

CITY OF MANHATTAN BEACH COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2019



MANHATTAN BEACH, CALIFORNIA

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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 Hall 1400 Highland Avenue Manhattan Beach, CA 90266-4795
Telephone (310) 802-5000 FAX (310) 802-5001 TDD (310) 546-3501

December 17, 2019

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

We are pleased to present the Comprehensive Annual Financial Report of the City of Manhattan Beach for the Fiscal Year ended June 30, 2019. This report has been prepared in accordance with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). We are also pleased to report that the City has received an unmodified opinion from the independent auditor, meaning that financial statements are presented, in all material respects, in accordance with the applicable financial reporting framework.

The City's financial policies require an external independent audit be performed annually, and that the auditor's opinions be included in the Comprehensive Annual Financial Report (CAFR). Further, it states that the results be reviewed with the Finance Subcommittee, which met with the auditor and discussed the results on December 5, 2019.

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

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

The City's financial statements have been audited by Lance, Soll & Lunghard, CPAs, an accounting firm selected by the City Council, based on a recommendation from the Finance Subcommittee. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The

independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion and that the City of Manhattan Beach’s financial statements for the fiscal year ended June 30, 2019, are fairly presented in conformity with generally accepted accounting principles (GAAP).

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

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

Profile of the Government

The City of Manhattan Beach is located in the South Bay region of Los Angeles County. The current population¹ is 35,922. The City encompasses approximately four square miles.

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

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

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

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

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

¹ State of California, Department of Finance, E-1 Population Estimates for Cities. Sacramento, California, May 2019.

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

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

Budget Process

The City operates on a biennial budget schedule. The first year of the budget (FY 2018-19) was adopted in June 2018, while the second year (FY 2019-20) was approved at that time. The second year was subsequently reviewed and adopted by the City Council with minor modifications in June 2019.

The budget development process begins in January of each year. Line-item budget development is accomplished through the City's financial system, which allows each department to build its budget using computerized worksheets. Each department is responsible for developing the Materials & Supplies line items and part-time employee salaries. The remaining Salary & Benefit information is calculated and entered by the Finance Department.

The Finance Director, in coordination with the applicable operating departments, provides the City Manager with proposed revenue projections. These revenue estimates are reviewed with the department budget requests to determine available funding levels for the fiscal year. Supplemental budget requests (new personnel, services or equipment) are subject to City Manager review and approval before becoming part of the proposed operating budget. This process applies to all governmental and enterprise funds.

The City Manager and Finance Director meet with the departments to review all operating expenditures and supplemental budget requests. After this final review and approval by the City Manager, the proposed budget document is presented to the City Council in May. Budget study sessions and a public hearing are then held by the City Council. The budget is adopted by resolution prior to June 30.

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

In FY 2020-21, the City will adopt an annual budget to re-align the two-year budget cycle with the new election schedule and then continue with the biennial budget cycle for FY 2021-22 and FY 2022-23. With the next City Council election done in conjunction with the statewide election in November 2020, incoming City Councilmembers would have been into office in December 2020 and be expected to adopt the second year of the previously approved spending plan in June 2021. By adopting a one-

time annual budget for FY 2020-21, incoming City Councilmembers will now have the opportunity to develop the biennial budget for FY 2021-22 and FY 2022-23 rather than coming in mid-budget cycle.

Economic Condition

Local Economy

The South Bay region is home to a number of industries including aerospace, entertainment, technology, leisure and tourism, and manufacturing. Economists report that the South Bay area has strong fundamentals including high levels of education, high incomes and competitive industries. Further, the area fares better during weak economic conditions than some other areas of the state. The most recently available figures indicate that Manhattan Beach has a 3.3% unemployment rate, compared to Los Angeles County at 4.5% and the State of California at 3.9%².

Long Term Planning

Each year during the budget process, the City develops a five-year forecast of General Fund revenues and expenditures. During the most recent budget cycle, the forecast concluded that unassigned General Fund balances will remain in a range from an estimated \$24.4 million at the end of FY 2018-19 to \$23.6 million in FY 2023-24. It is important to note that these estimates include the impacts of the on-going support of Storm Water operations and Street Lighting and Landscape fund deficits, which may only be mitigated by a Proposition 218 vote. At this time, unassigned General Fund balance of at least 20% of General Fund expenditures is being maintained in accordance with the City's Financial Policy. The most recent five-year forecast can be found in the Adopted Biennial Budget Addendum for fiscal year 2019-20, available online at www.citymb.info/budget.

Financial Policies

In 1997-1998, the City Council approved the City's first set of financial policies, designed to promote sound financial management and ensure that the City's fiscal integrity remains intact as staff and Councilmembers change. While presenting General Fund balance in accordance with GASB pronouncements, the City Council established certain policy "reserves" within what GASB defines as the unassigned category. The unassigned category is the residual classification of fund balance that is not in restricted or committed classifications. In the General Fund section of this transmittal letter, General Fund unassigned balance is broken down in accordance with City Council Financial Policy.

Major Initiatives

Manhattan Village Mall Enhancement Project

On December 2, 2014, the City Council approved the Mall Expansion Project with additional conditions. The approval allowed construction of Phases 1 and 2, and deferred Phase 3 (Fry's corner) for future public review and input. On December 20, 2016 the City Council endorsed the updated site plan which includes as Phase 1 the consolidation and expansion of the Macy's property, totaling 60,000 square feet, and construction of a parking structure. This phase was completed in late 2018. Phase 2 encompasses refinement of the plaza area and improved parking and circulation elements, with new restaurant and retail uses totaling 50,000 square feet. Upon completion, the shopping center

² State of California, Employment Development Department, October 2019 (Preliminary)

will total approximately 646,000 square feet. There have been several Amendments to the project to adjust to changing economic and retail trends, as well as customer and tenant needs. The City continues to work closely with the developer and property owners for the remaining phase and their ongoing responses to the changing marketplace.

Sepulveda Corridor Plan

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

At the November 7, 2017 City Council meeting, the City Council approved the Sepulveda Corridor Initiatives Work Plan and establishment of a Working Group. The various planning initiatives focused on economic vitality, planning, parking, traffic and corridor beautification. Zoning Code changes were adopted in 2018 that allow additional height for hotel projects on key larger sites through the Use Permit public hearing process, and the first hotel project under these new provisions has been submitted. Commercial parking standards are in the process of being updated and are scheduled to be completed in 2020.

Sepulveda Bridge Widening Project

The Sepulveda Bridge is located on Sepulveda Boulevard (State Route 1) between Rosecrans Avenue and 33rd Street. The existing bridge, and immediately north and south of the bridge, has three northbound and three southbound lanes in each direction, serving an average of 71,000 vehicles per day. The proposed project will widen the east side of the bridge to provide a fourth northbound lane to remove the existing bottleneck at the bridge. Sepulveda Boulevard, including the bridge, is owned and maintained by Caltrans. Due to the local significance of the roadway, the City entered into an agreement with Caltrans in February 2009 to widen the bridge as a joint project with the City taking the lead and Caltrans serving in a supporting role. Since then, the City has secured project funding and is working with Caltrans to finalize seismic retrofit plans in accordance with recent code changes as well as to coordinate with neighboring property owners. Grants totaling \$15.9 million are available for the project, and the preliminary cost estimate to complete the project is \$18.2 million.

Peck Reservoir Replacement Project

The Peck Reservoir Facility, at 1800 Peck Avenue, was built in 1967. At almost 60 years old, it has exceeded its useful life and is in need of replacement. Once exceeded, these facilities become less reliable, expensive to maintain and are subject to failure. This reconstruction project was identified as a top priority and recommended as part of the 2010 Water System Master Plan. The replacement of the Peck Reservoir will help ensure the long-term dependability of the water system in our community. The Peck Reservoir Replacement Project consists of the demolition of the existing 7.5 million gallon, partially buried concrete reservoir, pump station and other facilities situated within the existing 2.7 acre property. A new 8 million gallon reservoir will be constructed at the same location. The City is in the initial design phase and construction is estimated to cost approximately \$24 million over the course of the project.

EXECUTIVE FINANCIAL OVERVIEW

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

General Fund

The General Fund is the primary operating fund of the City of Manhattan Beach. The General Fund balance decreased by \$417,458 from 2018. The increase is attributable to net revenues over expenditures of \$1.9 million offset by Other Financing Uses (transfers-in, transfers-out) equal to a negative \$2.3 million. Transfers-in included \$263,873 from the County Parking Lot Fund in line with the contract with the County of Los Angeles. Offsetting this fund balance increase, transfers-out included \$144,634 to the Street Lighting and Landscape District Fund and \$15,480 to the Prop A Fund to cure deficit fund balances, \$600,299 to the Information Technology Fund for the implementation of a city-wide financial system, \$560,100 to the Capital Improvement Fund for priority unfunded projects, and a Storm Water Fund subsidy of \$1,273,783 to support operations. At the end of fiscal year 2019, the total General Fund balance equaled \$26.5 million, of which \$1.8 million is either nonspendable or restricted, leaving an unassigned fund balance of \$24.7 million. Within the unassigned fund balance, City Council has established earmarks for financial policies and economic uncertainties of \$18.9 million, leaving \$5.8 million available for use at City Council’s discretion.

The City’s General Fund revenues showed improvement from the prior year, particularly in Property Tax, Other Taxes, and Use of Money and Property. This can be noted on the table below:

Revenue Category	2019 Actual	2018 Actual	Increase/ (Decrease)	%
Property Tax	\$32,107,341	\$30,318,225	\$1,789,116	5.9%
Other Taxes (Sales, Hotel, Business License, etc.)	20,164,760	18,905,654	\$1,259,106	6.7%
Licenses and Permits (Building, Construction, Film Permits)	3,048,263	3,365,669	(\$317,406)	(9.4%)
Fines (Parking Citations, Vehicle Code Fines)	1,963,412	2,472,310	(\$508,898)	(20.6%)
Use of Money and Property (Interest, Rents and Ground Leases)	5,304,823	2,746,518	\$2,558,305	93.1%
Received From Other Agencies (Vehicle License Fees, Grants)	355,520	363,670	(\$8,150)	(2.2%)
Service Charges (Plan Check Fees, P&R Class, Ambulance Fees)	8,412,968	9,075,601	(\$662,633)	(7.3%)
Interfund Charges (Admin Service Charge)	3,663,481	3,180,389	\$483,092	15.2%
Miscellaneous*	1,112,149	1,180,783	(\$68,634)	(5.8%)
Total	\$76,132,717	\$71,608,819	\$4,523,898	6.3%

*Includes proceeds from the Sale of Capital Assets.

With the City’s relatively high property values, Property Taxes continue to be the main driver of revenue growth at 42% of all General Fund revenues. Property Taxes remained strong in FY 2018-19 with a 5.9% increase over the prior year. A significant portion of the increase in the Other Taxes was attributed to Transient Occupancy Taxes (Hotel), which totaled \$4,356,985, an increase of \$592,301 (15.7%) compared to the prior year. The increase in Hotel taxes was primarily due to the completion

of the Westdrift Hotel remodel, which had significantly impacted revenues in the prior year. Sales Tax, totaling \$9,339,304 in FY 2018-19, increased by \$368,495 (4.1%) compared to the prior year. Business License Tax of \$4,053,021 exceeded the prior year by \$334,602 or 9.0%. After several years of increases, Real Estate Transfer Tax revenue slightly decreased 0.6% to \$783,516 due to real estate market activity. Building permit revenue decreased by \$189,032 (8.9%) and other construction permits decreased \$103,008 (17.4%) compared to the prior year, which included significant one-time commercial project permits for the Manhattan Village Mall and Gelson's Market.

In the Use of Money & Property category, the most significant driver of the \$2,558,305 increase was the GASB 31 Market adjustment for a gain on investments of \$1.2 million. In addition, the Westdrift Hotel percentage rent increased nearly \$0.8 million due to a remodel completed in the prior year that significantly impacted room availability and event space rentals.

On an overall basis, General Fund revenues totaled \$76.1 million, up by over \$4.5 million or 6.3% ahead of last year and exceeding budget estimates by \$1.9 million (excluding transfers and capital leases).

General Fund expenditures totaled \$74,219,752 in FY 2018-19, an increase of nearly \$6.1 million over the prior fiscal year but \$2.7 million under the total budget. When compared to the prior year's actual, Salaries and Benefits increased by \$3.1 million or 6.6% due to higher Workers Compensation costs and CalPERS Pension Liability payments. Materials and Services, which includes Contract and Legal Services, increased by \$1.5 million or 56.7%, mainly due to a one-time payment of \$1.0 million to the Manhattan Beach Unified School District for enhanced safety and security measures. Capital Outlay increased by \$300,044 or 73.9% due to a one-time purchase of public safety digital radio equipment. Overall, City departments were uniformly under budget with variances offset by savings in other areas.

Other Funds

Capital Improvement Fund

The Capital Improvement Projects (CIP) Fund is designed to manage general governmental infrastructure and facilities capital projects. In FY 2018-19, CIP Fund total revenues were \$2.0 million and expenditures were \$5.6 million. It should be noted that on-going projected revenues of \$1.6 million less debt service of \$0.8 million result in a steady state excess of only \$0.8 million. Notwithstanding any incremental increases in fund revenues such as Transient Occupancy Tax or Parking Meters, General Fund transfers, grants or new revenues will be required to finance larger scale projects in the future.

As of June 30, 2019, the total balance of the CIP Fund is \$7.6 million. Carryover funds for defined major capital projects at year end include:

- \$1.7 million in various facilities improvements
- \$842,650 for downtown streetscape improvements
- \$586,218 for design of the replacement Fire Station #2
- \$550,000 for the renovation of the Senior and Scout House
- \$500,000 for Begg Field synthetic turf & light replacement
- \$3.4 million for other building improvements and street projects

Enterprise, Internal Service, and Special Revenue Funds

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

The Water Fund continues to build the resources for planned capital improvements needed to sustain the utility's operation and infrastructure. Net income from operations totaled \$3,314,176, a decrease from the prior year which had an operating income of \$4,258,974. Revenue from sales and service charges decreased by \$96,985 (0.6%), while operating expenses (labor, materials, services, etc.) rose by \$840,836 (7.5%). During FY 2009-10, the City Council approved water and waste water rate increases to support system infrastructure needs as well as to bolster the fiscal integrity of those funds. The new rate structure became effective in January 2010 and provided for annual increases each January through 2014. Accumulated fund balances provide resources for planned capital improvements to the utility's infrastructure, estimated at \$46.1 million over the next five years, including replacement of Peck Reservoir which is estimated to cost nearly \$24.0 million.

The net operating income for the Waste Water Fund was \$1,723,228 versus \$1,980,292 in FY 2017-18, a decrease of \$257,044 or 13.0%. Operating revenue increased \$45,945 (1.3%) and operating expenses increased \$302,265 (21.0%). Waste water rates were last adjusted along with the water rates in January 2010. Similar to the water utility, the new rates are being utilized to fund needed capital improvements to the waste water system. Since the Waste Water revenues are based on water consumption, water conservation efforts may result in lower Waste Water revenues without the benefit of lower operational costs as is the case in the Water Fund where conservation results in less pumping and less water being purchased.

Continuing an ongoing trend of losses, the Storm Water Fund net operating loss in FY 2018-19 was \$702,283. Accumulated losses for the prior five fiscal years are over \$3.6 million. The combination of fixed fees and rising costs requires General Fund subsidies. The General Fund provided \$1,273,783 in FY 2018-19. Additionally, capital improvements due to legislative mandates will also result in increased costs. Current assessments were set in 1996. A Proposition 218 assessment vote will be necessary to adjust assessments. Measure W, which is a Los Angeles County-wide storm water parcel tax passed in November 2018, may provide relief, but the City's funding allocation will not fully eliminate the operational deficits.

The Street Lighting Fund continues to run deficits each year. For FY 2018-19, expenditures exceeded revenues by \$144,634. As in the case of the Storm Water Fund, assessments have been constant for 20 years. Because there is no fund balance to draw upon, the General Fund contributes the entire amount needed for continued operations. These contributions will be necessary until a Proposition 218 assessment vote is successful in raising the assessment rates and revenues.

The fund balance for the Insurance Fund increased by \$983,109 to negative \$2.0 million. The unpredictable nature of claims payments, compounded by rising medical costs and claim judgments, caused internal service fund charge-outs to fall behind funding needs in previous years. To accommodate both the increased expenses and noncurrent liabilities related to pensions and claim reserves, a phased fund transfer plan was approved by the City Council in 2015. General Fund transfers of \$667,000 were made in FY 2015-16, FY 2016-17, and FY 2017-18. In FY 2018-19, outstanding

claims against the City remained constant overall, and the City continued efforts to stabilize the Fund by increasing internal service fund charge-outs for Workers Compensation claims.

Trust and Agency Funds

In several cases, the City acts as a custodian of funds held for the benefit of others which mostly relates to the administration of employee pension and 401(a) and 457 deferred compensation plans. All such plan funding requirements have been maintained. City Plans include the supplemental retirement and single highest year programs (dormant plans which were previously offered by the City). Pension activity relating to these dormant plans is included in governmental activities.

This financial report does not include the value of trust holdings in any of the employees' deferred compensation plans at June 30, 2019, thus recognizing enacted legislation establishing the City as a plan trustee and protecting these employee-owned assets from external creditors.

