 3 |
| | <u>6</u> |

Note 10: City Retirement Plans (Continued)

Net Pension Liability

The net pension liability for the plan is measured as the total pension liability as of June 30, 2019 using an annual actuarial valuation as of June 30, 2019 less the pension plan's fiduciary net position.

| | |
|--|-------------------|
| Total pension liability | \$ 292,056 |
| Plan fiduciary net position | 118,394 |
| Net pension liability | <u>\$ 173,662</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 40.54% |

Actuarial Assumptions

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

| | |
|--------------------------------|--|
| Valuation Date | June 30, 2019 |
| Pre-retirement mortality rates | 2014 CalPERS Retiree Mortality for Miscellaneous Employees |
| Asset valuation method | Fair Market Value |
| Inflation rate | 2.75% per year |
| Discount rate | 3.50 % based on the Bond Buyer 20 Bond Index |

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

Change of Assumptions

In 2019, the accounting discount rate decreased from 4.12 percent to 3.50 percent.

Discount Rate

The discount rate used to measure the total pension liability was 3.50%. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of plan members. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Method Used to Value Investments

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

Investment Policy

The Highest Year Plan's policy in regard to the allocation and types of invested assets is established and may be amended by the City of Manhattan Beach's City Council. It is the policy of City Council to pursue an investment strategy that reduces risk. As of June 30, 2019, City Council has approved to have 100% of the Supplemental Plan's assets allocated to cash and cash equivalents.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 10: City Retirement Plans (Continued)

Change in Net Pension Liability

| | Total Pension Liability (a) | Increase (Decrease) Plan Fiduciary Net Position (b) | Net Pension Liability/(Assets) (c)=(a)-(b) |
|---|-----------------------------------|--|--|
| Balance at: June 30, 2018 | \$ 284,083 | \$ 92,172 | \$ 191,911 |
| Changes Recognized for the Measurement Period: | | | |
| Interest on the Total Pension Liability | 10,660 | - | 10,660 |
| Difference between Expected and Actual Experience | 41,951 | - | 41,951 |
| Changes of Assumptions | 6,053 | - | 6,053 |
| Contribution from the Employer | - | 72,227 | (72,227) |
| Net Investment Income | - | 4,689 | (4,689) |
| Benefit Payments including Refunds of Employee Contributions | (50,694) | (50,694) | - |
| Net Changes During 2018-19 | 7,970 | 26,222 | (18,252) |
| Balance at: June 30, 2019 | \$ 292,053 | \$ 118,394 | \$ 173,659 |

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

The following presents the net pension liability of the Plan, calculated using the discount rate of 3.50%, as well as what the Employer's net pension liability would be if it were calculated using a discount rate that is 1% lower (2.50%) or 1% higher (4.50%) than the current rate:

| | 1% Lower (2.50%) | Current Discount Rate (3.50%) | 1% Higher (4.50%) |
|-----------------------|---------------------|-------------------------------------|----------------------|
| Net pension liability | \$ 179,811 | \$ 173,662 | \$ 167,954 |

Pension Plan Fiduciary Net Position

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

Pension Expense

Net pension expense for fiscal year 2018-19 was \$53,975 and the General Fund contributed \$72,227 to the plan. The change in the net pension liability (\$18,252) plus plan contribution equals pension expense .

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 10: City Retirement Plans (Continued)

c. Payable to the Pension Plan

For the Supplemental Retirement Plan and the Single Highest Year Plan, the City's remaining obligation is to fund the benefits for those participants who were then and are currently retired.

Note 11: Other Post-Retirement Benefits

Plan Description - City of Manhattan Beach Retiree Medical Program

The City Retiree Medical Program is a Single Employer Plan that provides a fixed stipend to qualifying retirees and a contribution to all retirees enrolled in PERS medical plan. The City of Manhattan Beach contracts with PERS to participate in the Public Employee Medical and Hospital Care Act (PEMHCA). Under this contract, both active employees and retirees are provided access to health insurance.

Benefits provided

The following is a description of the current retiree benefit plan under the employee Memoranda of Understanding (MOU):

| | <u>Firefighters</u> | <u>General Employees</u> | <u>Non-sworn Management</u> | <u>Police Officers</u> |
|------------------------|---------------------|--------------------------|--|---------------------------------|
| Benefit types provided | Contribution of HRA | Contribution of HRA | Contribution of HRA | Contribution of HRA |
| Duration of benefits | To age 65 | To age 65 | To age 65 | To age 65 |
| Required service | 20 years | 15 years | 15 years | 20 years in law enforcement *** |
| Minimum age | 50 | 50 | 50 | 50 |
| Dependent coverage | n/a * | n/a * | n/a * | n/a * |
| Contribution | \$400 per month ** | \$250 per month ** | \$400 per month for Department Heads \$250 per month for others | \$400 per month ** |

* Contribution to HRA does not vary by dependent content

** \$300 per month for firefighters retiring prior to August 1, 2008. \$300 for police hired before December 31, 2007.

*** 10 years with the City

Employees Covered

As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

| | |
|---|-------------------|
| Inactive employees currently receiving benefits payment | 97 |
| Participating active employees | <u>269</u> |
| Total | <u><u>366</u></u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 11: Post-Employment Benefit Plan (Continued)

Contributions

The plan is financed via actuarially determined contributions deposited into a trust fund managed by PERS. PERS has dual independent capacities as a provider of medical plans and as a trustee. In its capacity as a trustee, PERS will be referred to as CERBT (California Employees' Retirement Benefit Trust). City payments to employees and PERS will be reimbursed by payments from CERBT. For fiscal year 2018, the City paid \$290,331 for retiree medical benefits and was reimbursed \$290,331 from CERBT.

For fiscal year ending June 30, 2019, retiree medical benefit resulted in an increase to the net OPEB asset of \$55,181.

Net OPEB Asset

The City's net OPEB asset was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation dated June 30, 2017 that was rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

| | |
|------------------------|---|
| Valuation Date: | June 30, 2017 |
| Actuarial Cost Method: | Entry Age |
| Actuarial Assumptions: | |
| Discount Rate | 6.5% per year net of expenses |
| Inflation | 2.75% per year |
| Salary Increase | 2.75% per year |
| Healthcare Trend | 4.00% per year |
| Mortality | No mortality tables used |
| Retirement Rates | Police: Hired prior to 1/1/13: 2009 CalPERS 3.0%@50 Rates for Sworn Police Hired > 12/31/12: 2009 CalPERS 3.0%@55 Rates for Sworn Police adjusted to reflect 2.0% at 52 Firefighters: Hired prior to 1/1/13: 2009 CalPERS 3.0%@55 Rates for Sworn Firefighters Hired > 12/31/12: 2009 CalPERS 3.0%@55 Rates for Sworn Firefighters adjusted to reflect 2.0% at 52 Miscellaneous: Hired prior to 1/1/13: 2009 CalPERS 2.0%@55 Rates for Miscellaneous Employees Hired > 12/31/12: 2009 CalPERS 2.0%@60 Rates for Miscellaneous Employees adjusted to reflect minimum retirement age 52 |
| Service Requirement | Police: 100% at 5 Years of Service for statutory minimum benefits 100% at 10 Years of Service with City (20 years in law enforcement) Firefighters: 100% at 5 Years of Service for statutory minimum benefits 100% at 20 Years of Service with City General Employees 100% at 5 Years of Service for statutory minimum benefits 100% at 15 Years of Service with City Management 100% at 5 Years of Service for statutory minimum benefits 100% at 15 Years of Service with City |

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 11: Post-Employment Benefit Plan (Continued)

Expected Long-Term Rate of Return

| Asset Class Component | Percentage of Portfolio | Assumed Gross Return |
|--|-------------------------|----------------------|
| US Large Cap | 40% | 7.795% |
| US Small Cap | 10% | 7.795% |
| Long-term Corporate Bonds | 18% | 5.295% |
| Long-term Government Bonds | 6% | 4.500% |
| Treasury Inflation Protected Securities (TIPS) | 15% | 7.950% |
| US Real Estate | 8% | 7.950% |
| All Commodities | 3% | 7.950% |

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50 percent per year net of expenses. This is based on assumed long-term return on plan assets assuming 100% funding through CERBT.

Changes in the Net OPEB Asset

The changes in the net OPEB asset for the Plan are as follows:

| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (c) = (a) - (b) |
|--|-----------------------------|------------------------------------|---------------------------------------|
| Balance at June 30, 2017 | \$ 6,044,260 | \$ 9,956,287 | \$ (3,912,027) |
| Changes recognized for the measurement period: | | | |
| Service cost | 157,705 | - | 157,705 |
| Interest | 389,029 | - | 389,029 |
| Net investment income | - | 637,587 | (637,587) |
| Investment gains/(loss) | - | (17,259) | 17,259 |
| Benefit payments | (290,331) | (290,331) | - |
| Other minus expected benefits payments | 14,222 | 14,222 | - |
| Administrative expenses | - | (18,413) | 18,413 |
| Net changes | 270,625 | 325,806 | (55,181) |
| Balance at June 30, 2018 | \$ 6,314,885 | \$ 10,282,093 | \$ (3,967,208) |

No contribution was made. Therefore, expense equals change in net asset \$(55,181).

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB assets of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

| | 1% Decrease (5.50%) | Current Discount Rate (6.50%) | 1% Increase (7.50%) |
|--------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB Liability | \$ (3,207,438) | \$ (3,967,208) | \$ (4,601,009) |

Note 11: Post-Employment Benefit Plan (Continued)

Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB asset of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

| | 1% Decrease | Current Healthcare Cost Trend Rates | 1% Increase |
|--------------------|----------------|---|----------------|
| Net OPEB Liability | \$ (4,498,223) | \$ (3,967,208) | \$ (3,330,767) |

Note 12: Retirement Plan for Part-Time, Seasonal and Temporary Employees

On June 6, 1997, the City dissolved the City-administered retirement plan for part-time, seasonal and temporary employees and selected the Public Agency Retirement System (PARS) as the retirement program for this group.

The PARS plan is a defined contribution pension plan, which is administered by PARS. Benefits and funding requirements are determined by PARS' governing board. All members' earnings are subject to contribution from the employee and the employer. Historically, the contribution rate for both employee and employer has been 3.75% of payroll. In April 2011, the City exercised its option not to pick up 50% share of the required 7.50%. Consequently, for fiscal year ending June 30, 2019, 100% of contribution is derived from employee deduction.