The trust and agency fund group also includes debt service funds held in trust on behalf of five consolidated Utility Undergrounding Assessment Districts (UUAD). The City refunded the outstanding bonds of the Underground Districts in March 2018 to take advantage of lower interest rates and reduce assessments for property owners. Interest rates for the refunded bonds ranged from 4.72% to 4.95%. Interest rates for the new refunding bonds were set at a uniform annual rate of 3.00%, compared to the previous rates that ranged from 4.72% to 4.95%. The refunding bonds mature in September 2026.

CURRENT TRENDS AND EVENTS

The local economy remains stable. The City's biggest General Fund revenue source, property tax, grew by 5.9% (\$1.8 million) in FY 2018-19. Assessed valuations, which indicate tax revenue and help propel property tax growth, are projected to increase by 6.1% in FY 2019-20 over the prior year, driven by demand and resulting price escalations in the local housing market. Single-family homes valued at pre-1978 levels (before Proposition 13) continue to turn over, resulting in higher assessed valuations being added to the property tax rolls. Roughly 18.5% of single-family parcels within the City remain assessed at pre-1978 values.

Sales tax revenues, which have been flat the past couple of years, are expected to continue that trend. The City remains conservative in its sales tax estimates due to stagnation in general consumer goods caused by online sales. Transient Occupancy Tax, rebounded in FY 2018-19 due to the completion of the significant remodels at two major hotels. Additionally, an increase in the Transient Occupancy Tax rate from 10% to 12% will go into effect in the spring of 2020. Building activity remains stable, and tourism and travel is supported by a healthy mix of desirable hotels, high-end restaurants and retailers.

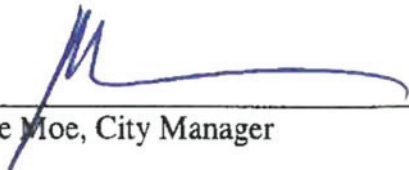
As a service organization, labor accounts for the majority of costs - approximately 70% in the General Fund. Labor agreements with three existing bargaining units (Manhattan Beach Police Officers Association, Police Management Association, and California Teamsters Local 911) were successfully negotiated for new three-year terms beginning January 2019. A new agreement for the Mid-Management Employees Association (MEA) is expected in early 2020. Negotiations with the Firefighters' Association and recently formed Fire Management Association (FMA) are currently ongoing, with agreements expected for later in 2020.

While current General Governmental trends are positive, there exists a noncurrent pension (California Public Employees' Retirement System - CalPERS) liability that will have long term impacts over the next 10 to 20 years. Long term pension liability is an item shared by all public agencies who are members of the CalPERS system. Based on projections, the City's minimum annual contribution to CalPERS will increase from \$9.2 million in fiscal year 2019-20 to \$12.5 million over the next five years.

Manhattan Beach has maintained a sound financial condition. In fact, Standard & Poor's reaffirmed the City's AAA Credit Rating on November 4, 2016. Established reserves remain funded, and the City continues to operate efficiently and effectively, all while continuing to provide outstanding services for the community.

OTHER INFORMATION

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



Bruce Moe, City Manager



Steve S. Charelian, Finance Director

Elected Officials & Executive Staff

Elected Officials

Term Ends

<i>Mayor</i>	<i>Nancy Hersman</i>	<i>November 2020</i>
<i>Mayor Pro-Tem</i>	<i>Richard Montgomery</i>	<i>November 2020</i>
<i>City Council Members</i>	<i>Suzanne Hadley</i>	<i>November 2022</i>
	<i>Hildy Stern</i>	<i>November 2022</i>
	<i>Steve Napolitano</i>	<i>November 2020</i>
<i>City Treasurer</i>	<i>Tim Lilligren</i>	<i>November 2020</i>

Executive Staff

<i>City Manager</i>	<i>Bruce Moe</i>
<i>City Clerk</i>	<i>Liza Tamura</i>
<i>City Attorney</i>	<i>Quinn M. Barrow</i>
<i>Finance Director</i>	<i>Steve S. Charelian</i>
<i>Human Resources Director</i>	<i>Lisa Jenkins</i>
<i>Parks & Recreation Director</i>	<i>Mark Leyman</i>
<i>Police Chief</i>	<i>Derrick Abell</i>
<i>Fire Chief</i>	<i>Daryn Drum</i>
<i>Community Development Director</i>	<i>Anne McIntosh</i>
<i>Public Works Director</i>	<i>Stephanie Katsouleas, P.E.</i>
<i>Information Technology Director</i>	<i>Sanford Taylor</i>

CITIZENS OF MANHATTAN BEACH

City Council

City Treasurer

**Parking & Public
Improvements
Commission**

**Board of Building
Appeals**

**Planning
Commission**

**Parks &
Recreation
Commission**

**Cultural Arts
Commission**

**Library
Commission**

City Attorney

City Manager

Finance

- Administration
- Accounting
- Revenue Services
- General Services

Community Development

- Administration
- Planning
- Building Code Enforcement
- Traffic Engineering
- Environmental Sustainability

Police

- Administration
- Patrol
- Investigations
- Technical Support
- Community Affairs
- Traffic Safety
- Jail Operations
- Parking Enforcement
- Animal Control
- Asset Forfeiture

Fire

- Administration
- Prevention
- Fire Operations
- Emergency Medical Services
- Support Services

Public Works

- Administration
- Civil Engineering
- Street Maintenance
- Building & Grounds Maintenance
- Transportation
- Street Lighting & Landscaping
- Streetscape Maintenance
- Water Programs
- Storm Drain Maintenance
- Sewer Maintenance
- Refuse Management
- Parking Facilities
- Fleet Services

City Clerk

- Administration
- Records Management
- Elections
- Conflict of Interest/Campaign Filing
- Open Government

Human Resources

- Administration
- Risk Management

Parks & Recreation

- Administration
- Recreation Services
- Cultural Arts
- Sports & Aquatics
- Community Programs

Information Technology

- Information Technology
- Geographic Information Systems



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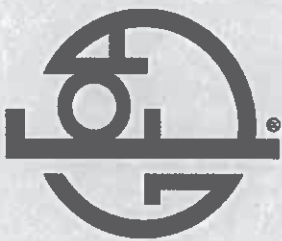
**City of Manhattan Beach
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO



The Government Finance Officers Association
of the United States and Canada

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Finance Department
City of Manhattan Beach, California



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

Executive Director

Christopher P. Morill

Date October 2, 2019



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Manhattan Beach, California, (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manhattan Beach, California, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the City is reporting a Net OPEB Asset in the Statement of Net Position in the amount of \$3,195,073. The City hired a qualified actuary to evaluate the Net OPEB Asset as of the measurement date and as required by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Net OPEB Asset is calculated by actuaries using estimates and actuarial techniques from actuarial valuation as of June 30, 2018. **The actuary applied the Section 3.7.7(c)(4) of the ASOP No. 6, as revised, and determined age-adjusted rates are not necessary and therefore, the Implicit Rate Subsidy is not applicable in calculating the total projection of benefits payments.** Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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



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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Brea, California
December 10, 2019

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CITY OF MANHATTAN BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Manhattan Beach, we offer our readers of these financial statements this narrative overview and analysis of the financial activities of the City of Manhattan Beach for the fiscal year ended June 30, 2019. We encourage readers to consider this information in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i to x of this report.

FINANCIAL HIGHLIGHTS

Government Wide Financial Basis

- As of June 30, 2019, the City's total net position Citywide (including all governmental and business type activities) totaled \$200,406,763, an increase from the prior fiscal year of \$8,819,425 or 4.6% due to operations.
 - Governmental net position for the fiscal year totaled \$99,723,603, an increase of \$265,350 or 0.3%. This increase is due to revenues totaling \$84,645,048 (program revenues of \$25,568,495 and general revenue of \$59,076,553) less activity expenses of \$83,369,788 and transfers out of \$1,009,910.
 - Business-type activity net position totaled \$100,683,160, an increase of \$8,554,075 or 9.3%. This change in net position is a result of operations (program revenues of \$27,926,410, non-program revenues of \$2,237,070 and transfers in of \$1,009,910 less expenses of \$22,619,315).
- Unrestricted net position, which may be used to meet the government's on-going obligations within certain parameters and requirements, totaled \$36,547,492. This is an increase of \$3,022,416 or 9.0% from FY 2017-18.
 - Governmental Unrestricted Net Position is negative \$19,756,174. Since over 95% of pension liabilities, net deferrals, and OPEB asset (OPEB is overfunded) are carried by governmental funds, the effect on net position is to reduce unrestricted position by \$55.2 million. There is a positive contribution of \$33.8 million due to unrestricted fund balances in the General Fund, Capital Improvement Fund, and internal service funds. In effect, the Unrestricted Net Position is netting a noncurrent equity (pension and OPEB) and governmental funds balance. This outcome was expected with the implementation of GASB 68 in fiscal year 2014-15. Governmental Unrestricted Net Position decreased from the prior year by \$4,894,079.
 - Business Type activities Unrestricted Net Position is \$56,303,666. Unrestricted Net Position for Business Type activities increased from the prior year by \$7,916,495 mainly due to Water and Wastewater operations. Since the employee population in Business Type activities is small relative to Governmental, the Business Type net position share of net pension liabilities, net deferrals and OPEB asset (OPEB is overfunded) is correspondingly lower at \$1.2 million. The working capital of business funds is \$57,516,941. This situation will change in the future, when large projects such as reconstruction of Peck Reservoir will absorb working capital, reduce unrestricted net position and increase investment in capital assets.
- Citywide capital assets (land, work in progress, completed) net of depreciation increased by \$6,878,959 (See Note 5). Governmental net capital assets increased by \$6,932,604. Capital additions of \$11,022,805 were offset by depreciation expense (\$4,067,000) and the net book value of disposal of vehicles not fully depreciated (\$23,201). Business-type net capital assets decreased by \$53,645; additions were \$1,263,431, which were offset by an increase in accumulated depreciation of \$1,317,076. Future expenditures for capital projects do not affect the overall net position of the funds as the expenditure would be offset by an increase in non-current assets.

- The City's bond debt decreased by \$1,430,000 during FY 2018-19 (See Note 6). This decrease is attributable to the scheduled principal pay down of issued bonds by both governmental activities (\$795,000) and business-type activities (\$635,000). The City had no capital lease obligations in FY 2018-19.
- Long-term liability and workers compensation insurance claim reserves increased by \$77,396 (See Note 13). Growth in workers compensation claims activity resulted in a reserve increase of \$213,773, while general liability claims activity resulted in a decrease in general liability reserves of \$136,375. In FY 2018-19, the net effect of worker's compensation is stable largely due to an increase in charge-outs to the General Fund.

Fund Financial Basis – Governmental Funds

- As of June 30, 2019, the General Fund balance was \$26,454,596. Fund revenues exceeded expenditures by \$1,912,965.
- Governmental Funds (General, Capital Improvement and Special Revenue) revenue totaled \$83,465,975, an increase of \$4,047,218 (5.1%) from FY 2017-18. Higher revenues from Property Taxes and Charges for Services along with expenditure savings contributed to the increase.
- Governmental Funds expenditures totaled \$88,000,295, up \$13,008,203 (17.3%) from the prior year. This rise was driven by increased capital improvement and operational expenditures in the General Fund throughout all current categories of expenditures, mainly in Public Safety. Capital Improvement Fund expenditures increased by \$4,080,695, while expenditures in other nonmajor governmental funds decreased primarily due to decreases in capital outlay and Public Works expenditures. Capital expenditures tend to fluctuate depending on the number and magnitude of projects in design or construction.
- General Fund net transfers-out totaled \$2,330,423. Transfers-out included \$1,273,783 to the Stormwater Fund, \$600,299 to the Information Systems Fund, \$560,100 to the Capital Improvement Fund, \$144,634 to the Street Lighting and Landscape Fund, and \$15,480 to the Prop A Fund. General Fund transfers-in included \$263,873 from the County Parking Fund. Transfers are required to maintain adequate funding levels or eliminate deficits (See Note 4 for more information).

USING THIS ANNUAL REPORT

Overview of the Financial Statements

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

Reporting on the City as a Whole

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs on a full-accrual basis, regardless of the timing of related cash flows. Thus,

revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government wide statement of activities has two components:

Governmental Activities

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

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

Business Type Activities

All enterprise funds (Water, Wastewater, Stormwater, Refuse and Parking Funds) are included in Business Type activities. These activities have been traditionally presented as enterprise funds and tie directly to the *Statement of Revenues, Expenses, and Change in Net position – Proprietary Funds*, as shown in the Funds section of this report.

The government-wide financial statements can be found on pages 25 to 27 of this report.

Reporting on the City's Most Significant Funds

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

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

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

changes in capital assets, long-term debt, prepaid pension costs, full accrual versus modified accrual and change in net position of internal service funds.

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

The City of Manhattan Beach currently operates on a biennial budget cycle where the first year is adopted and the second year is approved. The second year of the budget is formally adopted in June of the second year before the fiscal year. The FY 2018-19 Budget was adopted on June 19, 2018. A budgetary comparison statement has been provided for each governmental fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 30 to 37 of this report.

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

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

The combining statements referred to earlier in connection with non-major governmental funds, proprietary and internal service funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 120 to 151 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47 to 96 of this report.

The City as Trustee

Other information: In addition to the basic financial statements and accompanying notes, this report also presents the City's progress in funding its obligation to provide pension benefits to its employees and the budget-to-actual financial comparisons for the General Fund. The City has elected to present this information within the basic financial statement and financial statement sections of the report. Note 9 and Note 10 provides detailed analysis of City retirement plans.

All of the City's fiduciary activities are reporting distinctly in a separate Statement of Fiduciary Assets and Liabilities. These figures are not combined with other financial statements because the City cannot use

these assets to finance present or future operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net position serves as an indicator of a government's financial position. In the case of the City of Manhattan Beach, net position totaled \$200,406,763 at June 30, 2019 versus \$191,587,338 at June 30, 2018 – an increase of \$8,819,425. The reason for this increase is primarily due to the operations in the Business-Type Funds.

Net position of the City's *Governmental* activities amounted to \$99,723,603, an increase from the prior year of \$265,350. On the table of Net Position below, \$111,406,609 is net investment in capital assets¹ such as land, buildings, machinery, infrastructure, equipment and other improvements; \$8,073,168 is restricted for debt service, capital projects, post-employment benefits, or for Special Revenue Fund resources that are subject to external restrictions on use. Governmental activities' unrestricted net position decreased by \$4,894,079 from the prior year to negative \$19,756,174. Significant components of non-current liabilities and deferrals include 1) net pension liabilities of \$73,345,094 (including PERS plan and City Plan); 2) long term debt totaling \$12,895,675; 3) accrued workers compensation and liability claims and judgments of \$6,665,286; and 4) accrued employee benefits of \$2,236,919.

Net position of the City's *Business-type* activities totaled \$100,683,160. This represents an increase from FY 2017-18 of \$8,554,075. Net investments in capital assets (land, buildings, machinery, equipment, etc.) totals \$43,807,896, while \$571,598 is restricted for business improvement district use. Significant components of non-current liabilities and deferrals include: 1) long term debt totaling \$8,766,767; 2) net pension liabilities of \$1,759,113; and 3) accrued employee benefits of \$69,188. Business-type activities' unrestricted net position increased by \$7,916,495 from the prior year to \$56,303,666, primarily as a result of operations in the Water and Wastewater Fund.

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

City of Manhattan Beach Net Position

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current Assets	\$75,274,818	\$72,704,083	\$61,405,916	\$54,372,676	\$136,680,734	\$127,076,759
Total Capital Assets Net of Depreciation	124,719,930	117,787,326	53,239,663	53,293,308	177,959,593	171,080,634
Other Non-Current Assets	3,784,896	5,223,863	224,306	221,678	4,009,202	5,445,541
Total Assets	\$203,779,644	\$195,715,272	\$114,869,885	\$107,887,662	\$318,649,529	\$303,602,934
Deferred Charge on Refunding	\$402,354	\$434,533	-	-	\$402,354	\$434,533
Deferred Pension Related Items	18,258,168	22,369,214	396,184	549,636	18,654,352	22,918,850
Deferred OPEB Related Items	25,283	-	1,264	-	26,547	-
Deferred Outflows of Resources	\$18,685,805	\$22,803,747	\$397,448	\$549,636	\$19,083,253	\$23,353,383
Current Liabilities	\$23,717,251	\$19,507,268	\$3,888,975	\$4,886,105	\$27,606,226	\$24,393,373
Non-Current Liabilities	95,142,974	95,801,755	10,595,068	11,282,146	105,738,042	107,083,901
Total Liabilities	\$118,860,225	\$115,309,023	\$14,484,043	\$16,168,251	\$133,344,268	\$131,477,274
Deferred Pension Related Items	\$3,881,621	\$3,751,743	\$100,130	139,962	\$3,981,751	\$3,891,705
Deferred Inflows of Resources	\$3,881,621	\$3,751,743	\$100,130	\$139,962	\$3,981,751	\$3,891,705
Net Investment in Capital Assets	\$111,406,609	\$103,659,026	\$43,807,896	\$43,188,261	\$155,214,505	\$146,847,287
Restricted	8,073,168	10,661,322	571,598	553,653	8,644,766	11,214,975
Unrestricted	(19,756,174)	(14,862,095)	56,303,666	48,387,171	36,547,492	33,525,076
Total Net Position	\$99,723,603	\$99,458,253	\$100,683,160	\$92,129,085	\$200,406,763	\$191,587,338

The City's total change in net position amounts to an increase of \$8,819,425. Governmental activities' total net position increased by \$265,350. Business-type activities' total net position increased by \$8,554,075.

The following table condenses the Government-wide Statement of Activities and Change in Net Position for the fiscal years ending June 30, 2019 and June 30, 2018:

City of Manhattan Beach Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program Revenues:						
Charges for Services	\$19,331,681	\$19,348,307	\$27,808,577	\$27,464,617	\$47,140,258	\$46,812,924
Operating Contributions and Grants	2,190,097	3,253,902	117,833	331,705	2,307,930	3,585,607
Capital Contributions and Grants	4,046,717	2,461,094	-	-	4,046,717	2,461,094
General Revenues:						
Property Taxes	32,107,341	30,318,225	-	-	32,107,341	30,318,225
Other Taxes	21,176,590	19,281,127	-	-	21,176,590	19,281,127
Motor Vehicle in Lieu	17,276	18,680	-	-	17,276	18,680
Use of Money and Property	5,747,403	2,815,868	2,237,070	224,471	7,984,473	3,040,339
Other	27,943	10,345	-	2,580	27,943	12,925
Total Revenues	\$84,645,048	\$77,507,548	\$30,163,480	\$28,023,373	\$114,808,528	\$105,530,921
Expenses:						
General Government	\$15,887,856	\$15,510,329	-	-	\$15,887,856	\$15,510,329
Public Safety	46,314,516	43,350,463	-	-	46,314,516	43,350,463
Public Works	9,922,148	10,188,714	-	-	9,922,148	10,188,714
Culture & Recreation	10,805,410	9,895,447	-	-	10,805,410	9,895,447
Interest on Long-Term Debt	439,858	465,472	-	-	439,858	465,472
Water, Waste, Storm	-	-	14,948,884	14,418,031	14,948,884	14,418,031
Refuse	-	-	4,109,233	4,223,690	4,109,233	4,223,690
Parking	-	-	3,561,198	4,463,751	3,561,198	4,463,751
Total Expenses	\$83,369,788	\$79,410,425	\$22,619,315	\$23,105,472	\$105,989,103	\$102,515,897
Revenues Over Expenses	1,275,260	(1,902,877)	7,544,165	4,917,901	8,819,425	3,015,024
Transfers In (Out)	(1,009,910)	(735,737)	1,009,910	735,737	-	-
Increase (Decrease) in Net Position	\$265,350	(\$2,638,614)	\$8,554,075	\$5,653,638	\$8,819,425	\$3,015,024
Net Position - Beginning	\$99,458,253	\$98,583,961	\$92,129,085	\$86,550,606	\$191,587,338	\$185,134,567
Restatement of Net Position	-	\$3,512,906	-	(75,159)	-	3,437,747
Net Position - June 30 (Year End)	\$99,723,603	\$99,458,253	\$100,683,160	\$92,129,085	\$200,406,763	\$191,587,338

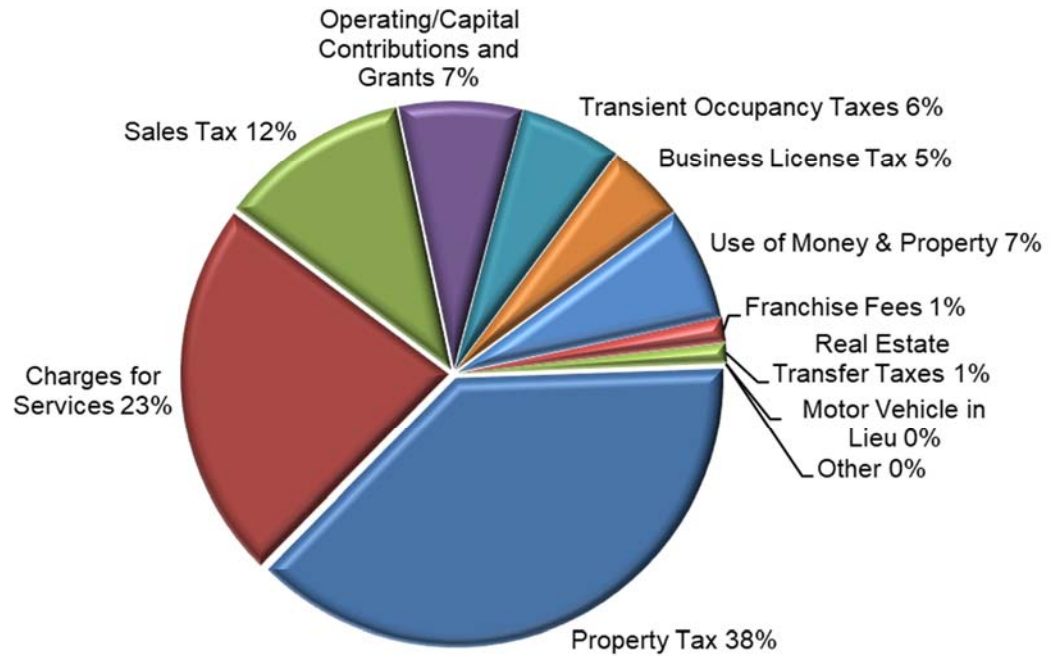
Changes in Net Position - Governmental Activities

The City's governmental activities in FY 2018-19 increased net position by \$265,350 compared to an increase of \$874,292 in FY 2017-18.

While total revenues increased by \$7,137,500, total expenses increased by \$3,959,363, which the City is closely monitoring in light of expected future increases in pension expenses as a result of CalPERS reducing the discount rate and revising the actuarial methods/assumptions. Revenues in taxes and assessments increased \$3.7 million compared to the prior year. Significant expense increases include an increase in salary and benefits (\$3.2 million) inclusive of workers compensation charge-outs and unfunded pension liability payments and an increase in materials and services (\$2.4 million) due to a one-time payment \$1.0 million to the Manhattan Beach Unified School District for additional safety and security measures and the purchase of replacement radios and peripheral equipment totaling \$1.3 million for all public safety, public works, and code enforcement personnel.

Total governmental activities revenue of \$84,645,048, excluding transfers-out of \$1,009,910, is broken out as follows:

Revenue by Source - Governmental Activities FY 2019



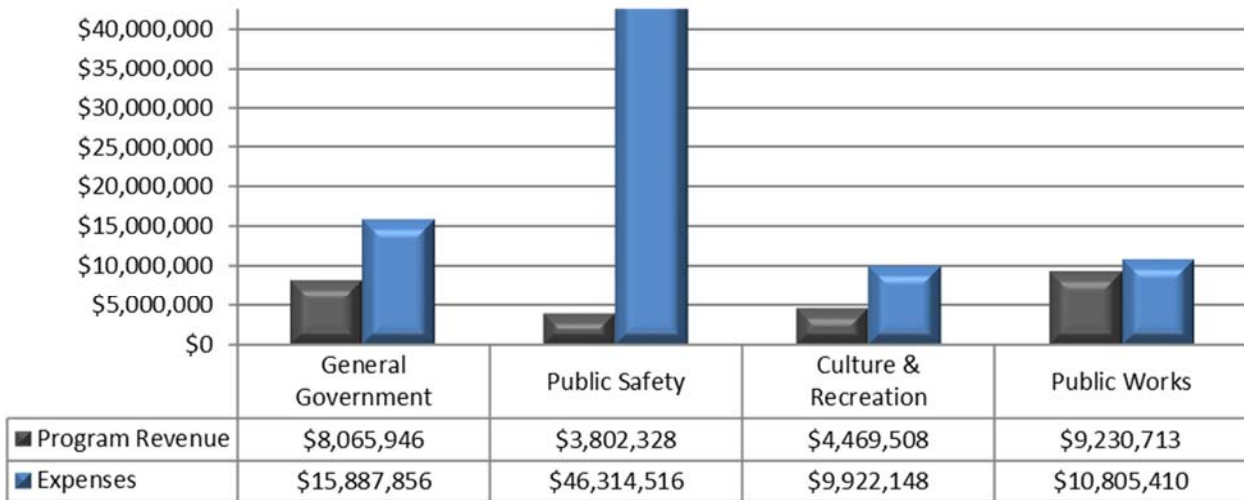
Functional expenses (excluding interest on debt) for the years ending June 30, 2019 and June 30, 2018 were as follows:

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
General Government	15,887,856	15,510,329	(7,821,910)	(9,294,702)
Public Safety	46,314,516	43,350,463	(42,512,188)	(38,571,698)
Culture and Recreation	9,922,148	9,895,447	(5,452,640)	(5,505,480)
Public Works	10,805,410	10,188,714	(1,574,697)	(509,770)
Total	\$82,929,930	\$78,944,953	(\$57,361,435)	(\$53,881,650)

The total cost of services increased from the prior year by \$3,984,977 (5.0%), while the net cost of services decreased by \$3,479,785 (6.5%) from the prior year. Total cost of services for Public Safety increased by \$2,964,053, Culture and Recreation increased \$26,701, General Government increased by \$377,527, and Public Works increased by \$616,696.

The following chart illustrates governmental revenues and expenses by function for the year ended June 30, 2019.

Governmental Activities Revenue and Expenses by Function/Program
Year Ended June 30, 2019
(excludes interest on long-term debt)



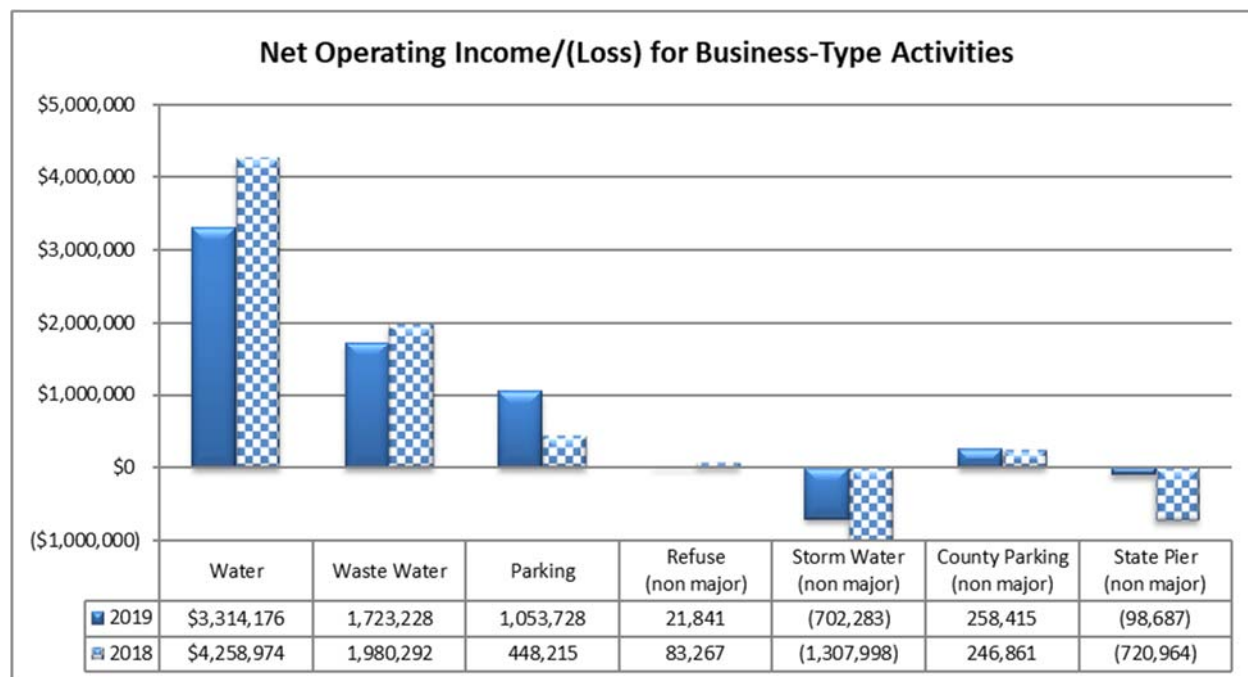
Change in Net Position - Business Type Activities

In fiscal year 2018-19, total revenues for the City's business-type activities amounted to \$30,163,480. Operating revenues totaled \$27,899,200, interest revenues totaled \$2,236,009, and other revenues totaled \$28,271. Expenses totaled \$22,619,315 of which operating expenses equaled \$22,328,782, and non-operating expenses (including debt interest expense) totaled \$290,533. Total income from operations was \$5,570,418 while net income before transfers was \$7,544,165. After net transfers-in totaling \$1,009,910, net position increased by \$8,554,075 compared to an increase of \$5,653,638 in FY 2017-18.

Operating Revenues by Source - Business Type Activities FY 2019



Operating Income varied across the business-type activities in FY 2018-19. A year-over-year comparison is presented below. Further analysis of the major funds is discussed later in this report.



In recent years, GASB has released Statements 68, 74, and 75. These statements have a significant financial impact on the City's Financial Statements and in particular, the government wide statements. Public agencies must recognize the net noncurrent liabilities (accrued liabilities less fiduciary assets) of pension plans and other postemployment benefit plans. Due to the magnitude of these net liabilities, the City's government wide net position is significantly reduced. In addition, since these liabilities must be amortized over a fixed period of time, there will be an increase demand on future working capital.

Accounting and Financial Reporting for Pensions - GASB 68

Net pension liability (\$74,851,127) is most significant due to its impact on the City's reported Net Position. Net position is comprised of three components - Net investment in capital assets, Restricted and Unrestricted. Governmental and Business-type activities' net position captures the corresponding share of net pension liabilities. In the case of Governmental activities (which absorb over 95% of pension expense for general government, public safety, public works and recreation employees), the result is a net pension liability of \$73,092,014. Due to the significantly smaller employee population in Business-type activities, these funds have a much smaller net pension liability of \$1,759,113. Because of the significant impact of pension liabilities on the City's financial status, a thorough explanation is included at the end under the section *Effect of Pension Activity on Net Position*.

Accounting and Financial Reporting for Postemployment Benefits Other than Pensions – GASB 74/75

In FY 2017-2018, the City implemented the pronouncements of GASB 74 and GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB). GASB 74 replaces the requirements for GASB 43 and 57. GASB 75 replaces the requirements for GASB 45. The purpose of GASB 74 and GASB 75 is to establish new accounting and financial reporting standards for OPEB that is provided to employees by state and local governments.

The City has a two retiree medical plans that fall under the definition of an OPEB plan. One is the City plan, which provides a fixed stipend to qualifying retirees until age 65. The other is a contribution to all retirees

who enroll in the CalPERS medical plan as mandated by the Public Employee Medical and Hospital Care Act (PEMHCA).

The plans are financed by actuarially determined contributions and interest earnings. The funds are held in Section 115 trust fund managed by California Employees' Retirement Benefit Trust (CERBT), which is under the CalPERS umbrella. The City reports the CERBT actuarial determined net assets as of a measurement date. The most recent actuarial valuation for this plan was on June 30, 2018. As of the valuation date, plan fiduciary net position totaled \$10,282,093 and OPEB liability totaled \$6,314,885, resulting in a net OPEB asset of \$3,967,208 government wide. The Governmental Activities share of net OPEB asset was \$3,742,902 and the Business-Type Activities reported a net OPEB asset of \$224,306.

Please refer to Note 11 for more information on the post-employment benefit plans.

FUND FINANCIAL STATEMENTS

Governmental Funds

As of the end of the 2019 fiscal year, the City's governmental funds ending fund balances totaled \$41,056,953, a decrease of \$6,282,290 (13.3%) in comparison with the prior year.

Within the Governmental Funds total, \$24,694,460 (60.1%) constitutes unassigned fund balance. The unassigned fund balance exists only in the General Fund. The remainder of the fund balance (\$16,362,493) is non-spendable, restricted or committed indicating these funds are not available for new spending because it has already been committed for on-going capital projects, advanced to other funds for legally restricted use, long term notes receivable, or for legally-required debt service reserves.

Notwithstanding Governmental Accounting Standards Board (GASB) pronouncements, the City Council has established earmarks within the unassigned category for working capital and budgetary capital planning initiatives. Of the \$24.7 million unassigned governmental fund balance noted above, \$18.9 million has been designated by City Council policy.

General Fund

The General Fund is the chief operating fund of the City of Manhattan Beach. At the end of the 2018-19 fiscal year, unassigned fund balance of the General Fund was \$24,694,460, while total fund balance was \$26,454,596. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 4.0 months of total General Fund expenditures, while total fund balance represents 4.3 months of General Fund expenditures.

During the year, General Fund revenues exceeded expenditures by \$1,912,965. The non-spendable portion of fund balance decreased \$1,556,843 due to the settlement of notes and loans in FY 2019. Significant one-time expenditures were \$1,000,000 to city schools for security upgrade, and \$1,200,000 for new radios to conform with new communication requirements. The decrease in fund balance of \$417,458 included net transfer activity of negative \$2,330,423 due to the following transfers:

- \$1,273,783 was transferred to the Stormwater Fund to relieve a deficit fund balance due to operations.
- \$600,299 was transferred to the Information Systems Fund for new financial software.
- \$560,100 was transferred to the Capital Improvement Fund to support unfunded projects.
- \$144,634 was transferred to the Street Lighting Fund to relieve a deficit fund balance.
- \$15,480 was transferred to the Prop A Fund to relieve a deficit fund balance due to operations.
- \$263,873 of excess revenues from the County Parking Lot Fund was transferred to the General Fund in line with the contract with the County of Los Angeles.