Total payroll for employees covered by this plan for the year was \$1,419,640. The amount of employee contribution was \$106,074.

Note 13: Risk Management

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

The City is a member of the CSAC-Excess Insurance Authority, a public entity risk pool currently operating as a common risk management and insurance program for California 95% of counties, 68% of California cities, as well as numerous California educational organizations, special districts, housing authorities, fire districts, and other Joint Powers Authorities. The City pays an annual premium to the pool for its excess insurance coverage including property (earthquake, flood and all risk), workers' compensation and general liability. The City also purchased separate dedicated earthquake limits for the public safety facility and other key structures.

For workers' compensation, the City is self-insured for the first \$750,000 on each claim with excess coverage up to statutory limits. For general liability, the City is self-insured for the first \$500,000 on each claim with excess coverage up to a limit of \$25,000,000.

The City is insured for property losses with a deductible of \$10,000 for all-risk (fire and theft) and earthquake loss with a deductible of 2% or minimum \$100,000, whichever is greater.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 13: Risk Management (Continued)

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

Reserves for open claims have been established in accordance with an analysis performed by a third-party claims’ administrator. In addition, reserves for incurred but not reported claims have been estimated based on historical trend. Total reserves for both workers’ compensation and general liability at June 30, 2019 are as follows:

| | Estimated Claims Value at Fiscal Year End | Additional Reserves for Incurred But Not Report Claims | Total Claims Reserve |
|------------------------------|---|---|-------------------------|
| Workers' Compensation Claims | \$ 9,191,172 | \$ 6,000,891 | \$ 15,192,063 |
| General Liability Claims | 1,339,864 | 664,395 | 2,004,259 |
| | <u>\$ 10,531,036</u> | <u>\$ 6,665,286</u> | <u>\$ 17,196,322</u> |

The following is a summary of the changes in the claim liability over the past two fiscal years.

| Year | Liability Beginning of Year | Current Year Claims and Increases in Estimates | Payments and Decreases In Estimates | Liability End of Year |
|------|-----------------------------------|---|---|-----------------------------|
| 2018 | \$ 13,864,621 | \$ 7,125,364 | \$ (3,871,059) | \$ 17,118,926 |
| 2019 | 17,118,926 | 4,086,941 | (4,009,345) | 17,196,522 |

During the past three fiscal (claims) years, none of the above programs has had settlements or judgments that exceed pooled or insured coverage. There have been no significant reductions in pooled or insured coverages from coverage in the prior year.

The Excess Insurance Authority (EIA) has published its own comprehensive annual financial report for the year ended June 30, 2018, which can be obtained at the following link:

<https://www.csac-eia.org/resources/eia-documents/financial-information/comprehensive-annual-financial-report-cafr/cafr-fy-ended-06-30-17/>

Note 15: 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, 2018, was 22.7%.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 15: Joint Ventures and Jointly Governed Organizations (Continued)

Summarized audited financial information for SBRPCA at June 30, 2018*, is presented below:

| <u>Statement of Net Position</u> | |
|----------------------------------|---------------------|
| Assets | |
| Current assets | \$ 5,916,916 |
| Noncurrent assets | 10,454,687 |
| Total Assets | <u>16,371,603</u> |
| Deferred Outflows of Resources | <u>2,575,190</u> |
| Liabilities | |
| Current liabilities | 1,488,518 |
| Noncurrent liabilities | 9,903,837 |
| Total Liabilities | <u>11,392,355</u> |
| Deferred Inflows of Resources | <u>895,691</u> |
| Net Position | <u>\$ 6,658,747</u> |

| <u>Statement of Activities</u> | |
|--|---------------------|
| Operating Revenues | \$ 12,743,300 |
| Operating Expenses | <u>12,262,734</u> |
| Operating income before depreciation | <u>480,566</u> |
| Depreciation | <u>(689,166)</u> |
| Operating income/loss | <u>(208,600)</u> |
| Non-operating revenues (expenses): | |
| Interest earnings | <u>3,575,566</u> |
| Non operating revenues (expenses) | <u>3,575,566</u> |
| Change in net position | 3,366,966 |
| Net Position - June 30, 2017 as restated | <u>3,291,781</u> |
| Net Position - June 30, 2018 | <u>\$ 6,658,747</u> |

*Most current information available. 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.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 15: Joint Ventures and Jointly Governed Organizations (Continued)

Summarized audited financial information for L.A. IMPACT at June 30, 2018*, is presented below:

Statement of Net Position

Assets

| | |
|-------------------|-------------------|
| Current assets | \$ 11,531,039 |
| Noncurrent assets | <u>269,284</u> |
| Total Assets | <u>11,800,323</u> |

Liabilities

| | |
|------------------------|----------------------|
| Current liabilities | 1,445,995 |
| Noncurrent liabilities | <u>346,281</u> |
| Total liabilities | <u>1,792,276</u> |
| Net Position | <u>\$ 10,008,047</u> |

Statement of Activities

| | |
|-----------------------------------|----------------------|
| Program Revenues | \$ 4,049,975 |
| Expenses | <u>(4,910,773)</u> |
| Excess of Revenues Over Expenses | <u>(860,798)</u> |
| Non operating revenues (expenses) | |
| Investment earnings | 128,419 |
| Other revenue | <u>3,337</u> |
| Non operating revenues (expenses) | <u>131,756</u> |
| Change in net position | (729,042) |
| Net Position - June 30, 2017 | <u>10,737,089</u> |
| Net Position - June 30, 2018 | <u>\$ 10,008,047</u> |

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

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 16: Commitments and Contingencies

Contingencies

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

Construction Commitments

The following material construction commitments existed as of June 30, 2019:

| <u>Project Title</u> | <u>Contract Amount</u> | <u>Expenditure to date as of June 30, 2019</u> | <u>Remaining Commitments</u> |
|--|------------------------|--|------------------------------|
| Sepulveda Bridge Widening | \$ 2,725,111 | \$ 2,591,198 | \$ 133,913 |
| Liberty Village Resurfacing | 1,595,162 | 1,578,780 | 16,382 |
| Peck Reservoir Design | 1,451,498 | 1,086,150 | 365,348 |
| Marine Ave Resurfacing | 1,364,107 | 1,221,282 | 142,824 |
| Slurry Seal & ARAM Project - Areas 4,5, & 6 | 1,107,944 | 1,014,261 | 93,683 |
| Manhattan Ave and Highland Ave Pavement Rehab | 1,027,048 | 976,048 | 51,000 |
| Citywide Traffic Signal Inventory and Replacement | 1,014,434 | 155,542 | 858,892 |
| Fire Station 2 Design Development & Interim Improvements | 764,710 | 197,678 | 567,032 |
| Cycle 1 Sewer Main Replacement Project | 648,809 | 464,313 | 184,496 |
| Cycle 3 Federal SRTS Grant Pedestrian Improvements Project | 497,602 | 486,372 | 11,230 |

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2019**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| Budgetary Fund Balance, July 1 | \$ 26,872,054 | \$ 26,872,054 | \$ 26,872,054 | \$ - |
| Resources (Inflows): | | | | |
| Taxes and assessments | 51,411,538 | 51,411,538 | 52,272,101 | 860,563 |
| Licenses and permits | 3,061,340 | 3,061,340 | 3,048,263 | (13,077) |
| Intergovernmental | 309,350 | 452,474 | 355,520 | (96,954) |
| Charges for services | 11,863,680 | 12,004,973 | 12,076,449 | 71,476 |
| Use of money and property | 3,954,807 | 3,954,807 | 5,304,823 | 1,350,016 |
| Fines and forfeitures | 2,547,000 | 2,547,000 | 1,963,412 | (583,588) |
| Miscellaneous | 867,500 | 867,500 | 1,112,149 | 244,649 |
| Transfers in | 166,786 | 166,786 | 263,873 | 97,087 |
| Amounts Available for Appropriations | 101,054,055 | 101,338,472 | 103,268,644 | 1,930,172 |
| Charges to Appropriations (Outflow): | | | | |
| Current: | | | | |
| General government | 16,046,010 | 16,373,957 | 15,125,085 | 1,248,872 |
| Public safety | 41,848,416 | 42,065,355 | 42,632,070 | (566,715) |
| Culture and recreation | 8,229,550 | 8,342,324 | 8,383,582 | (41,258) |
| Public works | 7,511,387 | 7,952,152 | 7,190,483 | 761,669 |
| Capital outlay: | | | | |
| General government | 380,240 | 403,243 | 65,704 | 337,539 |
| Public safety | 1,140,602 | 1,243,726 | 328,757 | 914,969 |
| Culture and recreation | - | 45,380 | 5,497 | 39,883 |
| Public works | 49,191 | 49,191 | 5,999 | 43,192 |
| Debt service: | | | | |
| Principal retirement | 295,000 | 295,000 | 295,000 | - |
| Interest and fiscal charges | 185,975 | 185,975 | 185,975 | - |
| Fees | 3,500 | 3,500 | 1,600 | 1,900 |
| Transfers out | 2,028,307 | 2,028,307 | 2,594,296 | (565,989) |
| Total Charges to Appropriations | 77,718,178 | 78,988,110 | 76,814,048 | 2,174,062 |
| Budgetary Fund Balance, June 30 | \$ 23,335,877 | \$ 22,350,362 | \$ 26,454,596 | \$ 4,104,234 |

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 GAS TAX
 YEAR ENDED JUNE 30, 2019

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|-------------------|---|
| | Original | Final | | |
| Budgetary Fund Balance, July 1 | \$ 2,834,827 | \$ 2,834,827 | \$ 2,834,827 | \$ - |
| Resources (Inflows): | | | | |
| Intergovernmental | 1,390,630 | 3,282,873 | 1,618,605 | (1,664,268) |
| Use of money and property | 55,609 | 55,609 | 129,144 | 73,535 |
| Amounts Available for Appropriations | 4,281,066 | 6,173,309 | 4,582,576 | (1,590,733) |
| Charges to Appropriations (Outflow): | | | | |
| Current: | | | | |
| Public works | 27,000 | 27,000 | 1,408,154 | (1,381,154) |
| Capital outlay: | | | | |
| Public works | 2,148,259 | 6,478,541 | 2,451,409 | 4,027,132 |
| Total Charges to Appropriations | 2,175,259 | 6,505,541 | 3,859,563 | 2,645,978 |
| Budgetary Fund Balance, June 30 | \$ 2,105,807 | \$ (332,232) | \$ 723,013 | \$ 1,055,245 |

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION C
 YEAR ENDED JUNE 30, 2019

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---------------------|-------------------|---------------------|---|
| | Original | Final | | |
| Budgetary Fund Balance, July 1 | \$ 4,291,588 | \$ 4,291,588 | \$ 4,291,588 | \$ - |
| Resources (Inflows): | | | | |
| Taxes | 576,151 | 576,151 | 590,966 | 14,815 |
| Intergovernmental | - | 16,870,485 | 34,152 | (16,836,333) |
| Use of money and property | 64,985 | 64,985 | 188,350 | 123,365 |
| Amounts Available for Appropriations | 4,932,724 | 21,803,209 | 5,105,056 | (16,698,153) |
| Charges to Appropriations (Outflow): | | | | |
| Current: | | | | |
| Public works | 59,000 | 59,000 | 299,247 | (240,247) |
| Capital outlay: | | | | |
| Public works | 700,000 | 21,614,504 | 856,585 | 20,757,919 |
| Total Charges to Appropriations | 759,000 | 21,673,504 | 1,155,832 | 20,517,672 |
| Budgetary Fund Balance, June 30 | \$ 4,173,724 | \$ 129,705 | \$ 3,949,224 | \$ 3,819,519 |

CITY OF MANHATTAN BEACH

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

| Measurement Period | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| TOTAL PENSION LIABILITY | | | | | |
| Service Cost | \$ 1,897,933 | \$ 1,906,947 | \$ 2,116,750 | \$ 2,582,619 | \$ 2,639,954 |
| Interest | 6,036,548 | 6,365,282 | 6,725,647 | 6,931,655 | 7,282,132 |
| Difference Between expected and Actual Experience | - | (1,610,461) | (125,272) | (2,203,443) | (577,483) |
| Changes in Assumptions | - | (450,327) | - | 5,953,464 | 11,137 |
| Benefit Payments, Including Refunds of employee Contributions | (2,930,477) | (3,387,918) | (3,694,517) | (3,897,657) | (4,251,920) |
| Net Change in Total Pension Liability | \$ 5,004,004 | \$ 2,823,523 | \$ 5,022,608 | \$ 9,366,638 | \$ 5,103,820 |
| Total Pension Liability - Beginning | 81,003,568 | 86,007,572 | 88,831,095 | 93,853,703 | 103,220,341 |
| Total Pension Liability - Ending (a) | \$ 86,007,572 | \$ 88,831,095 | \$ 93,853,703 | \$ 103,220,341 | \$ 108,324,161 |
| PLAN FIDUCIARY NET POSITION | | | | | |
| Contribution - Employer | \$ 1,512,406 | \$ 1,619,438 | \$ 1,856,633 | \$ 2,139,788 | \$ 2,257,840 |
| Contribution - Employee | 911,689 | 986,936 | 1,110,014 | 1,142,808 | 1,194,936 |
| Net Investment Income | 10,722,182 | 1,618,145 | 357,760 | 8,057,534 | 6,733,944 |
| Benefit Payments, Including Refunds of Employee Contributions | (2,930,477) | (3,387,918) | (3,694,517) | (3,897,657) | (4,251,920) |
| Net Plan to Plan Resource Movement | - | - | (388) | - | (198) |
| Administrative Expense | - | (82,036) | (44,409) | (106,973) | (124,333) |
| Other Miscellaneous Income/(Expense) (A) | - | - | - | - | (236,111) |
| Net Change in Fiduciary Net Position | \$ 10,215,800 | \$ 754,565 | \$ (414,907) | \$ 7,335,500 | \$ 5,574,158 |
| Plan Fiduciary Net Position - Beginning | 61,897,924 | 72,113,724 | 72,868,289 | 72,453,382 | 79,788,882 |
| Plan Fiduciary Net Position - Ending (b) | \$ 72,113,724 | \$ 72,868,289 | \$ 72,453,382 | \$ 79,788,882 | \$ 85,363,040 |
| Plan Net Pension Liability/(Assets) - Ending (a) - (b) | \$ 13,893,848 | \$ 15,962,806 | \$ 21,400,321 | \$ 23,431,459 | \$ 22,961,121 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 83.85% | 82.03% | 77.20% | 77.30% | 78.80% |
| Covered Payroll | \$ 12,741,228 | \$ 13,348,365 | \$ 14,974,179 | \$ 16,051,083 | \$ 16,557,666 |
| Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll | 109.05% | 119.59% | 142.91% | 145.98% | 138.67% |

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

Notes to Schedule:

(A) During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75. Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes)

Changes of Assumptions:

In fiscal year 2016-17, the discount rate was changed from 7.65 percent (net of administrative expense) to 7.15 percent.

In fiscal year 2017-18, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

CITY OF MANHATTAN BEACH

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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Actuarially Determined Contribution | \$ 1,526,186 | \$ 1,648,896 | \$ 1,881,560 | \$ 2,137,977 | \$ 2,241,242 | \$ 2,659,903 |
| Contribution in Relation to the Actuarially Determined Contribution | (1,526,186) | (1,648,896) | (1,881,560) | (2,137,977) | (2,241,242) | (2,659,903) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Payroll | \$ 12,741,228 | \$ 13,348,365 | \$ 14,974,179 | \$ 16,051,083 | \$ 16,557,666 | \$ 16,866,425 |
| Contributions as a Percentage of Covered Payroll | 11.98% | 12.35% | 12.57% | 13.32% | 13.54% | 15.77% |

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

Note to Schedule:

| | |
|---|---|
| Valuation Date: | June 30, 2016 |
| Methods and assumptions used to determine contribution rates: | |
| Single and Agent Employers | Entry age normal |
| Amortization method | Level Percent of Payroll, closed 20 years 20 Years as of the Valuation Date |
| Assets valuation method | Market value |
| Inflation | 2.75% |
| Salary Increases | 3.30% - 14.20% depending on age, service and type of employment |
| Investment rate of return | 7.50% net of pension plan investment and administrative expense, including inflation |
| Retirement age | 55 years |
| Mortality | RP-2000 Heath Annuitant Mortality Table |

CITY OF MANHATTAN BEACH

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

| Measurement Date | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---------------|---------------|---------------|---------------|---------------|
| Safety Plan | | | | | |
| Proportion of the Net Pension Liability | 0.482924% | 0.816657% | 0.854514% | 0.738007% | 0.884355% |
| Proportionate Share of the Net Pension Liability | \$ 30,049,799 | \$ 33,649,892 | \$ 44,229,612 | \$ 51,004,452 | \$ 51,890,006 |
| Covered Payroll | \$ 11,899,053 | \$ 12,509,404 | \$ 13,396,233 | \$ 13,476,008 | \$ 13,377,912 |
| Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll | 252.54% | 269.00% | 330.16% | 378.48% | 387.88% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 81.00% | 78.30% | 74.10% | 73.30% | 73.30% |

Notes to Schedule:

Benefit Changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions:

In fiscal year 2016-17, the discount rate was changed from 7.65 percent (net of administrative expense) to 7.15 percent.

In fiscal year 2017-18, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

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

CITY OF MANHATTAN BEACH

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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Safety Plan | | | | | | |
| Actuarially Determined Contribution | \$ 3,200,572 | \$ 3,437,160 | \$ 4,000,319 | \$ 4,035,127 | \$ 4,413,119 | \$ 5,071,642 |
| Contribution in Relation to the Actuarially Determined Contribution | <u>(3,200,572)</u> | <u>(3,437,160)</u> | <u>(4,000,319)</u> | <u>(4,035,127)</u> | <u>(4,413,119)</u> | <u>(5,071,642)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | | | |
| Covered Payroll | \$ 11,899,053 | \$ 12,509,404 | \$ 13,396,233 | \$ 13,476,008 | \$ 13,377,912 | \$ 13,238,294 |
| | | | | | | |
| Contributions as a Percentage of Covered Payroll | 26.90% | 27.48% | 29.86% | 29.94% | 32.99% | 38.31% |

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

Note to Schedule:

| | |
|---|---|
| Valuation Date: | June 30, 2016 |
| Methods and assumptions used to determine contribution rates: | |
| Single and Agent Employers | Entry age normal |
| Amortization method | Level Percent of Payroll, closed 20 years 20 Years as of the Valuation Date |
| Assets valuation method | Market value |
| Inflation | 2.75% |
| Salary Increases | 3.30% - 14.20% depending on age, service and type of employment |
| Investment rate of return | 7.50% net of pension plan investment and administrative expense, including inflation |
| Retirement age | 55 years |
| Mortality | RP-2000 Heath Annuitant Mortality Table |

CITY OF MANHATTAN BEACH

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

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|--|------------------|------------------|------------------|-------------------|-------------------|-------------------|
| Total pension liability: | | | | | | |
| Interest | \$ 4,535 | \$ 3,868 | \$ 4,465 | \$ (552) | \$ 4,837 | \$ 4,045 |
| Benefit payments, including refunds of member contributions | | | | | | |
| Experience losses/(gains) | (6,296) | 16,651 | 9,609 | 35,649 | 8,685 | 18,576 |
| Changes in assumptions | - | - | - | - | - | 2,027 |
| Net change in total pension liability | (1,761) | 20,519 | 14,074 | 35,097 | 13,522 | 24,648 |
| Total pension liability, beginning of year | 133,183 | 131,422 | 151,941 | 166,015 | 201,112 | 214,634 |
| Total pension liability, end of year | 131,422 | 151,941 | 166,015 | 201,112 | 214,634 | 239,282 |
| Plan fiduciary net position: | | | | | | |
| Net investment income | 4,535 | 3,868 | 4,465 | (552) | 496 | 1,024 |
| Contribution from employer | - | - | - | - | - | 27,773 |
| Benefit payments, including refunds of member contributions | (20,118) | (20,519) | (21,728) | (21,340) | (21,690) | (22,125) |
| Net change in plan fiduciary net position | (15,583) | (16,651) | (17,263) | (21,892) | (21,194) | 6,672 |
| Total fiduciary net position, beginning of year | 118,255 | 102,672 | 86,021 | 68,758 | 46,866 | 25,672 |
| Total fiduciary net position, end of year | 102,672 | 86,021 | 68,758 | 46,866 | 25,672 | 32,344 |
| Net pension liability (asset), end of year | \$ 28,750 | \$ 65,920 | \$ 97,257 | \$ 154,246 | \$ 188,962 | \$ 206,938 |
| Plan fiduciary net position as a percentage of the total pension liability | 78.12% | 56.61% | 41.42% | 23.30% | 11.96% | 13.52% |
| The Supplement Retirement Plan is dormant. | | | | | | |
| Covered payroll | N/A | N/A | N/A | N/A | N/A | N/A |
| Net pension liability as a percentage of covered payroll | N/A | N/A | N/A | N/A | N/A | N/A |

Changes of Assumptions:

In fiscal year 2018-19, the discount rate was changed from 4.12% to 3.5%.