Please see Note 4 for more information.

Special Revenue Funds

Revenues in the Gas Tax and Proposition C Funds totaled \$1,747,749 and \$813,468, respectively. These revenues are dedicated to street maintenance as well as street infrastructure projects. Gas Tax Fund Expenditures totaled \$3,859,563 for maintenance projects such as slurry seal as well as capital outlay projects, including street resurfacing. Expenditures in the Proposition C Fund of \$1,155,832 included street resurfacing as well as design and right-of-way expenditures for the planned Sepulveda Bridge Widening and Seismic Retrofit project.

Capital Improvement Fund

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

At the end of fiscal year 2018-19, total fund balance of \$7,598,135 in the Capital Improvement Fund was committed to capital projects.

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

- \$1.7 million in various facilities improvements
- \$842,650 for the downtown streetscape improvements
- \$586,218 for design of the replacement Fire Station #2
- \$550,000 for Senior and Scout house renovations
- \$500,000 for Begg Field synthetic turf & light replacement
- \$3.4 million for other building improvements and street projects

During Fiscal Year 2018-19, the Capital Improvement Project Fund balance decreased by \$2,971,353 (28.1%). Revenues of \$2,024,692 were offset by capital and maintenance expenditures of \$4,783,883 and debt service of \$772,262.

Of the \$2,024,692 in total revenues to the Capital Improvement Fund, certain dedicated revenues described below totaled \$1,519,136 in FY 2018-19. The following revenues are earmarked for funding general government capital improvement projects in the effort to maintain and enhance City infrastructure:

Hotel Tax: 15% of the Transient Occupancy Tax has been dedicated to funding CIP's, generating \$781,830 in revenue for the year, which is \$117,434 (17.7%) above prior year levels. The increase was primarily due to the Marriott remodel which was completed in May 2018.

Parking Meter Rates: Fifty cents of the \$1.75 per hour on-street parking meter rates is dedicated to capital improvements. This source generated revenue of \$649,026 this fiscal year, up \$12,871 or 2.0% from the prior year.

Parking Citation Rates: Most parking citations include four dollars dedicated to the CIP fund. For FY 2018-19, revenue of \$88,280 was realized; a decrease of \$10,384 (10.5%) from the prior year.

Grant funds received as reimbursement for capital project expenditures totaled \$448,758.

Capital Improvement Fund expenditures totaled \$5,556,145. Capital outlay expenditures totaled \$4,103,487, operating expenditures of \$680,396, and debt service of \$772,262. Capital projects of \$4.1 million consisted of:

- \$919,642 – Safe Routes to School
- \$747,953 – Village Field Replacement Turf
- \$743,462 – Street Light Acquisition and Retrofits
- \$308,228 – Intersection Pedestrian Improvements
- \$300,646 – Engineering Space Planning
- \$297,825 – Veteran’s Parkway Design
- \$255,020 – Fire Station 2 Design
- \$247,138 – Downtown Streetscape Traffic Signal Pole
- \$283,573 – Other Capital Improvement Fund projects.

Other Governmental Funds

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

The Street Lighting Fund continues to run deficits each year. For FY 2018-19, expenditures exceeded revenues by \$144,634. Since there is no fund balance to draw upon, the General Fund contributes the entire amount to make up for the deficit in the Street Lighting Fund. These contributions will be necessary until a Proposition 218 assessment vote is successful in raising the assessment rates and revenues.

Proprietary Funds

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

Enterprise Funds

At year-end, total net position of all enterprise funds amounted to \$100,683,160. Net investment in capital assets totaled \$43,807,896 and \$571,598 is restricted for a business improvement district. The balance of \$56,303,666 is unrestricted net position. This presentation mirrors statement of net position of Business Type Activities included in the Government Wide Financial Statements section.

Overall, the combined net income of enterprise funds was \$7,544,165 before transfers. Operations resulted in a \$5,570,418 increase in net position. Transfer activity included a transfer-out of \$263,873 from the County Parking Lots Fund to the General Fund and a transfer-in of \$1,273,783 from the General Fund to cover the deficit in the Storm Drain Fund.

Several enterprise funds are worth noting:

- The Water Fund continues to build the resources for planned capital improvements needed to sustain the utility’s operation and infrastructure. Net income from operations totaled \$3,314,176, a decrease from the prior year which had net operating income of \$4,258,974. Revenue from sales decreased by 0.7%, while operating expenses (labor, materials, services, etc.) increased by 7.5%. Accumulated fund balances provide resources for planned capital improvements to the utility’s infrastructure, estimated at \$46.1 million over the next five years.

- The Wastewater fund net operating income for FY 2018-19 was \$1,723,228 versus \$1,980,292 in FY 2017-18 – a decrease of \$240,547, or 13.0%. Operating revenue increased \$45,201 (1.3%) while operating expenses increased \$302,265 (21.0%). It is important to note that Wastewater revenues are based on water consumption, and increases or decreases in consumption due to water conservation efforts also impact Wastewater revenues.
- The Parking Fund net operating income for FY 2018-19 was \$1,053,728, up \$605,513 or 135.1% from the prior year. Operating revenue increased \$513,215 in FY 2019, up 20.3% compared to the prior year, primarily driven by the increase in parking meter rates of \$0.50/hour that went into effect in FY 2018-19. Total operating expenses of \$1,984,762 were down \$92,298 or 4.4% from the prior year. Although net income was \$879,407, future capital improvement projects as well debt service of bond principal will require an increase in cash flow.
- Refuse Fund net income from operations totaled \$21,841 in FY 2018-19, a decrease of \$61,426 from the prior year. Operating expenses decreased by \$114,457 (2.7%) and operating revenues decreased by \$175,883 (4.1%). Starting FY 2013-14, the City voluntarily commenced issuing refunds for past street sweeping charges collected on utility bills. Restatements to the Refuse Fund balance from FY 2013-14 to date totaled \$829,697 to recognize the street sweeping refunds issued from prior year revenues. Fund balance at June 30, 2019 totaled \$856,758, an increase of \$92,699 from FY 2017-18. Accumulated fund balance will be spent on capital improvement projects, including for City-owned refuse enclosures, in future years.
- The Stormwater Fund net operating loss in FY 2018-19 totaled \$702,283. This loss is a continuation of prior year net losses in FY 2017-18 (\$1,307,998), FY 2016-17 (\$656,955), FY 2015-16 (\$771,508), FY 2014-15 (\$424,468), FY 2013-14 (\$420,831), and FY 2012-13 (\$57,093). The combination of fixed assessments (that have remained unchanged since 1996) and rising costs currently requires a General Fund cash subsidy. The General Fund transferred \$1,273,783 in FY 2018-19 to relieve the operational deficit and fund necessary capital improvements in the Stormwater Fund. Additional capital improvements due to legislative mandates will also result in increased costs in the near future. A Proposition 218 assessment vote will be necessary to properly fund operations going forward.

Internal Service Funds

Unrestricted net position of the internal service funds at the end of the year amounted to \$1,522,901 with total net position of \$6,669,533 at year-end. Total net position increased by \$2,156,877 from the prior year. The increase in net position is primarily driven by an increase of interdepartmental service charges of \$606,381 and a decrease of expenditures in the amount of \$2,424,204 compared to the prior year.

In the Insurance Fund, net position at year-end was negative \$2,006,073, compared to negative \$2,989,182 in the prior year. Unrestricted net position increased due to a decrease of claims paid in FY 2018-19 of \$2,978,929. FY 2018-19 workers compensation and liability claims expense totaled \$5.1 million. For comparison, prior year workers compensation and liability claims expense are below:

FY 2018-19	\$5.10 million
FY 2017-18	8.08 million
FY 2016-17	6.35 million
FY 2015-16	6.66 million
FY 2014-15	6.56 million
FY 2013-14	5.17 million
FY 2012-13	3.77 million
FY 2011-12	4.96 million
FY 2010-11	3.59 million
FY 2009-10	1.69 million

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

Net position in the Fleet Fund increased by \$404,894, to \$8,149,505, reflecting departmental charge-outs (revenues to the fund) for vehicle rent and maintenance. Capital purchases totaled \$1,414,100 versus \$497,249 in FY 2017-18. Accumulated working capital will be used for the purchase of large vehicles such fire trucks as well as maintenance trucks and police vehicles.

Net position in the Building Maintenance and Operations Fund is negative \$327,069 due to the net pension liability of \$570,068. The negative net position will be relieved by increased charges to user departments which will be used to pay down net pension liability.

The Information Systems Fund also has a net position of \$853,170. Net pension liability in this fund totals \$943,787, a decrease of \$32,980 from FY 2017-18. The operating expenditure is offset by departmental charge-outs borne primarily by the General Fund.

General Fund Budgetary Highlights

Estimated and Actual Revenues

General Fund revenues totaled \$76,396,590 including transfers-in from other funds. Total General Fund revenues outperformed the final budget by \$1,930,172 mainly due to unrealized investment gains. Tax revenues outperformed budget by \$860,563 due to property taxes of \$449,752 and business license tax of \$242,020. Use of money and property exceeded budget by \$1,350,016 mainly due to interest and investment gains of \$1.0 million. Fines and Forfeitures underperformed the final budget by \$583,588 mainly due to lower parking citation revenue. Miscellaneous Revenue came in \$244,649 over budget due worker's compensation reimbursements.

Appropriations and Expenditures

The final amended General Fund budget increased overall by \$1,269,932 over the adopted appropriations. Actual expenditures were under the final budget by \$2.2 million.

The budget adjustments were due to carrying forward prior year encumbrances and budget adjustments approved by City Council as follows:

- \$354,659 due to the carry-forward of prior year encumbrances
- \$290,000 for the FTTP Pilot Network Project
- \$216,490 for ballot measures
- \$123,735 for the Underground Assessment District
- \$285,048 due to various grants.

Capital Asset and Debt Administration

Capital Assets: Government-wide, the City's investment in capital assets (net of accumulated depreciation) as of June 30, 2019 is \$177,959,593. This is an increase from the prior year of \$6,878,959. This investment in capital assets includes land, buildings, park improvements, roadways, sewer, storm drains, vehicles, computer equipment, furniture and other equipment.

City of Manhattan Beach Capital Assets
(Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$33,634,565	\$33,634,565	\$2,607,434	\$2,607,434	\$36,241,999	\$36,241,999
Buildings	30,796,997	31,353,485	15,501,718	15,670,927	46,298,715	47,024,412
Machinery & Equipment	1,044,273	1,005,104	643,755	735,852	1,688,028	1,740,956
Vehicles	5,146,632	4,702,887	-	-	5,146,632	4,702,887
Infrastructure	40,456,276	38,297,975	31,561,670	31,805,173	72,017,946	70,103,148
Invested in Joint Venture (RCC)	2,372,378	1,876,862	-	-	2,372,378	1,876,862
Work in Progress	11,268,809	6,916,448	2,925,086	2,473,922	14,193,895	9,390,370
Total	\$124,719,930	\$117,787,326	\$53,239,663	\$53,293,308	\$177,959,593	\$171,080,634

Governmental

During fiscal year 2018-19, governmental capital expenditures included:

- \$2,192,753 for infrastructure
- \$1,414,100 for vehicle purchases
- \$405,957 for machinery and equipment

Business-type

During the fiscal year, Business-type capitalized net expenditures totaled \$1,263,431 for projects in progress. This increase was offset by depreciation of \$1,317,076, resulting in a net decrease in assets of \$53,645.

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

Long-Term Liabilities: Total long-term liabilities citywide (excluding unamortized bond premiums) equal \$42,276,777, a decrease of \$1,702,847 from fiscal year 2017-18 due to payments made to decrease outstanding liabilities and a decrease in insurance claim reserves for workers compensation and liability. Governmental liabilities decreased by \$1,003,659 or 4.5% while business type liabilities decreased by \$644,580 or 7.1%. The following table is a condensation of Note 6 and Note 13.

City of Manhattan Beach Outstanding Liabilities (Excluding Bond Premium)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Marine Avenue Park Refunding COPs	\$5,345,000	\$5,640,000	-	-	5,345,000	5,640,000
Capital Equipment Lease	-	-	-	-	-	-
Police & Fire Facility Refunding COPs	7,680,000	8,180,000	-	-	7,680,000	8,180,000
Accrued Employee Leave & Benefits	2,924,985	3,301,771	90,470	63,927	3,015,455	3,365,698
Melox and Water/Wastewater Refunding COPs	-	-	1,610,000	1,805,000	1,610,000	1,805,000
Metlox Parking Refunding COPs	-	-	7,430,000	7,870,000	7,430,000	7,870,000
Insurance Claim Reserves	17,196,322	17,118,926	-	-	17,196,322	17,118,926
Total Long Term Liabilities	\$33,146,307	\$34,240,697	\$9,130,470	\$9,738,927	\$42,276,777	\$43,979,624
Current portion of Long Term (due within one year)	12,039,102	12,129,833	686,282	650,159	12,725,384	12,779,992
Long Term Liabilities - Non Current	\$21,107,205	\$22,110,864	\$8,444,188	\$9,088,768	\$29,551,393	\$31,199,632

Governmental

Principal obligations for existing long-term bonded debt were reduced in accordance with existing debt service schedules. The Marine Avenue Certificates of Participation were refinanced in January 2017. The outstanding liability for the Marine Avenue Park Refunding Certificates of Participation as of June 30, 2019 is \$5,345,000, down \$295,000 from the prior year due to principal payments.

Ongoing claims in Insurance Claim Reserves resulting from workers compensation claims have resulted in the Insurance Fund being in a deficit position, even with the \$2.0 million transfers from the General Fund to the Insurance Fund from FY 2015-16 to FY 2017-18. In FY 2018-19, workers compensation charge outs to the General Fund increased by \$1.2 million.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3.75% of its total assessed valuation. The current debt limitation for the City of Manhattan Beach (fiscal year 2018-19) is \$700 million.

Business Type

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

EFFECT OF PENSION ACTIVITY ON NET POSITION

The City contracts with the California Public Employees Retirement System (CalPERS) to provide retirement benefits for all full time employees and qualified part time employees. City plans cover qualified miscellaneous and safety employees as further described in Note 9.

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

CalPERS makes actuarial assumptions and projections regarding the population of employees such as salary progression, expected date of retirement, mortality, turnover and, most importantly, the rate of return on investments. With this information, CalPERS actuaries determine the accrued pension liability. CalPERS also determines the value of its fiduciary net position (cash and investments). Ideally, the difference between the accrued pension liability and fiduciary net position would be zero. However, in recent years, CalPERS actual results have deviated significantly from assumptions and investment return projections. Differences between CalPERS assumed results and actual results are factored into the City's NPL, which caused it to rise to \$74,851,127 as of June 30, 2019 (using the latest available measurement date as of June 30, 2018). To compare, the City's CalPERS NPL as of June 30, 2018 (using a measurement date as of June 30, 2017) was \$74,435,911 - a difference of \$415,216.

The City's pension expense was \$12.5 million in FY 2018-19 (based on the measurement date of June 30, 2018) due to City Contributions of \$6.7 million, changes in net deferrals of \$5.4 million and changes to NPL of \$415,216. However, net deferrals will be expensed in future years. In addition to current year service contributions, the City makes annual payments toward its unfunded liability. The City's contribution to CalPERS in FY 2018-19 was \$7.73 million, compared to \$6.65 million in FY 2017-18. Contributions in FY 2019-20 are budgeted at \$9.2 million. In the future, City contributions will continue to rise based on both normal service costs and amortization of the unfunded liability. Projected increases over the next five years average \$995,000. Managing the growing NPL and meeting retirement obligations remain some of the City's biggest challenges. Nearly 98% of retirement costs are attributable to the City's Governmental Funds, and growing pension costs certainly have the potential to crowd out other funding needs.

Note 9 provides a breakdown by group (Miscellaneous and Public Safety) and other relevant information. Of particular importance is the sensitivity analysis table indicating outcomes of changes to CalPERS assumed discount rate. For the fiscal year ending June 30, 2019, the discount used for measurement purposes was 7.15%. CalPERS adopted a phased plan to reduce its assumed rate of return to 7% by FY 2020-21, which will further increase the City's NPL in future years. As indicated in the sensitivity analysis table, any reduction in the discount rate leads to an increased net pension liability as well as greater current service costs. The City recognizes these rising costs and is working on mitigating impacts to City services.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In June 2019, the City Council adopted the budget for FY 2019-20. The original budget estimates General Fund revenues at \$76,085,386 and expenditures of \$75,024,437, resulting in an anticipated surplus of \$1,060,949 in FY 2019-20.

The City's major General Fund revenue sources are stable. Property tax, the single biggest General Fund revenue source, is expected to increase in FY 2019-20 by 4.5% over FY 2018-19 actual receipts. Sales tax is projected to remain flat to slightly higher from FY 2018-19. Primary drivers of the stagnation are fuel and service stations, reflecting the downward trend in gasoline prices, and general consumer goods. Transient Occupancy Taxes are expected to be increase by 5.9% compared to FY 2018-19 due to the completion of significant remodeling and upgrades at the Marriott Hotel property that temporarily impacted room occupancy and bookings for large events.