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

CITY OF MANHATTAN BEACH

**PENSION PLAN - SUPPLEMENTAL RETIREMENT PLAN
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Employer contributions: | | | | | | |
| Actuarial determined contributions | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Actual contributions | - | - | - | - | - | - |
| Deficiency/(Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

The Supplement Retirement Plan is dormant.

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

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

CITY OF MANHATTAN BEACH

PENSION PLAN - SUPPLEMENTAL RETIREMENT PLAN
SCHEDULE OF INVESTMENT RETURNS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 4.40% | 4.40% | 3.60% | 3.49% | 4.12% | 3.50% |

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

CITY OF MANHATTAN BEACH

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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|------------------|------------------|------------------|-------------------|-------------------|-------------------|
| Total pension liability: | | | | | | |
| Interest | \$ 12,194 | \$ 9,588 | \$ 13,610 | \$ (1,639) | \$ 13,871 | \$ 10,660 |
| Benefit payments, including refunds of member contributions | (49,893) | (50,872) | (51,598) | (52,928) | (53,805) | (50,694) |
| Experience losses/(gains) | (20,492) | 41,284 | 19,167 | 94,614 | (12,652) | 41,951 |
| Changes in assumptions | - | - | - | - | - | 6,053 |
| Net change in total pension liability | (58,191) | - | (18,821) | 40,047 | (52,586) | 7,970 |
| Total pension liability, beginning of year | 373,634 | 315,443 | 315,443 | 296,622 | 336,669 | 284,083 |
| Total pension liability, end of year | 315,443 | 315,443 | 296,622 | 336,669 | 284,083 | 292,053 |
| Plan fiduciary net position: | | | | | | |
| Net investment income | 12,194 | 9,588 | 13,610 | (1,639) | 1,616 | 4,689 |
| Contribution from employer | - | - | - | - | - | 72,227 |
| Benefit payments, including refunds of member contributions | (49,893) | (50,872) | (51,598) | (52,928) | (53,805) | (50,694) |
| Net change in plan fiduciary net position | (37,699) | (41,284) | (37,988) | (54,567) | (52,189) | 26,222 |
| Total fiduciary net position, beginning of year | 315,899 | 278,200 | 236,916 | 198,928 | 144,361 | 92,172 |
| Total fiduciary net position, end of year | 278,200 | 236,916 | 198,928 | 144,361 | 92,172 | 118,394 |
| Net pension liability (asset), end of year | \$ 37,243 | \$ 78,527 | \$ 97,694 | \$ 192,308 | \$ 191,911 | \$ 173,659 |
| Plan fiduciary net position as a percentage of the total pension liability | 88.19% | 75.11% | 67.06% | 42.88% | 32.45% | 40.54% |
| The Single Highest Year Plan is dormant. | | | | | | |
| Covered payroll | N/A | N/A | N/A | N/A | N/A | N/A |
| Net pension liability as a percentage of covered payroll | N/A | N/A | N/A | N/A | N/A | N/A |

Changes of Assumptions:

In fiscal year 2018-19, the discount rate was changed from 4.12% to 3.5%.

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

CITY OF MANHATTAN BEACH

**PENSION PLAN - SINGLE HIGHEST YEAR PLAN
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Employer contributions: | | | | | | |
| Actuarial determined contributions | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Actual contributions | - | - | - | - | - | - |
| Deficiency/(Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

The Single Highest Year Plan is dormant.

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

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

CITY OF MANHATTAN BEACH

PENSION PLAN - SINGLE HIGHEST YEAR PLAN
SCHEDULE OF INVESTMENT RETURNS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 4.40% | 4.40% | 3.60% | 3.49% | 4.12% | 3.50% |

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

CITY OF MANHATTAN BEACH, CALIFORNIA

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

| Measurement Date | <u>2017</u> | <u>2018</u> |
|---|------------------------------|------------------------------|
| Total OPEB Liability | | |
| Service cost | \$ 153,484 | \$ 157,705 |
| Interest on the total OPEB liability | 373,003 | 389,029 |
| Benefit payments | <u>(292,220)</u> | <u>(276,109)</u> |
| Net change in total OPEB liability | 234,267 | 270,625 |
| Total OPEB liability - beginning | <u>5,809,993</u> | <u>6,044,260</u> |
| Total OPEB liability - ending (a) | <u>6,044,260</u> | <u>6,314,885</u> |
| Plan Fiduciary Net Position | | |
| Contribution - employer | - | - |
| Net investment income | 696,310 | 637,587 |
| Investment gains/(loss) | - | (17,259) |
| Benefit payments | (292,220) | (276,109) |
| Administrative expense | <u>(5,052)</u> | <u>(18,413)</u> |
| Net change in plan fiduciary net position | 399,038 | 325,806 |
| Plan fiduciary net position - beginning | <u>9,557,249</u> | <u>9,956,287</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 9,956,287</u> | <u>\$ 10,282,093</u> |
| Net OPEB Liability (Asset) - ending (a) - (b) | <u>\$ (3,912,027)</u> | <u>\$ (3,967,208)</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 164.7% | 162.8% |
| Covered payroll | \$ 27,942,810 | \$ 28,350,135 |
| Net OPEB liability as a percentage of covered payroll | -14.00% | -13.99% |

Notes to Schedule:

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2017 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

CITY OF MANHATTAN BEACH, CALIFORNIA

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

| | <u>2018</u> | <u>2019</u> |
|---|---------------|---------------|
| Actuarially Determined Contribution (1) | \$ - | \$ - |
| Contribution in Relation to the Actuarially Determined Contribution | - | - |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 28,350,135 | \$ 28,905,182 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% |

(1) The plan is superfunded. No contribution is required.

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contribution for Fiscal Year 2018 were from the December 31, 2016 actuarial valuation.

| | |
|------------------------|---|
| Valuation Date: | June 30, 2017 |
| Actuarial Cost Method: | Entry Age |
| Actuarial Assumptions: | |
| Discount Rate | 6.5% per year net of expenses |
| Inflation | 2.75% per year |
| Salary Increase | 2.75% per year |
| Healthcare Trend | 4.00% per year |
| Mortality | Police - 2014 CalPERS Mortality for Active Safety Employees Fire Fighters - 2014 CalPERS Mortality for Active Safety Employees Miscellaneous - 2014 CalPERS Active Mortality for Miscellaneous Employees |
| Retirement Rates | Police: Hired prior to 1/1/13: 2009 CalPERS 3.0%@50 Rates for Sworn Police Hired > 12/31/12: 2009 CalPERS 3.0%@55 Rates for Sworn Police adjusted to reflect minimum retirement age 52 Firefighters: Hired prior to 1/1/13: 2009 CalPERS 3.0%@55 Rates for Sworn Firefighters Hired > 12/31/12: 2009 CalPERS 3.0%@55 Rates for Sworn Firefighters adjusted to reflect minimum retirement age 52 Miscellaneous: Hired prior to 1/1/13: 2009 CalPERS 2.0%@55 Rates for Miscellaneous Employees Hired > 12/31/12: 2009 CalPERS 2.0%@60 Rates for Miscellaneous Employees adjusted to reflect minimum retirement age 52 |
| Service Requirement | Police: 100% at 5 Years of Service for statutory minimum benefits 100% at 10 Years of Service with City (20 years in law enforcement) Firefighters: 100% at 5 Years of Service for statutory minimum benefits 100% at 20 Years of Service with City General Employees 100% at 5 Years of Service for statutory minimum benefits 100% at 15 Years of Service with City Management 100% at 5 Years of Service for statutory minimum benefits 100% at 15 Years of Service with City |

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

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Note 1: Budgetary Comparison Information

a. General Budget Policies

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

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

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

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

b. Budgetary Control and Accountability

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

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

c. Basis of Budgeting

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

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**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SCHEDULES**

CITY OF MANHATTAN BEACH

JUNE 30, 2019

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.

Asset Forfeiture Fund is used to account for funds received through federal and state agencies for drug seizures in which the City participated. These funds must be used to supplement, not supplant, the Police Department's normal operating budget. The amount of revenue will vary from year to year based on activity levels.

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

Federal and State Grants Fund acts as a pass through for capital grants received from local, state and federal authorities. Given the nature of this funding source, this fund's activity levels can vary significantly from year to year.

Proposition A is used to account for proceeds from the half-cent sales taxes generated by the approval of Proposition A by Los Angeles County voters. These funds, which are administered by the Los Angeles County Metropolitan Transportation Authority (MTA), are distributed based on population and must be used for transportation-related projects.

AB 2766 Fund is used to account for proceeds received from the additional vehicle registration fee imposed by the state and regulated by the Air Quality Management District (AQMD). These funds are distributed based on population and must be used for programs designed to reduce air pollution from motor vehicles.

Measure R Fund is a half cent sales tax approved by Los Angeles voters to be used for new and existing transportation projects, including local bus operations and local city sponsored transportation improvements. Local cities are allocated 15% of collections on a per capita basis. The City of Manhattan Beach began receiving Measure R funds in fiscal 2010-2011, and established a separate fund to capture revenues and expenditures. Eligible expenditures are streets and signals, bikeways, pedestrian improvements, and transit service improvements.

Measure M Fund is a half-cent sales tax approved by Los Angeles County voters to ease traffic congestion; expand rail and rapid transit system; repave local streets, repair potholes, and synchronize signals; make public transportation more accessible for seniors, students, and the disabled; and earthquake-retrofit bridges. The City of Manhattan Beach began receiving Measure M funds in fiscal 2018-2019 and established a separate fund to capture revenue and expenditures.

CITY OF MANHATTAN BEACH

JUNE 30, 2019

NONMAJOR FUNDS

Capital Project Fund Description

Capital Projects Funds are used to account for financial resources segregated for the acquisition or construction of major capital facilities, other than those financed by Enterprise or Internal Service Funds.

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

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019

| | Special Revenue Funds | | | |
|--|-------------------------------|-------------------|----------------------|--------------------------|
| | Street Lighting and Landscape | Asset Forfeiture | Public Safety Grants | Federal and State Grants |
| Assets: | | | | |
| Pooled cash and investments | \$ 32,255 | \$ 447,170 | \$ 282,470 | \$ - |
| Receivables: | | | | |
| Accounts | 7,371 | - | - | - |
| Prepaid costs | - | 2,714 | - | - |
| Due from other governments | - | - | - | - |
| Total Assets | \$ 39,626 | \$ 449,884 | \$ 282,470 | \$ - |
| Liabilities, Deferred Inflows of Resources, and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 39,626 | \$ 315 | \$ 7,684 | \$ - |
| Accrued payables | - | - | - | - |
| Deposits payable | - | - | - | - |
| Total Liabilities | 39,626 | 315 | 7,684 | - |
| Deferred Inflows of Resources: | | | | |
| Unavailable revenues | - | - | - | - |
| Total Deferred Inflows of Resources | - | - | - | - |
| Fund Balances: | | | | |
| Restricted for: | | | | |
| Public safety | - | 449,569 | 274,786 | - |
| Public works | - | - | - | - |
| Capital Projects | - | - | - | - |
| Total Fund Balances | - | 449,569 | 274,786 | - |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 39,626 | \$ 449,884 | \$ 282,470 | \$ - |

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

(CONTINUED)

| | Special Revenue Funds | | | |
|--|-----------------------|------------------|---------------------|-------------------|
| | Proposition A | AB 2766 | Measure R | Measure M |
| Assets: | | | | |
| Pooled cash and investments | \$ 14,191 | \$ 32,755 | \$ 1,242,420 | \$ 695,380 |
| Receivables: | | | | |
| Accounts | - | - | - | - |
| Prepaid costs | 3,761 | - | - | - |
| Due from other governments | - | 29,602 | - | - |
| Total Assets | \$ 17,952 | \$ 62,357 | \$ 1,242,420 | \$ 695,380 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 17,952 | \$ - | \$ 50,332 | \$ 275,000 |
| Accrued payables | - | - | 49,695 | - |
| Deposits payable | - | - | - | - |
| Total Liabilities | 17,952 | - | 100,027 | 275,000 |
| Deferred Inflows of Resources: | | | | |
| Unavailable revenues | - | 17,500 | - | - |
| Total Deferred Inflows of Resources | - | 17,500 | - | - |
| Fund Balances: | | | | |
| Restricted for: | | | | |
| Public safety | - | - | - | - |
| Public works | - | 44,857 | - | - |
| Capital Projects | - | - | 1,142,393 | 420,380 |
| Total Fund Balances | - | 44,857 | 1,142,393 | 420,380 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 17,952 | \$ 62,357 | \$ 1,242,420 | \$ 695,380 |

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019

| | <u>Capital Projects Fund Underground Assessment District</u> | <u>Total Nonmajor Governmental Funds</u> |
|--|--|--|
| Assets: | | |
| Pooled cash and investments | \$ 1,741 | \$ 2,748,382 |
| Receivables: | | |
| Accounts | - | 7,371 |
| Prepaid costs | - | 6,475 |
| Due from other governments | - | 29,602 |
| Total Assets | <u>\$ 1,741</u> | <u>\$ 2,791,830</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balances: | | |
| Liabilities: | | |
| Accounts payable | \$ - | \$ 390,909 |
| Accrued payables | - | 49,695 |
| Deposits payable | 1,741 | 1,741 |
| Total Liabilities | <u>1,741</u> | <u>442,345</u> |
| Deferred Inflows of Resources: | | |
| Unavailable revenues | - | 17,500 |
| Total Deferred Inflows of Resources | <u>-</u> | <u>17,500</u> |
| Fund Balances: | | |
| Restricted for: | | |
| Public safety | - | 724,355 |
| Public works | - | 44,857 |
| Capital Projects | - | 1,562,773 |
| Total Fund Balances | <u>-</u> | <u>2,331,985</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 1,741</u> | <u>\$ 2,791,830</u> |

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CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

| | Special Revenue Funds | | | |
|--|-------------------------------------|---------------------|-------------------------|-----------------------------|
| | Street Lighting and Landscape | Asset Forfeiture | Public Safety Grants | Federal and State Grants |
| Revenues: | | | | |
| Taxes | \$ 375,319 | \$ - | \$ - | \$ - |
| Intergovernmental | - | 47,595 | 174,151 | - |
| Charges for services | 10,222 | - | - | - |
| Use of money and property | 125 | 20,959 | 9,931 | - |
| Miscellaneous | - | - | - | - |
| Total Revenues | 385,666 | 68,554 | 184,082 | - |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | - | 129,708 | 129,114 | - |
| Culture and recreation | - | - | - | - |
| Public works | 530,300 | - | - | - |
| Capital outlay | | | | |
| Public works | - | - | - | - |
| Total Expenditures | 530,300 | 129,708 | 129,114 | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (144,634) | (61,154) | 54,968 | - |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 144,634 | - | - | - |
| Transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | 144,634 | - | - | - |
| Net Change in Fund Balances | - | (61,154) | 54,968 | - |
| Fund Balances: | | | | |
| Beginning of Year | - | 510,723 | 219,818 | - |
| End of Year | \$ - | \$ 449,569 | \$ 274,786 | \$ - |

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

(CONTINUED)

| | Special Revenue Funds | | | |
|--|-----------------------|------------------|---------------------|-------------------|
| | Proposition A | AB 2766 | Measure R | Measure M |
| Revenues: | | | | |
| Taxes | \$ 942,461 | \$ - | \$ 519,315 | \$ 499,030 |
| Intergovernmental | - | 46,682 | - | - |
| Charges for services | 7,766 | - | - | - |
| Use of money and property | 427 | 6,303 | 65,964 | 19,143 |
| Miscellaneous | 530 | - | - | - |
| Total Revenues | 951,184 | 52,985 | 585,279 | 518,173 |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | - | - | - | - |
| Culture and recreation | 966,664 | - | - | - |
| Public works | - | 2,100 | 60,793 | 53,481 |
| Capital outlay | | | | |
| Public works | - | - | 724,369 | 415,000 |
| Total Expenditures | 966,664 | 2,100 | 785,162 | 468,481 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (15,480) | 50,885 | (199,883) | 49,692 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 15,480 | - | 20,346 | - |
| Transfers out | - | (158,107) | - | - |
| Total Other Financing Sources (Uses) | 15,480 | (158,107) | 20,346 | - |
| Net Change in Fund Balances | - | (107,222) | (179,537) | 49,692 |
| Fund Balances: | | | | |
| Beginning of Year | - | 152,079 | 1,321,930 | 370,688 |
| End of Year | \$ - | \$ 44,857 | \$ 1,142,393 | \$ 420,380 |

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

| | <u>Capital Projects Fund Underground Assessment District</u> | <u>Total Nonmajor Governmental Funds</u> |
|--|--|--|
| Revenues: | | |
| Taxes | \$ - | \$ 2,336,125 |
| Intergovernmental | - | 268,428 |
| Charges for services | - | 17,988 |
| Use of money and property | 1,426 | 124,278 |
| Miscellaneous | - | 530 |
| Total Revenues | <u>1,426</u> | <u>2,747,349</u> |
| Expenditures: | | |
| Current: | | |
| Public safety | - | 258,822 |
| Culture and recreation | - | 966,664 |
| Public works | 197,474 | 844,148 |
| Capital outlay | | |
| Public works | - | 1,139,369 |
| Total Expenditures | <u>197,474</u> | <u>3,209,003</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(196,048)</u> | <u>(461,654)</u> |
| Other Financing Sources (Uses): | | |
| Transfers in | - | 180,460 |
| Transfers out | - | (158,107) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>22,353</u> |
| Net Change in Fund Balances | (196,048) | (439,301) |
| Fund Balances: | | |
| Beginning of Year | <u>196,048</u> | <u>2,771,286</u> |
| End of Year | <u>\$ -</u> | <u>\$ 2,331,985</u> |

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 STREET LIGHTING AND LANDSCAPE
 YEAR ENDED JUNE 30, 2019

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|----------------|-------------------|-------------------|---|
| | Original | Final | | |
| Budgetary Fund Balance, July 1 | \$ - | \$ - | \$ - | \$ - |
| Resources (Inflows): | | | | |
| Taxes | 377,883 | 377,883 | 375,319 | (2,564) |
| Charges for services | 16,591 | 16,591 | 10,222 | (6,369) |
| Use of money and property | - | - | 125 | 125 |
| Transfers in | 179,962 | 179,962 | 144,634 | (35,328) |
| Amounts Available for Appropriations | 574,436 | 574,436 | 530,300 | (44,136) |
| Charges to Appropriations (Outflow): | | | | |
| Current: | | | | |
| Public works | 574,436 | 576,786 | 530,300 | 46,486 |
| Total Charges to Appropriations | 574,436 | 576,786 | 530,300 | 46,486 |
| Budgetary Fund Balance, June 30 | \$ - | \$ (2,350) | \$ - | \$ 2,350 |

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 ASSET FORFEITURE
 YEAR ENDED JUNE 30, 2019

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Budgetary Fund Balance, July 1 | \$ 510,723 | \$ 510,723 | \$ 510,723 | \$ - |
| Resources (Inflows): | | | | |
| Intergovernmental | - | - | 47,595 | 47,595 |
| Use of money and property | 8,000 | 8,000 | 20,959 | 12,959 |
| Amounts Available for Appropriations | 518,723 | 518,723 | 579,277 | 60,554 |
| Charges to Appropriations (Outflow): | | | | |
| Current: | | | | |
| Public safety | 164,500 | 177,198 | 129,708 | 47,490 |
| Total Charges to Appropriations | 164,500 | 177,198 | 129,708 | 47,490 |
| Budgetary Fund Balance, June 30 | \$ 354,223 | \$ 341,525 | \$ 449,569 | \$ 108,044 |

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 PUBLIC SAFETY GRANTS
 YEAR ENDED JUNE 30, 2019