As a service organization, labor accounts for most of our costs - approximately 70% (\$52.2 million) in the General Fund. New labor agreements with three bargaining units (Police Officers, Police Management, and Teamsters) were negotiated during FY 2018-19, and are effective starting calendar year 2019. Negotiations with the Fire, Fire Management, and Mid-Management employee associations are ongoing.

The City continues its focus on capital improvements. Expenditures of \$125.2 million (including carryover projects) are planned over the next five years for utility, street and facility projects. \$71.3 million of that amount is for water, wastewater, and stormwater projects exclusive of mandated improvement projects under the federal National Pollution Discharge Elimination System (NPDES). Approximately \$18.1 million has been budgeted for street and roadway needs, \$17.0 million for general facilities (including parking facilities), and \$18.8 million for the Sepulveda Bridge project. These projects will ensure continued functionality of vital systems, traffic flow and community facilities.

REQUESTS FOR INFORMATION

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

CITY OF MANHATTAN BEACH

STATEMENT OF NET POSITION
JUNE 30, 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

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FUND FINANCIAL STATEMENTS

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

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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.		3,517,882
Deferred outflows of resources reported for OPEB for government-wide statements are amortized:		
Differences between expected and actual experiences	11,461	
Net difference between projected and actual earnings	<u>12,420</u>	23,881
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 outflows 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>

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	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	(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	<u>523,916</u>	<u>-</u>
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	<u>1,493,516</u>	<u>-</u>
Total Liabilities	<u>\$ 3,486,638</u>	<u>-</u>
Net Position:		
Restricted for pensions		<u>150,738</u>
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	150,738
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	Uncategorized	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	
<u>Pooled investments:</u>					
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
	<u>\$ 46,243,081</u>	<u>\$ 5,990,830</u>	<u>\$ 39,410,035</u>	<u>\$ 31,357,840</u>	<u>123,001,786</u>
<u>Investment with Fiscal Agents:</u>					
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
					<u>1,974,152</u>
Demand deposits					4,149,382
Other deposits					688,321
Petty cash					1,452
					<u>4,839,155</u>
					<u>\$ 129,815,093</u>

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>\$ 9,675,000</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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 9: CalPERS Retirement Plans

	Miscellaneous Plan	Safety - Police Plan	Safety - Fire Plan	Total
Nep pension liability	\$ (22,961,121)	\$ (35,493,923)	\$ (16,396,083)	\$ (74,851,127)
Deferred pension outflows	5,246,284	8,785,901	4,622,167	18,654,352
Deferred pension intflows	(1,292,922)	(1,705,432)	(983,397)	(3,981,751)

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:

Asset Class (1)	Assumed Asset Allocation	Real Return Years 1 - 10 (2)	Real Return Years 11+ (3)
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	100.00%		

(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

	Supplemental Retirement Plan	Single Highest Year Plan	Total
Net pension liability	\$ (79,418)	\$ (173,662)	\$ (253,080)

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

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	10,663	-	10,663
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	7,973	26,222	(18,249)
Balance at: June 30, 2019	\$ 292,056	\$ 118,394	\$ 173,662

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>

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

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)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

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)

OPEB Plan Fiduciary Net Position

CERBT issues a publicly available financial report that includes financial statements and required supplementary information.

OPEB Deferred Outflows/Inflows of Resources Related to OPEB

As of June 30, 2019, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 12,740	\$ -
Net difference between projected and actual earnings on OPEB plan investments	13,807	-
Total	\$ 26,547	\$ -

The \$26,547 reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Year ended June 30:	Deferred Outflows/(Inflows) of Resources
2020	\$ 6,636
2021	6,636
2022	6,636
2023	6,639

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.

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

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 13: Risk Management (Continued)

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	4,086,741	(4,009,345)	17,196,322

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	269,284
Total Assets	<u>11,800,323</u>

Liabilities

Current liabilities	1,445,995
Noncurrent liabilities	346,281
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	3,337
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

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	(3,200,572)	(3,437,160)	(4,000,319)	(4,035,127)	(4,413,119)	(5,071,642)
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)**

	2014	2015	2016	2017	2018	2019
Total pension liability:						
Interest	\$ 4,535	\$ 3,868	\$ 4,465	\$ (552)	\$ 4,837	\$ 4,045
Benefit payments, including refunds of member contributions	(20,118)	(20,519)	(21,728)	(21,340)	(21,690)	(22,125)
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	(21,879)	-	(7,654)	13,757	(8,168)	2,523
Total pension liability, beginning of year	133,183	111,304	111,304	103,650	117,407	109,239
Total pension liability, end of year	111,304	111,304	103,650	117,407	109,239	111,762
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	\$ 8,632	\$ 25,283	\$ 34,892	\$ 70,541	\$ 83,567	\$ 79,418
Plan fiduciary net position as a percentage of the total pension liability	92.24%	77.28%	66.34%	39.92%	23.50%	28.94%
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)

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

The Supplement Retirement Plan is dormant.

Actual contributions as a percentage of actuarial determined contributions	N/A	N/A	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)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total pension liability:						
Interest	\$ 12,194	\$ 9,588	\$ 13,610	\$ (1,639)	\$ 13,871	\$ 10,663
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)	7,973
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	292,056
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	\$ 173,662
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 employee payroll	\$ 27,942,810	\$ 28,350,135
Net OPEB liability as a percentage of covered employee 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 employee payroll	\$ 28,350,135	\$ 28,955,206
Contributions as a percentage of covered employee 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.

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.

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

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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.

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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	196,048	2,771,286
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

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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.

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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	(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.

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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.

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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	15,412,689	1,661,351	3,387,475	161,304	20,622,819
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	42,774	85,548	5,174,260	69,070	5,371,652
Total Assets	15,455,463	1,746,899	8,561,735	230,374	25,994,471
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	71,606	223,404	100,731	136,396	532,137
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	10,540,970	121,393	86,977	90,389	10,839,729
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	6,976,780	943,787	402,139	570,068	8,892,774
Total Liabilities	17,517,750	1,065,180	489,116	660,457	19,732,503
Deferred Inflows of Resources:					
Deferred pension related items	15,392	51,953	23,845	33,382	124,572
Total Deferred Inflows of Resources	15,392	51,953	23,845	33,382	124,572
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	\$ (2,006,073)	\$ 853,170	\$ 8,149,505	\$ (327,069)	\$ 6,669,533

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				Totals
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	
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.

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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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Statistical Section (Unaudited)

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

Contents

Exhibits

Financial Trends

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

A-2 to A-5

Revenue Capacity

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

A-6 to A-14

Debt Capacity

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

A-15 to A-18

Demographic and Economic Information

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

A-19 to A-21

Operating & Other Information

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

A-22 to A-25

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

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Statistical Section

Financial Trends

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

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

	Fiscal Year Ending				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities					
Net Investment in capital assets	\$ 94,713,693	\$ 93,795,303	\$ 93,795,301	\$ 98,930,447	\$ 100,924,816
Restricted:					
Debt Service & Restricted Cash	1,960,662	1,999,346	2,062,187	1,130,434	977,888
Special Revenue Funds	6,651,292	7,479,933	9,122,955	9,065,922	10,266,913
Post-Employment Benefits	-	-	-	-	-
Total Restricted	8,611,954	9,479,279	11,185,142	10,196,356	11,244,801
Unrestricted (1,2)	29,916,356	31,513,669	29,224,129	31,058,162	31,714,367
Total governmental activities net position	<u>\$ 133,242,003</u>	<u>\$ 134,788,251</u>	<u>\$ 134,204,572</u>	<u>\$ 140,184,965</u>	<u>\$ 143,883,984</u>
Business-type activities					
Net Investment in capital assets	\$ 25,485,791	\$ 27,111,091	\$ 28,293,829	\$ 33,902,701	\$ 34,342,910
Restricted:					
Business Improvement district	508,617	517,072	523,928	520,514	532,510
Debt Service & Restricted Cash	1,221,763	1,208,833	1,210,125	-	215,656
Total Restricted	1,730,380	1,725,905	1,734,053	520,514	748,166
Unrestricted	12,384,155	13,385,526	17,942,198	21,754,310	29,522,345
Total business-type activities net position	<u>\$ 39,600,326</u>	<u>\$ 42,222,522</u>	<u>\$ 47,970,080</u>	<u>\$ 56,177,525</u>	<u>\$ 64,613,421</u>
Primary government					
Net Investment in capital assets	\$ 120,199,484	\$ 120,906,394	\$ 122,089,130	\$ 132,833,148	\$ 135,267,726
Restricted:					
Business Improvement district	508,617	517,072	523,928	520,514	532,510
Debt Service & Restricted Cash	3,182,425	3,208,179	3,272,312	1,130,434	1,193,544
Special Revenue Funds	6,651,292	7,479,933	9,122,955	9,065,922	10,266,913
Post-Employment Benefits	-	-	-	-	-
Total Restricted	10,342,334	3,725,251	3,796,240	1,650,948	1,726,054
Unrestricted	42,300,511	44,899,195	47,166,327	52,812,472	61,236,712
Total primary government net position	<u>\$ 172,842,329</u>	<u>\$ 169,530,840</u>	<u>\$ 173,051,697</u>	<u>\$ 187,296,568</u>	<u>\$ 198,230,492</u>

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

(2) Starting in Fiscal Year ending June 30, 2018, activities reflect OPEB pronouncements in accordance with GASB 75.

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

Exhibit A-2

	Fiscal Year Ending				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Governmental activities					
Net Investment in capital assets	\$ 101,159,813	\$ 102,028,495	\$ 103,345,895	\$ 103,659,026	\$ 111,406,609
Restricted:					
Debt Service & Restricted Cash	32,566	12,586	-	-	-
Special Revenue Funds	10,186,991	10,784,745	11,329,103	9,897,701	7,004,222
Post-Employment Benefits	-	-	-	763,621	1,068,946
Total Restricted	10,219,557	10,797,331	11,329,103	10,661,322	8,073,168
Unrestricted (1,2)	<u>(17,546,716)</u>	<u>(15,597,553)</u>	<u>(16,091,037)</u>	<u>(14,862,095)</u>	<u>(19,756,174)</u>
Total governmental activities net position	<u>\$ 93,832,654</u>	<u>\$ 97,228,273</u>	<u>\$ 98,583,961</u>	<u>\$ 99,458,253</u>	<u>\$ 99,723,603</u>
Business-type activities					
Net Investment in capital assets	\$ 35,610,816	\$ 40,621,092	\$ 42,329,262	\$ 43,188,261	\$ 43,807,896
Restricted:					
Business Improvement district	546,317	541,863	552,266	553,653	571,598
Debt Service & Restricted Cash	<u>204,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Restricted	751,173	541,863	552,266	553,653	571,598
Unrestricted	<u>36,006,212</u>	<u>38,979,894</u>	<u>43,669,078</u>	<u>48,387,171</u>	<u>56,303,666</u>
Total business-type activities net position	<u>\$ 72,368,201</u>	<u>\$ 80,142,849</u>	<u>\$ 86,550,606</u>	<u>\$ 92,129,085</u>	<u>\$ 100,683,160</u>
Primary government					
Net Investment in capital assets	\$ 136,770,629	\$ 142,649,587	\$ 145,675,157	\$ 146,847,287	\$ 155,214,505
Restricted:					
Business Improvement district	546,317	541,863	552,266	553,653	571,598
Debt Service & Restricted Cash	237,422	12,586	-	-	-
Special Revenue Funds	10,186,991	10,784,745	11,329,103	9,897,701	7,004,222
Post-Employment Benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>763,621</u>	<u>1,068,946</u>
Total Restricted	783,739	554,449	552,266	11,214,975	8,644,766
Unrestricted	<u>18,459,496</u>	<u>23,382,341</u>	<u>27,578,041</u>	<u>33,525,076</u>	<u>36,547,492</u>
Total primary government net position	<u>\$ 156,013,864</u>	<u>\$ 166,586,377</u>	<u>\$ 173,805,464</u>	<u>\$ 191,587,338</u>	<u>\$ 200,406,763</u>

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

	Fiscal Year Ending				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Expenses					
Governmental activities:					
General government	\$ 10,308,925	\$ 9,464,347	\$ 9,489,937	\$ 8,659,381	\$ 11,102,480
Public Safety	28,879,836	30,686,086	32,190,597	33,374,733	34,955,520
Culture and recreation	5,853,076	6,018,205	5,761,135	5,798,599	7,062,072
Public Works	7,906,172	8,338,105	8,369,506	8,044,071	7,256,983
Interest on long-term debt	811,710	769,374	820,494	791,358	384,950
Total governmental activities expenses	<u>53,759,719</u>	<u>55,276,117</u>	<u>56,631,669</u>	<u>56,668,142</u>	<u>60,762,005</u>
Business-type activities:					
Water	8,214,250	8,326,398	8,523,452	8,857,744	9,235,903
Stormwater	374,513	410,188	752,257	402,914	765,387
Wastewater	1,685,881	1,692,812	1,740,453	2,024,852	2,068,755
Refuse	4,282,026	4,386,842	4,205,443	4,167,310	3,900,588
Parking	2,190,580	2,352,386	2,888,269	3,385,556	2,963,610
Total business-type activities expenses	<u>16,747,250</u>	<u>17,168,626</u>	<u>18,109,874</u>	<u>18,838,376</u>	<u>18,934,243</u>
Total primary government expenses	<u>\$ 70,506,969</u>	<u>\$ 72,444,743</u>	<u>\$ 74,741,543</u>	<u>\$ 75,506,518</u>	<u>\$ 79,696,248</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General Government	\$ 4,085,381	\$ 3,883,959	\$ 4,223,405	\$ 4,535,499	\$ 4,950,743
Public Safety	4,576,210	4,765,404	4,783,038	5,172,443	4,154,836
Parks and recreation	2,577,883	3,029,554	2,805,841	2,470,359	2,798,673
Public works	2,512,225	3,440,572	4,134,599	3,792,239	3,563,085
Operating grants and contributions	2,224,949	1,322,867	1,183,103	1,847,316	1,638,522
Capital grants and contributions	1,399,366	1,504,759	2,554,310	2,032,724	2,314,830
Total governmental activities program revenues	<u>17,376,014</u>	<u>17,947,115</u>	<u>19,684,296</u>	<u>19,850,580</u>	<u>19,420,689</u>
Business-type activities:					
Charges for services:					
Water	7,887,900	9,557,717	12,578,908	14,916,283	16,275,584
Stormwater	360,926	347,602	352,860	345,821	344,556
Wastewater	1,820,756	2,620,669	3,087,150	3,406,077	3,626,144
Refuse	4,110,342	4,189,639	4,363,739	4,426,190	3,965,882
Parking	2,544,834	3,008,206	3,396,749	3,506,309	3,761,948
Operating grants and contributions	-	19,638	33,209	69,937	19,880
Capital grants and contributions	57,398	-	-	500,000	-
Total business-type activities program revenues	<u>16,782,156</u>	<u>19,743,471</u>	<u>23,812,615</u>	<u>27,170,617</u>	<u>27,993,994</u>

Fiscal Year Ending					
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	
\$ 12,276,294	\$ 13,318,679	\$ 13,812,252	\$ 15,510,329	\$ 15,887,856	
37,098,767	37,458,469	41,381,149	43,350,463	46,314,516	
7,707,656	8,476,953	9,020,080	9,895,447	9,922,148	
9,084,861	8,396,503	9,572,971	10,188,714	10,805,410	
428,406	416,551	616,179	465,472	439,858	
<u>66,595,984</u>	<u>68,067,155</u>	<u>74,402,631</u>	<u>79,410,425</u>	<u>83,369,788</u>	
9,133,069	9,851,136	10,729,445	11,305,635	12,141,933	
778,084	1,117,244	1,005,835	1,657,886	1,052,389	
1,679,545	1,383,922	1,430,253	1,454,510	1,754,562	
4,011,830	4,110,197	3,999,131	4,223,690	4,109,233	
3,160,043	4,000,175	3,785,249	4,463,751	3,561,198	
<u>18,762,571</u>	<u>20,462,674</u>	<u>20,949,913</u>	<u>23,105,472</u>	<u>22,619,315</u>	
<u>\$ 85,358,555</u>	<u>\$ 88,529,829</u>	<u>\$ 95,352,544</u>	<u>\$ 102,515,897</u>	<u>\$ 105,989,103</u>	
\$ 5,814,648	\$ 5,859,027	\$ 7,099,310	\$ 4,198,331	\$ 6,495,480	
4,309,976	4,182,052	4,173,082	4,586,742	3,538,806	
3,034,335	3,135,249	3,420,580	3,731,563	3,757,047	
4,074,858	4,253,809	5,293,202	6,831,671	5,540,348	
1,739,455	1,587,534	2,304,536	3,253,902	2,190,097	
2,724,621	2,316,956	1,850,921	2,461,094	4,046,717	
<u>21,697,893</u>	<u>21,334,627</u>	<u>24,141,631</u>	<u>25,063,303</u>	<u>25,568,495</u>	
16,101,667	14,514,443	14,670,316	15,527,415	15,424,972	
353,616	345,736	348,880	349,888	350,106	
3,562,456	3,281,179	3,293,933	3,417,772	3,462,973	
4,063,886	4,242,316	4,205,361	4,306,957	4,131,074	
3,899,746	3,828,054	3,715,624	3,862,585	4,439,452	
10,020	19,611	9,353	331,705	117,833	
-	850,000	-	-	-	
<u>27,991,391</u>	<u>27,081,339</u>	<u>26,243,467</u>	<u>27,796,322</u>	<u>27,926,410</u>	