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Budgetary Fund Balance, July 1 | \$ 219,818 | \$ 219,818 | \$ 219,818 | \$ - |
| Resources (Inflows): | | | | |
| Intergovernmental | 139,000 | 139,000 | 174,151 | 35,151 |
| Use of money and property | 2,217 | 2,217 | 9,931 | 7,714 |
| Amounts Available for Appropriations | 361,035 | 361,035 | 403,900 | 42,865 |
| Charges to Appropriations (Outflow): | | | | |
| Current: | | | | |
| Public safety | 140,000 | 185,613 | 129,114 | 56,499 |
| Total Charges to Appropriations | 140,000 | 185,613 | 129,114 | 56,499 |
| Budgetary Fund Balance, June 30 | \$ 221,035 | \$ 175,422 | \$ 274,786 | \$ 99,364 |

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION A
 YEAR ENDED JUNE 30, 2019

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-----------------|--------------------|-------------------|---|
| | Original | Final | | |
| Budgetary Fund Balance, July 1 | \$ - | \$ - | \$ - | \$ - |
| Resources (Inflows): | | | | |
| Taxes | 924,598 | 924,598 | 942,461 | 17,863 |
| Charges for services | 7,200 | 7,200 | 7,766 | 566 |
| Use of money and property | - | - | 427 | 427 |
| Miscellaneous | 17,500 | 17,500 | 530 | (16,970) |
| Transfers in | - | - | 15,480 | 15,480 |
| Amounts Available for Appropriations | 949,298 | 949,298 | 966,664 | 17,366 |
| Charges to Appropriations (Outflow): | | | | |
| Current: | | | | |
| Culture and recreation | 945,978 | 988,236 | 966,664 | 21,572 |
| Total Charges to Appropriations | 945,978 | 988,236 | 966,664 | 21,572 |
| Budgetary Fund Balance, June 30 | \$ 3,320 | \$ (38,938) | \$ - | \$ 38,938 |

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE

AB 2766

YEAR ENDED JUNE 30, 2019

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------------|------------------|-------------------|---|
| | Original | Final | | |
| Budgetary Fund Balance, July 1 | \$ 152,079 | \$ 152,079 | \$ 152,079 | \$ - |
| Resources (Inflows): | | | | |
| Intergovernmental | 46,000 | 46,000 | 46,682 | 682 |
| Use of money and property | 1,154 | 1,154 | 6,303 | 5,149 |
| Amounts Available for Appropriations | 199,233 | 199,233 | 205,064 | 5,831 |
| Charges to Appropriations (Outflow): | | | | |
| Current: | | | | |
| Public works | 45,600 | 45,600 | 2,100 | 43,500 |
| Transfers out | - | 105,967 | 158,107 | (52,140) |
| Total Charges to Appropriations | 45,600 | 151,567 | 160,207 | (8,640) |
| Budgetary Fund Balance, June 30 | \$ 153,633 | \$ 47,666 | \$ 44,857 | \$ (2,809) |

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 MEASURE R
 YEAR ENDED JUNE 30, 2019

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---------------------|-------------------|---------------------|---|
| | Original | Final | | |
| Budgetary Fund Balance, July 1 | \$ 1,321,930 | \$ 1,321,930 | \$ 1,321,930 | \$ - |
| Resources (Inflows): | | | | |
| Taxes | 432,122 | 432,122 | 519,315 | 87,193 |
| Use of money and property | 26,103 | 26,103 | 65,964 | 39,861 |
| Transfers in | - | - | 20,346 | 20,346 |
| Amounts Available for Appropriations | 1,780,155 | 1,780,155 | 1,927,555 | 147,400 |
| Charges to Appropriations (Outflow): | | | | |
| Current: | | | | |
| Public works | 22,000 | 22,000 | 60,793 | (38,793) |
| Capital outlay: | | | | |
| Public works | 450,000 | 1,646,276 | 724,369 | 921,907 |
| Total Charges to Appropriations | 472,000 | 1,668,276 | 785,162 | 883,114 |
| Budgetary Fund Balance, June 30 | \$ 1,308,155 | \$ 111,879 | \$ 1,142,393 | \$ 1,030,514 |

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 MEASURE M
 YEAR ENDED JUNE 30, 2019

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Budgetary Fund Balance, July 1 | \$ 370,688 | \$ 370,688 | \$ 370,688 | \$ - |
| Resources (Inflows): | | | | |
| Taxes | 489,728 | 489,728 | 499,030 | 9,302 |
| Use of money and property | - | - | 19,143 | 19,143 |
| Amounts Available for Appropriations | 860,416 | 860,416 | 888,861 | 28,445 |
| Charges to Appropriation (Outflow): | | | | |
| Current: | | | | |
| Public works | 36,000 | 36,000 | 53,481 | (17,481) |
| Capital outlay: | | | | |
| Public works | 275,000 | 475,000 | 415,000 | 60,000 |
| Total Charges to Appropriations | 311,000 | 511,000 | 468,481 | 42,519 |
| Budgetary Fund Balance, June 30 | \$ 549,416 | \$ 349,416 | \$ 420,380 | \$ 70,964 |

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT
YEAR ENDED JUNE 30, 2019**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-----------------------|-------------------|---------------------------|---|
| | Original | Final | | |
| Budgetary Fund Balance, July 1 | \$ 10,569,488 | \$ 10,569,488 | \$ 10,569,488 | \$ - |
| Resources (Inflows): | | | | |
| Taxes | 794,118 | 794,118 | 781,830 | (12,288) |
| Licenses and permits | 21,804 | 21,804 | 36,340 | 14,536 |
| Intergovernmental | 300,000 | 1,621,083 | 448,758 | (1,172,325) |
| Charges for services | 685,000 | 685,000 | 649,026 | (35,974) |
| Use of money and property | - | - | 808 | 808 |
| Fines and forfeitures | 110,000 | 110,000 | 88,280 | (21,720) |
| Miscellaneous | - | - | 19,650 | 19,650 |
| Transfers in | - | - | 560,100 | 560,100 |
| Amounts Available for Appropriations | 12,480,410 | 13,801,493 | 13,154,280 | (647,213) |
| Charges to Appropriations (Outflow): | | | | |
| Current: | | | | |
| General government | - | - | 456,138 | (456,138) |
| Public works | 144,000 | 144,000 | 224,258 | (80,258) |
| Capital outlay: | | | | |
| General government | - | - | 21,470 | (21,470) |
| Public safety | - | 881,238 | 255,020 | 626,218 |
| Culture and recreation | - | 397,479 | 1,298,891 | (901,412) |
| Public works | 1,505,000 | 11,466,142 | 2,528,106 | 8,938,036 |
| Debt service: | | | | |
| Principal retirement | 500,000 | 500,000 | 500,000 | - |
| Interest and fiscal charges | 270,464 | 270,464 | 270,462 | 2 |
| Fees | 2,200 | 2,200 | 1,800 | 400 |
| Total Charges to Appropriations | 2,421,664 | 13,661,523 | 5,556,145 | 8,105,378 |
| Budgetary Fund Balance, June 30 | \$ 10,058,746 | \$ 139,970 | \$ 7,598,135 | \$ 7,458,165 |

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 UNDERGROUND ASSESSMENT DISTRICT
 YEAR ENDED JUNE 30, 2019

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Budgetary Fund Balance, July 1 | \$ 196,048 | \$ 196,048 | \$ 196,048 | \$ - |
| Resources (Inflows): | | | | |
| Use of money and property | 3,124 | 3,124 | 1,426 | (1,698) |
| Amounts Available for Appropriations | 199,172 | 199,172 | 197,474 | (1,698) |
| Charges to Appropriation (Outflow): | | | | |
| Current: | | | | |
| Public works | - | - | 197,474 | (197,474) |
| Total Charges to Appropriations | - | - | 197,474 | (197,474) |
| Budgetary Fund Balance, June 30 | \$ 199,172 | \$ 199,172 | \$ - | \$ (199,172) |

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CITY OF MANHATTAN BEACH

JUNE 30, 2019

NONMAJOR ENTERPRISE FUNDS

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

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

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

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

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

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2019

| | Business-Type Activities - Enterprise Funds | | | | Totals |
|--|---|-------------------|--------------------|----------------------------|---------------------|
| | Stormwater | Refuse | County Parking Lot | State Pier and Parking Lot | |
| Assets: | | | | | |
| Current: | | | | | |
| Cash and investments | \$ 2,425,232 | \$ 1,287,693 | \$ 370,491 | \$ 794,263 | \$ 4,877,679 |
| Receivables: | | | | | |
| Accounts | 5,953 | 315,341 | - | - | 321,294 |
| Total Current Assets | 2,431,185 | 1,603,034 | 370,491 | 794,263 | 5,198,973 |
| Noncurrent: | | | | | |
| Net OPEB Asset | 13,642 | 17,267 | 5,526 | 5,526 | 41,961 |
| Capital assets - net of accumulated depreciation | 4,089,009 | - | - | - | 4,089,009 |
| Total Noncurrent Assets | 4,102,651 | 17,267 | 5,526 | 5,526 | 4,130,970 |
| Total Assets | 6,533,836 | 1,620,301 | 376,017 | 799,789 | 9,329,943 |
| Deferred Outflows of Resources: | | | | | |
| Deferred pension related items | 20,075 | 35,880 | 5,342 | 5,342 | 66,639 |
| Deferred OPEB related items | - | 104 | 33 | 33 | 170 |
| Total Deferred Outflows of Resources | 20,075 | 35,984 | 5,375 | 5,375 | 66,809 |
| Liabilities: | | | | | |
| Current: | | | | | |
| Accounts payable | 111,383 | 615,140 | 356,573 | 56,076 | 1,139,172 |
| Accrued payables | 4,962 | - | - | - | 4,962 |
| Deposits payable | 678,914 | - | - | 108,849 | 787,763 |
| Total Current Liabilities | 795,259 | 615,140 | 356,573 | 164,925 | 1,931,897 |
| Noncurrent: | | | | | |
| Net pension liability | 102,891 | 174,193 | 23,602 | 23,600 | 324,286 |
| Total Noncurrent Liabilities | 102,891 | 174,193 | 23,602 | 23,600 | 324,286 |
| Total Liabilities | 898,150 | 789,333 | 380,175 | 188,525 | 2,256,183 |
| Deferred Inflows of Resources: | | | | | |
| Deferred pension related items | 5,892 | 10,194 | 1,217 | 1,217 | 18,520 |
| Total Deferred Inflows of Resources | 5,892 | 10,194 | 1,217 | 1,217 | 18,520 |
| Net Position: | | | | | |
| Net investment in capital assets | 4,089,009 | - | - | - | 4,089,009 |
| Unrestricted | 1,560,860 | 856,758 | - | 615,422 | 3,033,040 |
| Total Net Position | \$ 5,649,869 | \$ 856,758 | \$ - | \$ 615,422 | \$ 7,122,049 |

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NON-MAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2019

| | Business-Type Activities - Enterprise Funds | | | | Totals |
|--|---|-------------------|-----------------------|----------------------------------|---------------------|
| | Stormwater | Refuse | County Parking Lot | State Pier and Parking Lot | |
| Operating Revenues: | | | | | |
| Sales and service charges | \$ 350,106 | \$ 4,126,542 | \$ 815,801 | \$ 588,218 | \$ 5,880,667 |
| Miscellaneous | - | 4,532 | - | 86,505 | 91,037 |
| Total Operating Revenues | 350,106 | 4,131,074 | 815,801 | 674,723 | 5,971,704 |
| Operating Expenses: | | | | | |
| Salaries | 49,628 | 90,451 | 21,442 | 21,443 | 182,964 |
| Employee benefits | 30,631 | 40,418 | 10,362 | 10,357 | 91,768 |
| Contract and professional services | 483,972 | 3,716,643 | 37,829 | 212,945 | 4,451,389 |
| Materials and services | 145,647 | 70,040 | 81 | 402,269 | 618,037 |
| Utilities | 29,818 | 533 | 4,434 | 35,532 | 70,317 |
| Administrative service charges | 161,196 | 191,148 | 34,548 | 90,864 | 477,756 |
| Leases and rents | - | - | 448,690 | - | 448,690 |
| Depreciation expense | 151,497 | - | - | - | 151,497 |
| Total Operating Expenses | 1,052,389 | 4,109,233 | 557,386 | 773,410 | 6,492,418 |
| Operating Income (Loss) | (702,283) | 21,841 | 258,415 | (98,687) | (520,714) |
| Nonoperating Revenues (Expenses): | | | | | |
| Interest revenue | 47,067 | 42,587 | - | 49,130 | 138,784 |
| Grant revenue | - | 28,271 | - | - | 28,271 |
| Total Nonoperating Revenues (Expenses) | 47,067 | 70,858 | - | 49,130 | 167,055 |
| Income (Loss) Before Transfers and Contributions | (655,216) | 92,699 | 258,415 | (49,557) | (353,659) |
| Transfers in | 1,273,783 | - | - | - | 1,273,783 |
| Transfers out | - | - | (263,873) | - | (263,873) |
| Changes in Net Position | 618,567 | 92,699 | (5,458) | (49,557) | 656,251 |
| Net Position: | | | | | |
| Beginning of Year | 5,031,302 | 764,059 | 5,458 | 664,979 | 6,465,798 |
| End of Fiscal Year | \$ 5,649,869 | \$ 856,758 | \$ - | \$ 615,422 | \$ 7,122,049 |

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2019

| | Business-Type Activities - Enterprise Funds | | | | |
|---|---|---------------------|-----------------------|----------------------------------|---------------------|
| | Stormwater | Refuse | County Parking Lot | State Pier and Parking Lot | Totals |
| Cash Flows from Operating Activities: | | | | | |
| Cash received from customers and users | \$ 439,464 | \$ 4,131,064 | \$ 815,801 | \$ 589,737 | \$ 5,976,066 |
| Cash paid to suppliers for goods and services | (839,538) | (3,687,410) | (518,241) | (1,138,887) | (6,184,076) |
| Cash paid to employees for services | (110,853) | (118,313) | (29,869) | (64,113) | (323,148) |
| Net Cash Provided (Used) by Operating Activities | (510,927) | 325,341 | 267,691 | (613,263) | (531,158) |
| Cash Flows from Non-Capital Financing Activities: | | | | | |
| Cash transfers out | - | - | (263,873) | - | (263,873) |
| Cash transfers in | 1,273,783 | - | - | - | 1,273,783 |
| Grant Subsidy | - | 28,271 | - | - | 28,271 |
| Net Cash Provided (Used) by Non-Capital Financing Activities | 1,273,783 | 28,271 | (263,873) | - | 1,038,181 |
| Cash Flows from Investing Activities: | | | | | |
| Interest received | 47,067 | 42,587 | - | 49,130 | 138,784 |
| Net Cash Provided (Used) by Investing Activities | 47,067 | 42,587 | - | 49,130 | 138,784 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 809,923 | 396,199 | 3,818 | (564,133) | 645,807 |
| Cash and Cash Equivalents at Beginning of Year | 1,615,309 | 891,494 | 366,673 | 1,358,396 | 4,231,872 |
| Cash and Cash Equivalents at End of Year | \$ 2,425,232 | \$ 1,287,693 | \$ 370,491 | \$ 794,263 | \$ 4,877,679 |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities: | | | | | |
| Operating income (loss) | \$ (702,283) | \$ 21,841 | \$ 258,415 | \$ (98,687) | \$ (520,714) |
| Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities: | | | | | |
| Depreciation | 151,497 | - | - | - | 151,497 |
| (Increase) decrease in accounts receivable | 664 | (10) | - | - | 654 |
| (Increase) decrease in net OPEB asset | - | (215) | (69) | (69) | (353) |
| Increase (decrease) in accounts payable | (18,905) | 290,954 | 7,341 | (397,277) | (117,887) |
| Increase (decrease) in accrued payables | (39,924) | - | - | (34,246) | (74,170) |
| Increase (decrease) in deposits payable | 88,694 | - | - | (84,986) | 3,708 |
| Increase (decrease) in net pension liability | 843 | 8,767 | (2,436) | (2,438) | 4,736 |
| Increase (decrease) in deferred pension related items | 8,487 | 4,108 | 4,473 | 4,473 | 21,541 |
| Increase (decrease) in deferred OPEB related items | - | (104) | (33) | (33) | (170) |
| Total Adjustments | 191,356 | 303,500 | 9,276 | (514,576) | (10,444) |
| Net Cash Provided (Used) by Operating Activities | \$ (510,927) | \$ 325,341 | \$ 267,691 | \$ (613,263) | \$ (531,158) |

Non-Cash Investing, Capital, and Financing Activities:

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

CITY OF MANHATTAN BEACH

JUNE 30, 2019

INTERNAL SERVICE FUNDS

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

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

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

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

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

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2019

| | Governmental Activities - Internal Service Funds | | | | Totals |
|--|--|--------------------------|----------------------------|-------------------------------------|----------------------------|
| | Insurance Reserve | Information Systems | Fleet Management | Building Maintenance and Operations | |
| Assets: | | | | | |
| Current: | | | | | |
| Cash and investments | \$ 15,410,801 | \$ 1,656,007 | \$ 3,387,475 | \$ 90,389 | \$ 20,544,672 |
| Receivables: | | | | | |
| Accounts | 1,888 | - | - | - | 1,888 |
| Prepaid costs | - | 5,344 | - | - | 5,344 |
| Inventories | - | - | - | 70,915 | 70,915 |
| Total Current Assets | <u>15,412,689</u> | <u>1,661,351</u> | <u>3,387,475</u> | <u>161,304</u> | <u>20,622,819</u> |
| Noncurrent: | | | | | |
| Net OPEB Asset | 42,774 | 85,548 | 27,628 | 69,070 | 225,020 |
| Capital assets - net of accumulated depreciation | - | - | 5,146,632 | - | 5,146,632 |
| Total Noncurrent Assets | <u>42,774</u> | <u>85,548</u> | <u>5,174,260</u> | <u>69,070</u> | <u>5,371,652</u> |
| Total Assets | <u>15,455,463</u> | <u>1,746,899</u> | <u>8,561,735</u> | <u>230,374</u> | <u>25,994,471</u> |
| Deferred Outflows of Resources: | | | | | |
| Deferred pension related items | 71,332 | 222,857 | 100,565 | 135,981 | 530,735 |
| Deferred OPEB related items | 274 | 547 | 166 | 415 | 1,402 |
| Total Deferred Outflows of Resources | <u>71,606</u> | <u>223,404</u> | <u>100,731</u> | <u>136,396</u> | <u>532,137</u> |
| Liabilities: | | | | | |
| Current: | | | | | |
| Accounts payable | 9,934 | 114,748 | 86,977 | 89,184 | 300,843 |
| Accrued liabilities | - | 6,645 | - | 1,205 | 7,850 |
| Workers' compensation claims | 9,191,172 | - | - | - | 9,191,172 |
| Accrued claims and judgments | 1,339,864 | - | - | - | 1,339,864 |
| Total Current Liabilities | <u>10,540,970</u> | <u>121,393</u> | <u>86,977</u> | <u>90,389</u> | <u>10,839,729</u> |
| Noncurrent: | | | | | |
| Net pension liability | 311,494 | 943,787 | 402,139 | 570,068 | 2,227,488 |
| Workers' compensation claims | 6,000,891 | - | - | - | 6,000,891 |
| Accrued claims and judgments | 664,395 | - | - | - | 664,395 |
| Total Noncurrent Liabilities | <u>6,976,780</u> | <u>943,787</u> | <u>402,139</u> | <u>570,068</u> | <u>8,892,774</u> |
| Total Liabilities | <u>17,517,750</u> | <u>1,065,180</u> | <u>489,116</u> | <u>660,457</u> | <u>19,732,503</u> |
| Deferred Inflows of Resources: | | | | | |
| Deferred pension related items | 15,392 | 51,953 | 23,845 | 33,382 | 124,572 |
| Total Deferred Inflows of Resources | <u>15,392</u> | <u>51,953</u> | <u>23,845</u> | <u>33,382</u> | <u>124,572</u> |
| Net Position: | | | | | |
| Net investment in capital assets | - | - | 5,146,632 | - | 5,146,632 |
| Unrestricted | (2,006,073) | 853,170 | 3,002,873 | (327,069) | 1,522,901 |
| Total Net Position | <u>\$ (2,006,073)</u> | <u>\$ 853,170</u> | <u>\$ 8,149,505</u> | <u>\$ (327,069)</u> | <u>\$ 6,669,533</u> |