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

	Fiscal Year Ending				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net (Expense)/Revenue					
Governmental activities (1,2)	\$ (36,383,705)	\$ (37,329,002)	\$ (36,947,373)	\$ (36,817,562)	\$ (41,341,316)
Business-type activities (1,2)	34,906	2,574,845	5,702,741	8,332,241	9,059,751
Total primary government net expense	<u>\$ (36,348,799)</u>	<u>\$ (34,754,157)</u>	<u>\$ (31,244,632)</u>	<u>\$ (28,485,321)</u>	<u>\$ (32,281,565)</u>
General Revenues and Other Changes					
Governmental activities:					
Taxes					
Property taxes	\$ 20,006,558	\$ 19,791,425	\$ 20,408,314	\$ 21,626,173	\$ 23,353,743
Sales taxes	7,646,109	8,148,688	8,788,599	9,103,160	8,921,346
Transient occupancy tax	3,174,319	3,229,823	3,240,364	3,881,174	4,289,009
Motor vehicle in lieu tax	108,815	118,296	95,915	18,887	15,631
Business license tax	2,783,641	2,844,066	3,018,177	3,124,644	3,140,273
Franchise taxes	1,220,171	1,289,443	1,335,815	1,471,197	1,441,769
Real estate transfer taxes	356,367	473,275	521,274	587,399	642,718
Rental income	1,925,895	2,029,355	2,087,648	2,406,174	2,554,820
Investment earnings	476,463	696,066	603,334	226,951	480,568
Other	150,229	148,451	151,219	151,613	-
Transfers	134,753	106,362	99,884	200,583	200,458
Total governmental activities	<u>37,983,320</u>	<u>38,875,250</u>	<u>40,350,543</u>	<u>42,797,955</u>	<u>45,040,335</u>
Business-type activities:					
Investment earnings	260,234	153,713	144,701	56,266	151,923
Transfers	(134,753)	(106,362)	(99,884)	(200,583)	(200,458)
Other	-	-	-	19,521	43,388
Total business-type activities	<u>125,481</u>	<u>47,351</u>	<u>44,817</u>	<u>(124,796)</u>	<u>(5,147)</u>
Total primary government	<u>\$ 38,108,801</u>	<u>\$ 38,922,601</u>	<u>\$ 40,395,360</u>	<u>\$ 42,673,159</u>	<u>\$ 45,035,188</u>
Change in Net Position					
Governmental activities	\$ 1,599,615	\$ 1,546,248	\$ 3,403,170	\$ 5,980,393	\$ 3,699,019
Business-type activities	160,387	2,622,196	5,747,558	8,207,445	9,054,604
Total primary government	<u>\$ 1,760,002</u>	<u>\$ 4,168,444</u>	<u>\$ 9,150,728</u>	<u>\$ 14,187,838</u>	<u>\$ 12,753,623</u>

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

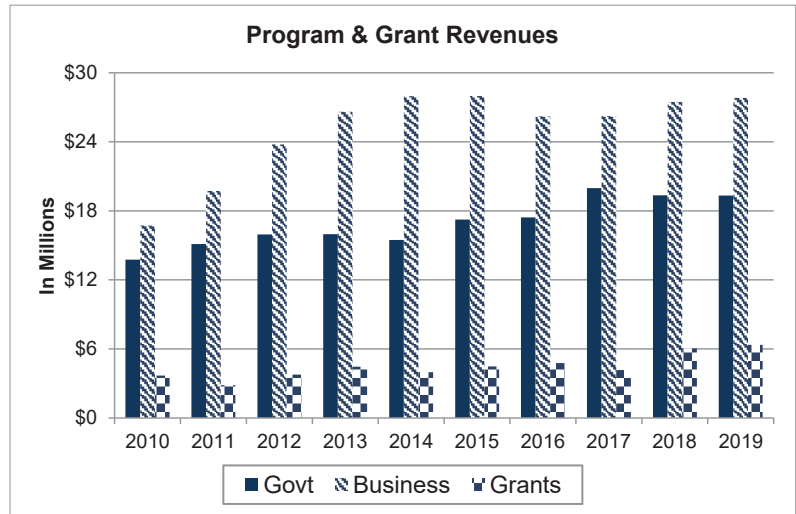
(2) Starting in Fiscal Year ending June 30, 2018, activities reflect OPEB pronouncements in accordance with GASB 75

Exhibit A-3
Continued

Fiscal Year Ending				
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ (44,898,091)	\$ (46,732,528)	\$ (50,261,000)	\$ (54,347,122)	\$ (57,801,293)
9,228,820	6,618,665	5,293,554	4,690,850	5,307,095
<u>\$ (35,669,271)</u>	<u>\$ (40,113,863)</u>	<u>\$ (44,967,446)</u>	<u>\$ (49,656,272)</u>	<u>\$ (52,494,198)</u>
\$ 24,435,184	\$ 26,344,276	\$ 28,215,709	\$ 30,318,225	\$ 32,107,341
9,268,657	8,826,767	9,088,502	9,083,389	9,734,444
4,809,421	5,139,425	5,201,518	4,429,080	5,140,858
15,099	14,430	15,812	18,680	17,276
3,376,113	3,475,792	3,658,194	3,718,418	4,053,020
1,539,453	1,439,957	1,256,125	1,262,037	1,234,752
720,826	850,974	776,298	788,203	1,013,516
2,751,302	3,028,151	3,299,373	2,402,463	3,394,762
433,200	841,905	195,755	413,405	2,352,641
111,382	809,976	724,240	10,345	27,943
250,324	(643,506)	(814,838)	(735,737)	(1,009,910)
<u>47,710,961</u>	<u>50,128,147</u>	<u>51,616,688</u>	<u>51,708,508</u>	<u>58,066,643</u>
273,944	479,475	70,885	224,471	2,237,070
(250,324)	643,506	814,838	735,737	1,009,910
74,643	60,678	258,030	2,580	-
<u>98,263</u>	<u>1,183,659</u>	<u>1,143,753</u>	<u>962,788</u>	<u>3,246,980</u>
<u>\$ 47,809,224</u>	<u>\$ 51,311,806</u>	<u>\$ 52,760,441</u>	<u>\$ 52,671,296</u>	<u>\$ 61,313,623</u>
\$ 2,812,870	\$ 3,395,619	\$ 1,355,688	\$ (2,638,614)	\$ 265,350
9,327,083	7,802,324	6,437,307	5,653,638	8,554,075
<u>\$ 12,139,953</u>	<u>\$ 11,197,943</u>	<u>\$ 7,792,995</u>	<u>\$ 3,015,024</u>	<u>\$ 8,819,425</u>

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

	Fiscal Year				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General Government	\$ 4,085,381	\$ 3,883,959	\$ 4,223,405	\$ 4,535,499	\$ 4,950,743
Public Safety	4,576,210	4,765,404	4,783,038	5,172,443	4,154,836
Culture and recreation	2,577,883	3,029,554	2,805,841	2,470,359	2,798,673
Public works	2,512,225	3,440,572	4,134,599	3,792,239	3,563,085
Operating grants and contributions	2,224,949	1,322,867	1,183,103	1,847,316	1,638,522
Capital grants and contributions	1,399,366	1,504,759	2,554,310	2,032,724	2,314,830
Total governmental activities program revenues	17,376,014	17,947,115	19,684,296	19,850,580	19,420,689
Business-type activities:					
Charges for services:					
Water	7,887,900	9,557,717	12,578,908	14,916,283	16,275,584
Stormwater	360,926	347,602	352,860	345,821	344,556
Wastewater	1,820,756	2,620,669	3,087,150	3,406,077	3,626,144
Refuse	4,110,342	4,189,639	4,363,739	4,426,190	3,965,882
Parking	2,544,834	3,008,206	3,396,749	3,506,309	3,761,948
Operating grants and contributions	-	19,638	33,209	69,937	19,880
Capital grants and contributions	57,398	-	-	500,000	-
Total business-type activities program revenues	16,782,156	19,743,471	23,812,615	27,170,617	27,993,994
Total primary government program revenues	\$ 34,158,170	\$ 37,690,586	\$ 43,496,911	\$ 47,021,197	\$ 47,414,683



Source: City of Manhattan Beach Finance department historical CAFRs

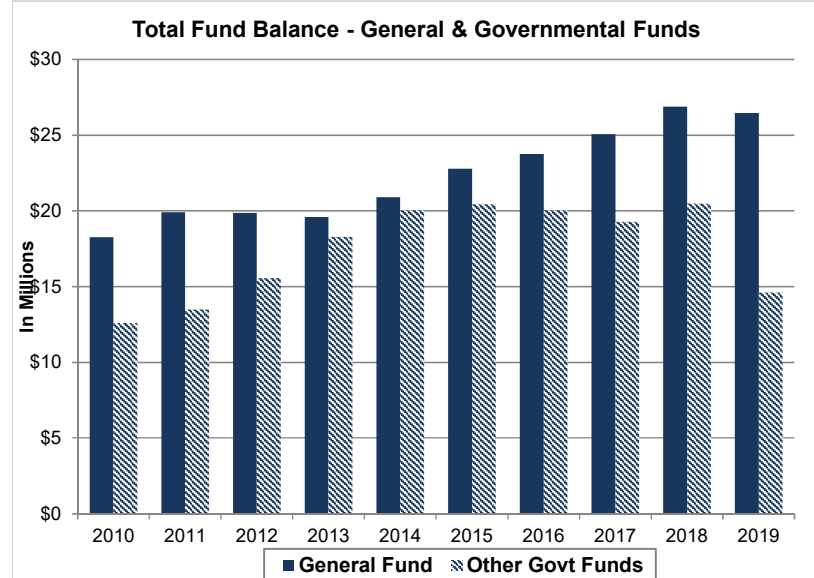
City of Manhattan Beach
 Program Revenues by Function/Program,
 Last Ten Fiscal Years
 (accrual basis of accounting)

Exhibit A-4

	Fiscal Year				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General Government	\$ 5,814,648	\$ 5,859,027	\$ 7,099,310	\$ 4,198,331	\$ 6,495,480
Public Safety	4,309,976	4,182,052	4,173,082	4,586,742	3,538,806
Culture and recreation	3,034,335	3,135,249	3,420,580	3,731,563	3,757,047
Public works	4,074,858	4,253,809	5,293,202	6,831,671	5,540,348
Operating grants and contributions	1,739,455	1,587,534	2,304,536	3,253,902	2,190,097
Capital grants and contributions	2,724,621	2,316,956	1,850,921	2,461,094	4,046,717
Total governmental activities program revenues	21,697,893	21,334,627	24,141,631	25,063,303	25,568,495
Business-type activities:					
Charges for services:					
Water	16,101,667	14,514,443	14,670,316	15,527,415	15,424,972
Stormwater	353,616	345,736	348,880	349,888	350,106
Wastewater	3,562,456	3,281,179	3,293,933	3,417,772	3,462,973
Refuse	4,063,886	4,242,316	4,205,361	4,306,957	4,131,074
Parking	3,899,746	3,828,054	3,715,624	3,862,585	4,439,452
Operating grants and contributions	10,020	19,611	9,353	331,705	117,833
Capital grants and contributions	-	850,000	-	-	-
Total business-type activities program revenues	27,991,391	27,081,339	26,243,467	27,796,322	27,926,410
Total primary government program revenues	\$ 49,689,284	\$ 48,415,966	\$ 50,385,098	\$ 52,859,625	\$ 53,494,905

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

	Fiscal Year Ending				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund					
Reserved					
Debt service & restricted cash	\$ 1,143,587	-	-	-	-
Encumbrances & other items	213,938	-	-	-	-
Unreserved	16,888,308	-	-	-	-
Nonspendable					
Inventory	-	-	-	-	-
Prepaid costs	-	\$ 19,519	\$ 48,989	\$ 42,514	\$ 46,823
Notes and loans	-	432,000	432,000	432,000	1,700,000
Advances to other funds	-	-	-	22,488	-
Restricted					
Post-employment benefits	-	-	-	-	-
Debt service & restricted cash	-	1,182,271	1,245,112	1,130,434	813,407
Committed					
School safety/security	-	-	-	-	-
Unassigned	-	18,270,832	18,134,492	17,961,324	18,338,105
Total General fund	18,245,833	19,904,622	19,860,593	19,588,760	20,898,335
All Other Governmental Funds					
Reserved					
Continuing Projects	6,755,397	-	-	-	-
Debt service & restricted cash	817,075	-	-	-	-
Encumbrances & other items	393,852	-	-	-	-
Unreserved, reported in:					
Special revenue funds	2,692,575	-	-	-	-
Capital projects funds	1,925,704	-	-	-	-
Nonspendable					
Notes and loans	-	42,744	38,336	45,052	-
Advances to other funds	-	1,073,000	771,100	469,200	-
Restricted					
Public safety	-	1,247,014	1,187,562	1,073,789	1,084,541
Parks and recreation	-	80,284	107,428	179,663	-
Public works	-	3,324,947	4,558,434	4,826,828	4,546,040
Capital projects	-	2,827,688	3,269,531	3,572,234	4,636,332
Debt service	-	817,075	817,075	8,278	164,481
Committed					
Capital projects	-	4,089,866	4,823,535	8,122,690	9,617,146
Unassigned	-	(22,488)	(22,488)	(22,488)	(22,488)
Total all other governmental funds	12,584,603	13,480,130	15,550,513	18,275,246	20,026,052
Total all governmental funds	\$ 30,830,436	\$ 33,384,752	\$ 35,411,106	\$ 37,864,006	\$ 40,924,387



Source: City of Manhattan Beach Finance department historical CAFRs

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

Exhibit A-5

	Fiscal Year Ending				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Fund					
Reserved					
Debt service & restricted cash	-	-	-	-	-
Encumbrances & other items	-	-	-	-	-
Unreserved	-	-	-	-	-
Nonspendable					
Inventory	-	-	-	-	\$ 7,167
Prepaid costs	\$ 46,080	\$ 82,138	\$ 133,786	\$ 753,765	684,023
Notes and loans	1,649,129	3,771,864	1,546,266	1,494,268	-
Advances to other funds	-	-	-	-	-
Restricted					
Post-employment benefits	-	-	-	763,621	1,068,946
Debt service & restricted cash	32,566	12,586	-	-	-
Committed					
School safety/security	-	-	-	1,000,000	-
Unassigned	21,036,975	19,883,693	23,367,583	22,860,400	24,694,460
Total General fund	22,764,750	23,750,281	25,047,635	26,872,054	26,454,596
All Other Governmental Funds					
Reserved					
Continuing Projects	-	-	-	-	-
Debt service & restricted cash	-	-	-	-	-
Encumbrances & other items	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Nonspendable					
Notes and loans	58,232	-	-	-	-
Advances to other funds	-	-	-	-	-
Restricted					
Public safety	1,000,434	873,595	809,361	730,541	724,355
Parks and recreation	-	-	-	-	-
Public works	4,613,796	5,272,830	5,495,829	348,127	44,857
Capital projects	4,572,761	4,638,320	5,023,913	8,819,033	6,235,010
Debt service	-	-	-	-	-
Committed					
Capital projects	10,208,481	9,270,230	7,961,065	10,569,488	7,598,135
Unassigned	(22,488)	(22,488)	(22,488)	-	-
Total all other governmental funds	20,431,216	20,032,487	19,267,680	20,467,189	14,602,357
Total all governmental funds	\$ 43,195,966	\$ 43,782,768	\$ 44,315,315	\$ 47,339,243	\$ 41,056,953

*City implemented GASB 54 in fiscal year 2011, which fundamentally changed fund balance breakdown in subsequent years. There is no effect on total fund balance.