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2019

| | Governmental Activities - Internal Service Funds | | | | |
|---|---|--------------------------------|-----------------------------|--|---------------------|
| | Insurance Reserve | Information Systems | Fleet Management | Building Maintenance and Operations | Totals |
| Operating Revenues: | | | | | |
| Interdepartmental service charges | \$ 6,814,512 | \$ 2,718,132 | \$ 2,313,338 | \$ 1,750,378 | \$ 13,596,360 |
| Miscellaneous | 238,628 | 1,107 | 31,812 | - | 271,547 |
| Total Operating Revenues | 7,053,140 | 2,719,239 | 2,345,150 | 1,750,378 | 13,867,907 |
| Operating Expenses: | | | | | |
| Salaries | 347,310 | 902,283 | 276,855 | 418,093 | 1,944,541 |
| Employee benefits | 144,771 | 384,633 | 136,465 | 175,245 | 841,114 |
| Contract for professional services | 162,090 | 409,489 | 232,902 | 623,413 | 1,427,894 |
| Materials and services | 294,134 | 819,052 | 529,374 | 466,500 | 2,109,060 |
| Utilities | 583 | 3,518 | - | 98,816 | 102,917 |
| Claims expense | 5,100,797 | - | - | - | 5,100,797 |
| Depreciation expense | - | - | 947,154 | - | 947,154 |
| Total Operating Expenses | 6,049,685 | 2,518,975 | 2,122,750 | 1,782,067 | 12,473,477 |
| Operating Income (Loss) | 1,003,455 | 200,264 | 222,400 | (31,689) | 1,394,430 |
| Nonoperating Revenues (Expenses): | | | | | |
| Gain (loss) on disposal of capital assets | - | - | 24,387 | - | 24,387 |
| Total Nonoperating Revenues (Expenses) | - | - | 24,387 | - | 24,387 |
| Income (Loss) Before Transfers | 1,003,455 | 200,264 | 246,787 | (31,689) | 1,418,817 |
| Transfers in | - | 600,299 | 158,107 | - | 758,406 |
| Transfers out | (20,346) | - | - | - | (20,346) |
| Changes in Net Position | 983,109 | 800,563 | 404,894 | (31,689) | 2,156,877 |
| Net Position: | | | | | |
| Beginning of Year | (2,989,182) | 52,607 | 7,744,611 | (295,380) | 4,512,656 |
| End of Fiscal Year | \$ (2,006,073) | \$ 853,170 | \$ 8,149,505 | \$ (327,069) | \$ 6,669,533 |

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2019

| | Governmental Activities - Internal Service Funds | | | | |
|---|--|---------------------|---------------------|-------------------------------------|----------------------|
| | Insurance Reserve | Information Systems | Fleet Management | Building Maintenance and Operations | Totals |
| Cash Flows from Operating Activities: | | | | | |
| Cash received from customers and users | \$ 236,740 | \$ 1,107 | \$ 31,812 | \$ - | \$ 269,659 |
| Cash received from/(paid to) interfund service provided | 6,814,512 | 2,718,132 | 2,313,338 | 1,750,378 | 13,596,360 |
| Cash paid to suppliers for goods and services | (5,474,810) | (1,197,482) | (733,995) | (1,167,432) | (8,573,719) |
| Cash paid to employees for services | (464,559) | (1,225,247) | (403,309) | (572,584) | (2,665,699) |
| Net Cash Provided (Used) by Operating Activities | 1,111,883 | 296,510 | 1,207,846 | 10,362 | 2,626,601 |
| Cash Flows from Non-Capital Financing Activities: | | | | | |
| Cash transfers out | (20,346) | - | - | - | (20,346) |
| Cash transfers in | - | 600,299 | 158,107 | - | 758,406 |
| Net Cash Provided (Used) by Non-Capital Financing Activities | (20,346) | 600,299 | 158,107 | - | 738,060 |
| Cash Flows from Capital and Related Financing Activities: | | | | | |
| Acquisition and construction of capital assets | - | - | (1,414,100) | - | (1,414,100) |
| Proceeds from sales of capital assets | - | - | 47,588 | - | 47,588 |
| Net Cash Provided (Used) by Capital and Related Financing Activities | - | - | (1,366,512) | - | (1,366,512) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,091,537 | 896,809 | (559) | 10,362 | 1,998,149 |
| Cash and Cash Equivalents at Beginning of Year | 14,319,264 | 759,198 | 3,388,034 | 80,027 | 18,546,523 |
| Cash and Cash Equivalents at End of Year | \$ 15,410,801 | \$ 1,656,007 | \$ 3,387,475 | \$ 90,389 | \$ 20,544,672 |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities: | | | | | |
| Operating income (loss) | \$ 1,003,455 | \$ 200,264 | \$ 222,400 | \$ (31,689) | \$ 1,394,430 |
| Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities: | | | | | |
| Depreciation | - | - | 947,154 | - | 947,154 |
| (Increase) decrease in accounts receivable | (1,888) | - | - | - | (1,888) |
| (Increase) decrease in prepaid expense | 861 | 10,380 | - | - | 11,241 |
| (Increase) decrease in Net OPEB Assest | (843) | (1,137) | (345) | (861) | (3,186) |
| (Increase) decrease in inventory | - | - | - | 13,521 | 13,521 |
| Increase (decrease) in accounts payable | 4,537 | 24,197 | 28,281 | 7,776 | 64,791 |
| Increase (decrease) in accrued payables | (825) | 6,645 | - | (1,441) | 4,379 |
| Increase (decrease) in net pension liability | (51,378) | (32,980) | 18,898 | 31,275 | (34,185) |
| Increase (decrease) in deferred pension related items | 80,568 | 89,688 | (8,376) | (7,804) | 154,076 |
| Increase (decrease) in deferred OPEB related items | - | (547) | (166) | (415) | (1,128) |
| Increase (decrease) in workers' compensation claims | 213,772 | - | - | - | 213,772 |
| Increase (decrease) in claims and judgments | (136,376) | - | - | - | (136,376) |
| Total Adjustments | 108,428 | 96,246 | 985,446 | 42,051 | 1,232,171 |
| Net Cash Provided (Used) by Operating Activities | \$ 1,111,883 | \$ 296,510 | \$ 1,207,846 | \$ 10,362 | \$ 2,626,601 |

Non-Cash Investing, Capital, and Financing Activities:

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

CITY OF MANHATTAN BEACH

JUNE 30, 2019

AGENCY FUNDS

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

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

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

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2019

| | <u>Special Assessment Redemption</u> | <u>Special Deposits</u> | <u>Totals</u> |
|---|--|-----------------------------|----------------------------|
| Assets: | | | |
| Pooled cash and investments | \$ 947,369 | \$ 1,993,122 | \$ 2,940,491 |
| Receivables: | | | |
| Accounts | 22,231 | - | 22,231 |
| Restricted assets: | | | |
| Cash and investments with fiscal agents | 523,916 | - | 523,916 |
| Total Assets | <u>\$ 1,493,516</u> | <u>\$ 1,993,122</u> | <u>\$ 3,486,638</u> |
| Liabilities: | | | |
| Accounts payable | \$ - | \$ 475 | \$ 475 |
| Art development fees | - | 1,975,954 | 1,975,954 |
| Deposits payable | - | 16,693 | 16,693 |
| Due to bond holders | 1,493,516 | - | 1,493,516 |
| Total Liabilities | <u>\$ 1,493,516</u> | <u>\$ 1,993,122</u> | <u>\$ 3,486,638</u> |

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2019

| | Balance July 1, 2018 | Additions | Deductions | Balance June 30, 2019 |
|---|-------------------------|---------------------|-------------------|--------------------------|
| <u>Special Assessment Redemption</u> | | | | |
| Assets: | | | | |
| Pooled cash and investments | \$ 337,070 | \$ 761,862 | \$ 151,563 | \$ 947,369 |
| Receivables: | | | | |
| Accounts | 27,447 | 22,231 | 27,447 | 22,231 |
| Restricted assets: | | | | |
| Cash and investments with fiscal agents | 529,649 | 164,266 | 169,999 | 523,916 |
| Total Assets | \$ 894,166 | \$ 948,359 | \$ 349,009 | \$ 1,493,516 |
| Liabilities: | | | | |
| Due to bondholders | \$ 894,166 | \$ 768,451 | \$ 169,101 | \$ 1,493,516 |
| Total Liabilities | \$ 894,166 | \$ 768,451 | \$ 169,101 | \$ 1,493,516 |
| <u>Special Deposits</u> | | | | |
| Assets: | | | | |
| Pooled cash and investments | \$ 1,414,887 | \$ 889,552 | \$ 311,317 | \$ 1,993,122 |
| Total Assets | \$ 1,414,887 | \$ 889,552 | \$ 311,317 | \$ 1,993,122 |
| Liabilities: | | | | |
| Accounts payable | \$ 3 | \$ 80,829 | \$ 80,357 | \$ 475 |
| Art development fees | 1,392,959 | 674,077 | 91,082 | 1,975,954 |
| Deposits payable | 21,925 | 215,235 | 220,467 | 16,693 |
| Total Liabilities | \$ 1,414,887 | \$ 970,141 | \$ 391,906 | \$ 1,993,122 |
| <u>Totals - All Agency Funds</u> | | | | |
| Assets: | | | | |
| Pooled cash and investments | \$ 1,751,957 | \$ 1,651,414 | \$ 462,880 | \$ 2,940,491 |
| Receivables: | | | | |
| Accounts | 27,447 | 22,231 | 27,447 | 22,231 |
| Restricted assets: | | | | |
| Cash and investments with fiscal agents | 529,649 | 164,266 | 169,999 | 523,916 |
| Total Assets | \$ 2,309,053 | \$ 1,837,911 | \$ 660,326 | \$ 3,486,638 |
| Liabilities: | | | | |
| Accounts payable | \$ 3 | \$ 80,829 | \$ 80,357 | \$ 475 |
| Art development fees | 1,392,959 | 674,077 | 91,082 | 1,975,954 |
| Deposits payable | 21,925 | 215,235 | 220,467 | 16,693 |
| Due to bond holders | 894,166 | 768,451 | 169,101 | 1,493,516 |
| Total Liabilities | \$ 2,309,053 | \$ 1,738,592 | \$ 561,007 | \$ 3,486,638 |

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