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Statistical Section

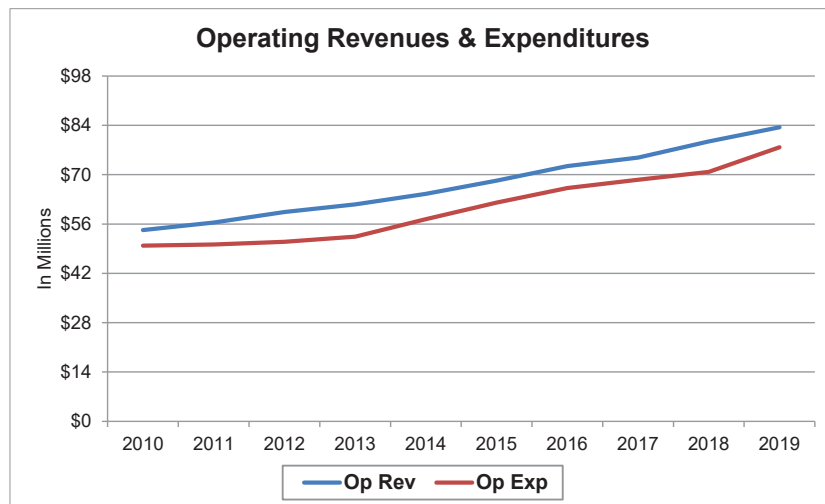
Revenue Capacity

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

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

	Fiscal Year Ending				
	2010	2011	2012	2013	2014
Revenues					
Tax and assessments	\$ 36,582,239	\$ 37,697,637	\$ 39,389,241	\$ 42,273,666	\$ 44,213,347
Licenses, fees, and permits	1,200,347	1,289,183	1,418,230	1,513,821	1,759,180
Intergovernmental	2,638,044	1,749,382	2,566,478	1,599,821	2,183,990
Charges for services	8,291,275	9,396,606	9,706,289	9,202,436	10,253,540
Interest and Rents	2,344,105	2,723,666	2,692,576	2,633,124	3,048,749
Fines and forfeitures	2,984,868	2,867,072	2,805,559	2,588,865	2,566,436
Net change fair value investments	58,253	(21,680)	(21,265)	(95,900)	30,910
Other revenues	192,965	751,112	878,475	1,867,612	490,870
Total revenues	54,292,096	56,452,978	59,435,583	61,583,445	64,547,022
Expenditures					
General government	9,785,663	8,660,865	8,560,273	9,101,953	10,467,524
Public Safety	28,461,175	29,176,141	30,449,560	30,470,567	33,525,828
Culture and recreation	5,699,228	6,192,471	5,552,632	5,680,001	6,831,568
Public works	5,923,828	6,149,939	6,369,092	7,155,292	6,527,537
Total operating expenditures	49,869,894	50,179,416	50,931,557	52,407,813	57,352,457
Excess of revenue over expenditures	4,422,202	6,273,562	8,504,026	9,175,632	7,194,565
Capital outlay	1,705,513	1,510,341	4,272,496	2,485,027	2,819,131
Debt service					
Interest	811,711	896,096	820,494	640,413	379,123
Principal	1,325,000	1,425,000	1,485,000	2,985,000	1,830,000
Fees					
Cost of Issuance	-	-	-	150,944	-
Payment to refunding bond escrow agent	-	-	-	821,153	-
Total Non Operating expenditures	3,842,224	3,831,437	6,577,990	7,082,537	5,028,254
Excess of revenues over expenditures	579,978	2,442,125	1,926,036	2,093,095	2,166,311
Other financing sources (Uses)					
Bonds issued	-	-	-	-	-
Premium on bonds issues	-	-	-	-	-
Proceeds from sale of capital assets	3,384	5,829	434	-	693,612
Transfers in	424,211	830,712	3,353,075	3,770,569	1,260,327
Transfers out	(289,458)	(724,350)	(3,253,191)	(3,569,986)	(1,059,869)
Other financing sources	-	-	-	11,010,846	-
Other financing uses	-	-	-	(10,851,624)	-
Total other financing sources (uses)	138,137	112,191	100,318	359,805	894,070
Prior Period Adjustment					
Net change in fund balances	718,115	2,554,316	2,026,354	2,452,900	3,060,381

Debt - % of Operating Expenditures & Debt	4.1%	4.4%	4.3%	6.5%	3.7%
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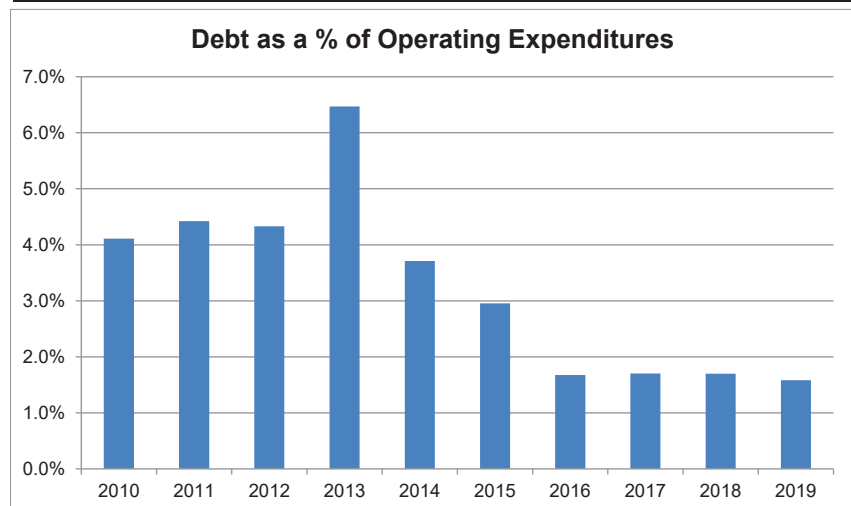
Source: City of Manhattan Beach Finance Department Historical CAFRs

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

Exhibit A-6

	Fiscal Year Ending				
	2015	2016	2017	2018	2019
Revenues					
Tax and assessments	\$ 46,601,118	\$ 48,908,825	\$ 50,405,516	\$ 52,246,911	\$ 55,981,022
Licenses, fees, and permits	2,185,871	2,812,480	2,738,149	3,383,839	3,084,603
Intergovernmental	2,495,207	2,406,440	2,093,411	3,583,892	2,725,463
Charges for services	10,362,276	10,284,762	11,724,813	12,918,156	12,743,463
Interest and Rents	3,184,502	3,870,056	3,495,128	2,815,868	5,747,403
Fines and forfeitures	2,637,538	2,615,306	2,599,654	2,570,974	2,051,692
Net change fair value investments	13,651	254,377	(519,971)	(518,607)	1,062,513
Other revenues	820,295	1,267,893	2,348,814	2,417,724	69,816
Total revenues	68,300,458	72,420,139	74,885,514	79,418,757	83,465,975
Expenditures					
General government	11,838,504	13,360,320	13,290,308	14,018,117	15,581,223
Public Safety	34,897,663	37,189,782	38,522,882	39,685,053	42,890,892
Culture and recreation	7,349,487	8,335,111	8,656,533	8,873,425	9,350,246
Public works	8,026,650	7,356,842	8,113,384	8,206,580	9,966,290
Total operating expenditures	62,112,304	66,242,055	68,583,107	70,783,175	77,788,651
Excess of revenue over expenditures	6,188,154	6,178,084	6,302,407	8,635,582	5,677,324
Capital outlay	2,275,709	3,153,156	3,669,140	2,979,570	8,956,807
Debt service					
Interest	412,240	403,458	442,116	479,537	456,437
Principal	1,480,000	725,000	745,000	745,000	795,000
Fees	-	-	-	4,810	3,400
Cost of Issuance	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	11,334	-	-
Total Non Operating expenditures	4,167,949	4,281,614	4,867,590	4,208,917	10,211,644
Excess of revenues over expenditures	2,020,205	1,896,470	1,434,817	4,426,665	(4,534,320)
Other financing sources (Uses)					
Bonds issued	-	-	5,905,000	-	-
Premium on bonds issues	-	-	438,570	-	-
Proceeds from sale of capital assets	1,050	838	-	-	-
Transfers in	534,480	714,082	1,685,005	639,686	1,004,433
Transfers out	(284,156)	(2,024,588)	(2,587,281)	(2,042,423)	(2,752,403)
Other financing sources	-	-	-	-	-
Other financing uses	-	-	(6,343,564)	-	-
Total other financing sources (uses)	251,374	(1,309,668)	(902,270)	(1,402,737)	(1,747,970)
Prior Period Adjustment					
Net change in fund balances	2,271,579	586,802	532,547	3,023,928	(6,282,290)

Debt - % of Operating Expenditures & Debt	3.0%	1.7%	1.7%	1.7%	1.6%
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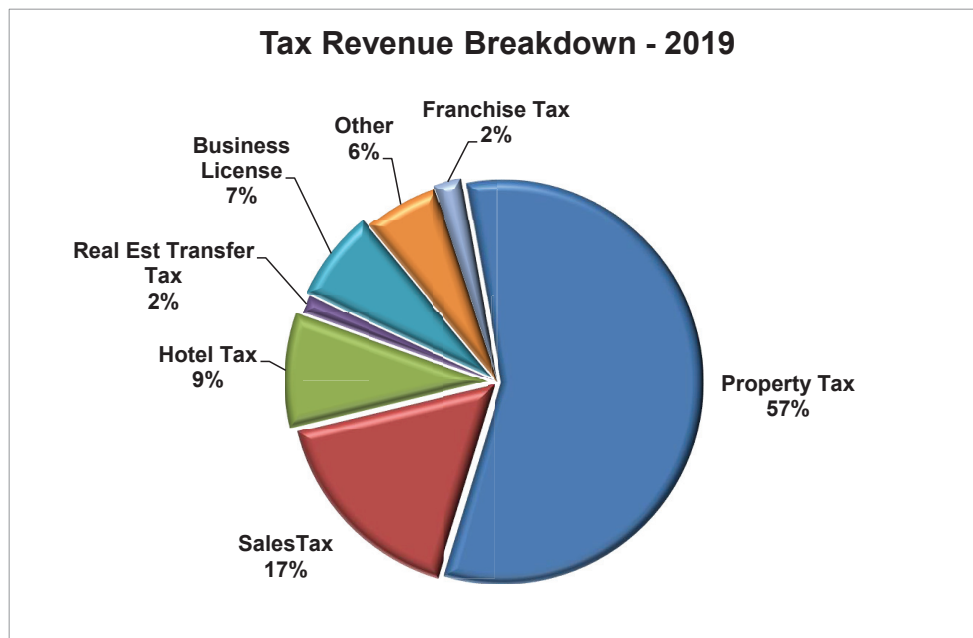
Source: City of Manhattan Beach Finance Department Historical CAFRs

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

Exhibit A-7

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales & Use</u>	<u>Hotel</u>	<u>Franchise</u>	<u>Real Est Transfer</u>	<u>Business License</u>	<u>Other Taxes Assessments</u>	<u>Total</u>
2019	\$ 32,107,341	\$ 9,339,304	\$ 5,140,858	\$ 1,234,752	\$ 783,516	\$ 4,053,020	\$ 3,322,231	\$ 55,981,022
2018	30,318,225	8,970,809	4,429,080	1,262,037	788,203	3,718,418	2,760,140	52,246,911
2017	28,215,709	8,962,617	5,201,518	1,256,125	756,049	3,658,194	2,355,304	50,405,516
2016	26,344,276	9,348,605	5,139,425	1,439,957	792,829	3,475,792	2,367,941	48,908,825
2015	24,435,184	9,171,515	4,809,421	1,539,453	720,826	3,376,113	2,548,606	46,601,118
2014	23,353,743	9,135,806	4,289,009	1,441,769	642,718	3,140,273	2,210,029	44,213,347
2013	21,626,173	9,103,160	3,881,174	1,471,197	587,399	3,124,644	2,479,919	42,273,666
2012	20,408,314	8,788,599	3,240,364	1,335,815	521,274	3,018,177	2,076,698	39,389,241
2011	19,791,425	8,148,688	3,229,823	1,289,443	473,280	2,844,066	1,920,912	37,697,637
2010	20,006,558	7,301,378	3,174,319	1,220,171	356,367	2,783,641	1,739,805	36,582,239
Change 2010-2019	60.5%	27.9%	62.0%	1.2%	119.9%	45.6%	91.0%	53.0%



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

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property	Total Assessed Value
2010	10,279,360,710	870,969,553	286,618,511	760,569,467	12,197,518,241
2011	10,310,125,299	857,387,446	272,285,842	798,171,374	12,237,969,961
2012	10,639,403,753	900,787,632	355,749,068	624,994,067	12,520,934,520
2013	11,115,348,658	873,633,618	273,166,539	782,689,333	13,044,838,148
2014	11,778,259,052	922,429,548	275,869,861	810,528,769	13,787,087,230
2015	12,500,544,975	959,518,199	281,151,363	791,941,297	14,533,155,834
2016	13,616,966,542	1,012,547,408	293,730,521	765,998,032	15,689,242,503
2017	14,551,610,225	1,105,261,590	298,209,901	824,621,493	16,779,703,209
2018	15,552,647,698	1,171,070,581	305,302,530	888,775,373	17,917,796,182
2019	16,543,536,695	1,199,124,711	311,408,568	950,206,556	19,004,276,530

Exhibit A-8

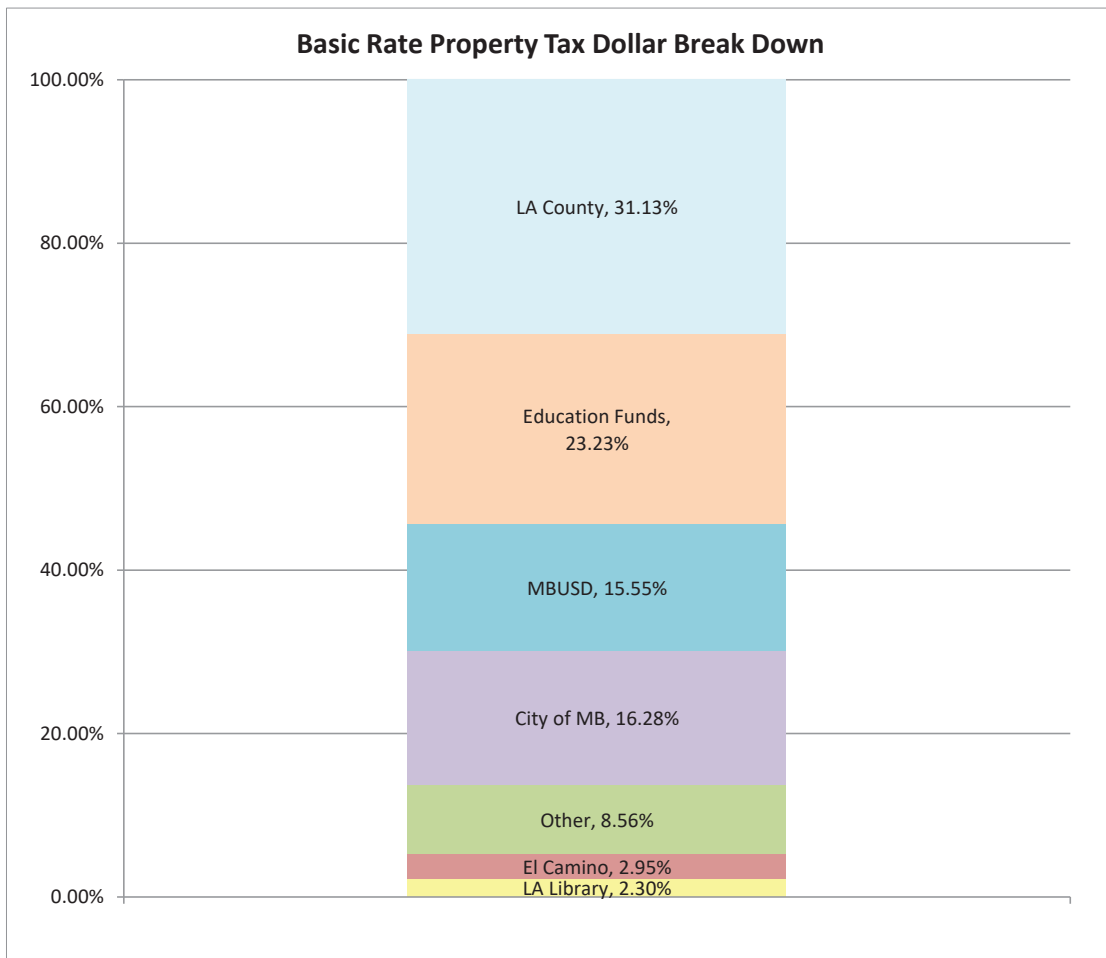
Tax-Exempt Property	Total Direct Tax Rate	Net Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
301,140,740	0.15842%	11,871,677,111	102.745%
301,140,740	0.15619%	11,913,602,319	102.723%
301,140,740	0.15928%	12,190,853,653	102.708%
301,114,939	0.15951%	12,713,329,765	102.608%
301,114,939	0.16012%	13,453,303,900	102.481%
301,114,939	0.16059%	14,196,903,333	102.368%
301,114,939	0.16127%	15,352,495,483	102.193%
301,127,715	0.16190%	16,442,347,904	102.052%
289,572,846	0.16250%	17,591,875,267	101.853%
289,572,846	0.16285%	18,676,191,358	101.757%

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

Exhibit A-9

Fiscal Year	City Direct Rates		Overlapping Rates						General Levy	Total Rate
	General Levy (Basic Rate)	City Direct Rate	LA County	Colleges & School Districts	Metro Water District	Flood Control District	Total Overlap Rate			
2010	1.00000%	0.15842%	0.00000	0.05497	0.00430	0.00000	0.05927	1.00000	1.05927	
2011	1.00000%	0.15619%	0.00000	0.05907	0.00370	0.00000	0.06277	1.00000	1.06277	
2012	1.00000%	0.15928%	0.00000	0.06489	0.00370	0.00000	0.06859	1.00000	1.06859	
2013	1.00000%	0.15951%	0.00000	0.07998	0.00350	0.00000	0.08348	1.00000	1.08348	
2014	1.00000%	0.16012%	0.00000	0.08755	0.00350	0.00000	0.09105	1.00000	1.09105	
2015	1.00000%	0.16059%	0.00000	0.08928	0.00350	0.00000	0.09278	1.00000	1.09278	
2016	1.00000%	0.16127%	0.00000	0.08403	0.00350	0.00000	0.08753	1.00000	1.08753	
2017	1.00000%	0.16190%	0.00000	0.09062	0.00350	0.00000	0.09412	1.00000	1.09412	
2018	1.00000%	0.16250%	0.00000	0.11581	0.00350	0.00000	0.11931	1.00000	1.11931	
2019	1.00000%	0.16285%	0.00000	0.11507	0.00350	0.00000	0.11857	1.00000	1.11857	



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

<u>Taxpayer</u>	2018/19	
	<u>Net Value</u>	<u>Percentage of Total City Net Value</u>
Northrop Grumman Systems Corp	\$ 209,130,555	1.12%
Rreef America Reit II Corporation BBB	175,452,657	0.94%
CRP MB Studios LLC	162,604,789	0.87%
ONNI Manhattan Towers LP	99,956,430	0.54%
HMC Interstate Manhattan Beach LP	91,218,104	0.49%
Parstem Realty Company Inc	73,802,137	0.40%
Michael Greenberg Trust	56,568,974	0.30%
WH Manhattan Beach LP	55,658,240	0.30%
Skechers USA Inc.	50,556,805	0.27%
1000 Cherry OCA LLC	48,534,140	0.26%
Top Ten Total	<u>\$ 1,023,482,831</u>	<u>5.49%</u>
City Total	<u><u>\$ 18,676,191,358</u></u>	

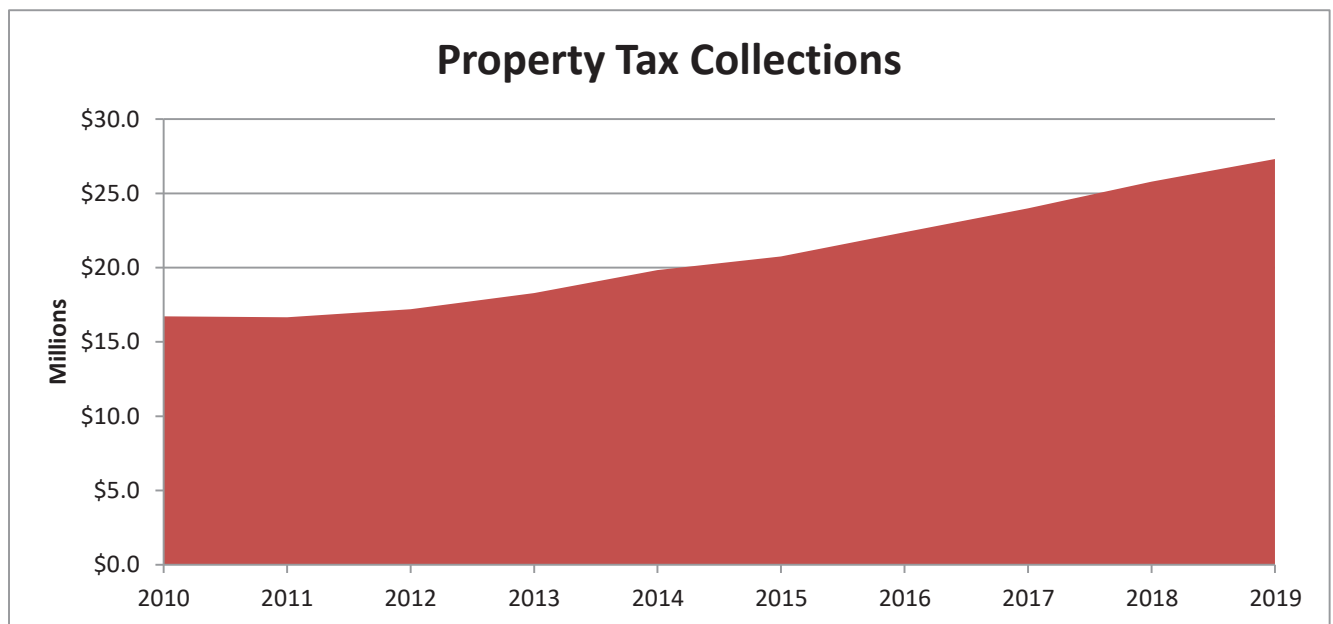
<u>Taxpayer</u>	<u>2009/10</u>	
	<u>Net Value</u>	<u>Percentage of Total City Net Value</u>
Northrop Grumman Space & Mission System	\$ 227,709,945	1.92%
Rreef America Reit II Corporation BBB	157,828,363	1.33%
CRP MB Studios LLC	156,060,000	1.31%
Wells REIT II Manhattan Towers LLC	99,229,258	0.84%
Parstem Realty Company Inc.	65,209,227	0.55%
Host Marriott Corporation Interstate	60,908,209	0.51%
Skechers USA	35,953,484	0.30%
Sun Manhattan LLC	33,446,638	0.28%
St Paul Properties Inc.	29,834,714	0.25%
Hughes Aircraft Employees Federal Cred	25,769,106	0.22%
	<u>\$ 891,948,944</u>	<u>7.51%</u>
	<u><u>\$ 11,871,677,111</u></u>	

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

Exhibit A-11

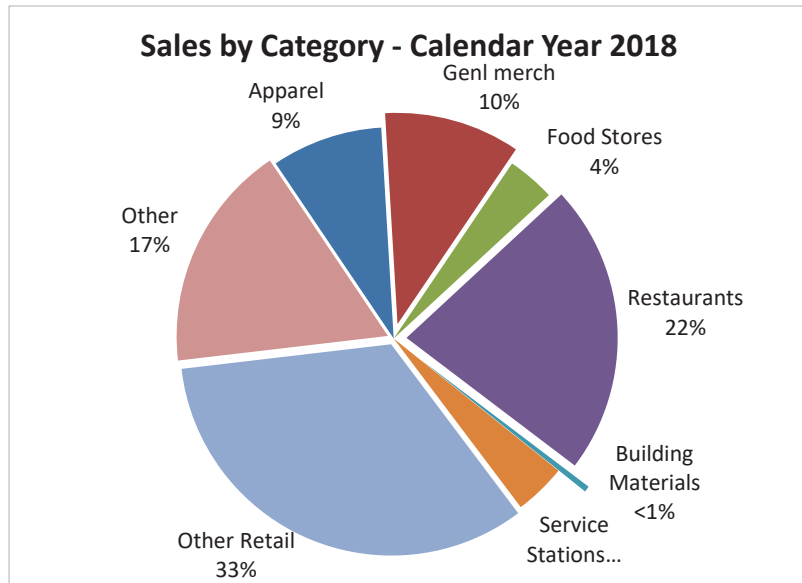
Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Prior Year	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	17,041,081	16,054,348	94.21%	661,930	16,716,278	98.09%
2011	16,836,854	16,056,305	95.36%	604,649	16,660,953	98.96%
2012	17,529,077	16,865,345	96.21%	334,117	17,199,461	98.12%
2013	18,294,098	17,716,515	96.84%	569,183	18,285,698	99.95%
2014	19,402,284	19,103,356	98.46%	725,598	19,828,955	102.20%
2015	20,507,194	19,991,754	97.49%	757,337	20,749,092	101.18%
2016	22,195,519	21,697,312	97.76%	682,877	22,380,189	100.83%
2017	23,822,585	23,386,545	98.17%	596,471	23,983,016	100.67%
2018	25,520,518	25,119,981	98.43%	675,026	25,795,007	101.08%
2019	27,138,821	26,656,342	98.22%	654,244	27,310,586	100.63%



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

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

	Calendar Year				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Apparel Stores	\$ 62,635	\$ 67,294	\$ 70,746	\$ 73,110	\$ 73,708
General Merchandise	104,754	101,300	103,665	104,276	106,017
Food Stores	30,399	30,040	29,743	30,351	31,819
Eating and Drinking Establishments	142,172	147,756	158,938	172,168	180,221
Building Materials	1,977	1,955	2,364	2,262	2,424
Service Stations	27,722	28,395	36,163	41,752	43,169
Other Retail Stores	267,606	280,816	288,594	303,299	305,320
All Other Outlets	105,997	169,561	221,184	247,112	252,074
Total	\$ 743,262	\$ 827,117	\$ 911,397	\$ 974,330	\$ 994,752
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%



* Calendar Year Data available through December 2018.

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

Exhibit A-12

	Calendar Year				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Apparel Stores	\$ 73,809	\$ 75,919	\$ 74,515	\$ 77,995	\$ 78,622
General Merchandise	104,277	102,310	101,038	96,353	96,372
Food Stores	31,832	33,110	34,634	33,270	33,882
Eating and Drinking Establishments	189,227	200,840	202,915	202,646	205,363
Building Materials	2,734	2,605	2,623	2,829	4,122
Service Stations	42,789	37,000	31,670	32,992	36,706
Other Retail Stores	286,140	295,157	303,311	308,555	309,131
All Other Outlets	<u>261,863</u>	<u>176,347</u>	<u>154,628</u>	<u>148,764</u>	<u>161,173</u>
Total	<u>\$ 992,671</u>	<u>\$ 923,288</u>	<u>\$ 905,334</u>	<u>\$ 903,404</u>	<u>\$ 925,371</u>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%

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

Exhibit A-13

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>L.A. County</u>
2019	1.00%	.25%
2018	1.00%	.25%
2017	1.00%	.25%
2016	1.00%	.25%
2015	1.00%	.25%
2014	1.00%	.25%
2013	1.00%	.25%
2012	1.00%	.25%
2011	1.00%	.25%
2010	1.00%	.25%

Source: State of California Board of Equalization

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

Exhibit A-14

Tax Remitter

2019

Apple
BevMo
California Pizza Kitchen
Chevron
Circle K
Frys Electronics
Houston's
Kettle
Macys
Manhattan Beach Toyota Scion
Marriott Manhattan Beach Hotel
Nick's Manhattan Beach
Old Navy
Olive Garden
Ralphs Fresh Fare
REI
Sephora
Skechers by Mail
Strand House Standbar
Target
Tin Roof Bistro
Toyota Lease Trust
Trader Joes
True Religion
Wrights

2009

Apple
Arco
Barnes & Noble
BevMo
California Pizza Kitchen
Chevron
CVS Pharmacy
Frys Electronics
Houston's
Kwik/AI Sal Oil
Macys
Manhattan Beach Marriott
Manhattan Beach Toyota Scion
McDonalds
Mobil Oil
Office Depot
Old Navy
Olive Garden
Pottery Barn
Ralphs Fresh Fare
REI
Sephora
Skechers
Target
Trader Joes

* Listed Alphabetically

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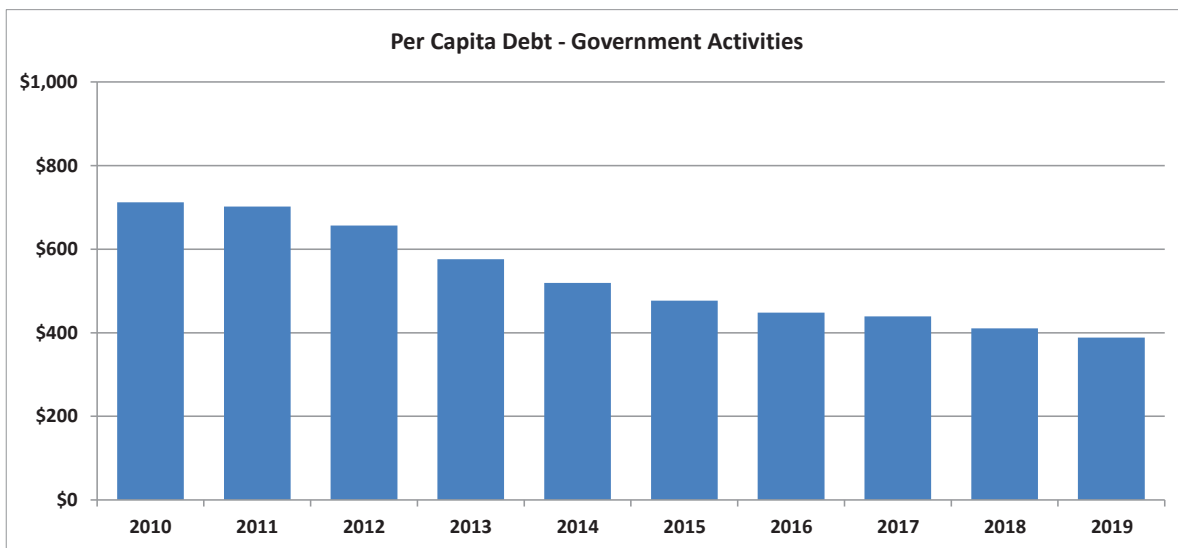
Statistical Section

Debt Capacity

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

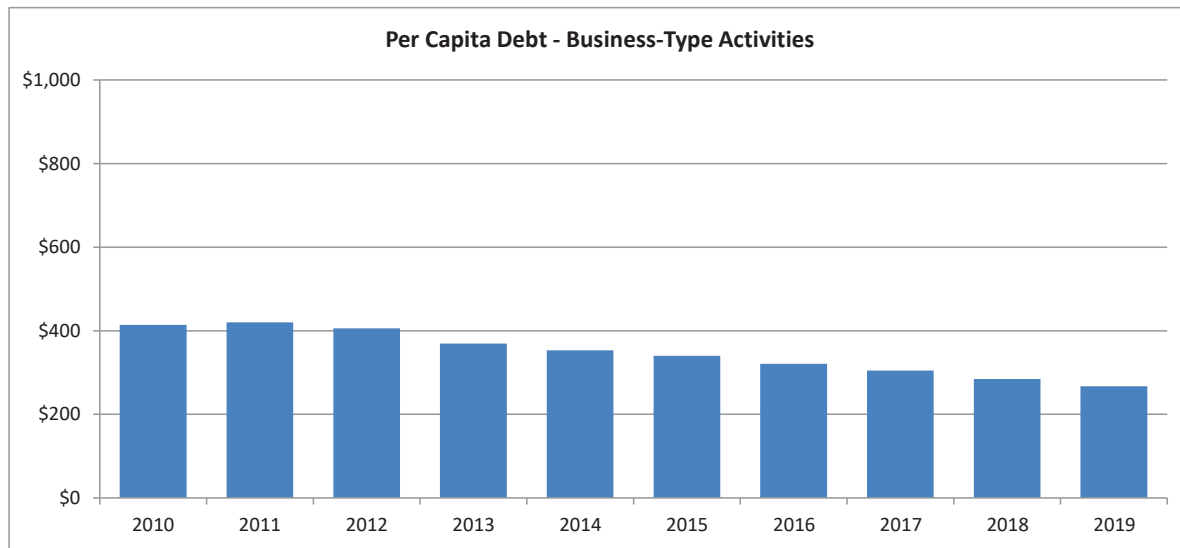
**City of Manhattan Beach
Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years**

Governmental Activities									
Fiscal Year	RCC Facility	Pension Obligation Bonds	Marine Certificates of Participation	Marine Refunding Certificates of Participation	Police/Fire Certificates of Participation	Police/Fire Refunding Bonds	Capital Leases	Total Governmental	Total Per Capita
2010	1,585,000	4,635,000	7,945,000	-	11,990,000	-	35,807	26,190,807	712
2011	1,495,000	3,795,000	7,715,000	-	11,725,000	-	-	24,730,000	702
2012	1,445,000	2,870,000	7,480,000	-	11,450,000	-	-	23,245,000	656
2013	-	1,860,000	7,235,000	-	-	10,510,000	903,841	20,508,841	576
2014	-	765,000	6,980,000	-	-	10,030,000	719,342	18,494,342	519
2015	-	-	6,715,000	-	-	9,580,000	531,820	16,826,820	477
2016	-	-	6,445,000	-	-	9,125,000	341,224	15,911,224	448
2017	-	-	-	6,317,766	-	9,042,225	147,506	15,507,497	439
2018	-	-	-	6,026,968	-	8,535,865	-	14,562,833	410
2019	-	-	-	5,706,170	-	8,009,505	-	13,715,675	389



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

Business-type Activities						Total		
Utility Revenue Bonds	Metlox Certificates of Participation	Utility Refunding Certificates of Participation	Metlox Refunding Certificates of Participation	Total Business Type	Total Per Capita	Total Primary Government	Percentage of Personal Income	Total Per Capita
3,490,000	11,735,000	-	-	15,225,000	414	41,415,807	1.46%	1,126
3,370,000	11,435,000	-	-	14,805,000	420	39,535,000	1.41%	1,122
3,240,000	11,125,000	-	-	14,365,000	406	37,610,000	1.32%	1,062
-	-	2,860,695	10,290,752	13,151,447	369	33,660,288	1.14%	945
-	-	2,686,239	9,896,927	12,583,166	353	31,077,508	1.08%	872
-	-	2,506,784	9,498,103	12,004,887	340	28,831,707	0.99%	817
-	-	2,317,328	9,079,279	11,396,607	321	27,307,831	0.92%	769
-	-	2,117,872	8,645,454	10,763,326	305	26,270,823	0.85%	744
-	-	1,913,417	8,191,630	10,105,047	285	24,667,880	0.77%	695
-	-	1,703,962	7,727,805	9,431,767	267	23,147,442	0.72%	656



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

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**City of Manhattan Beach
Direct and Overlapping Governmental Activities Debt
As of June 30, 2019**

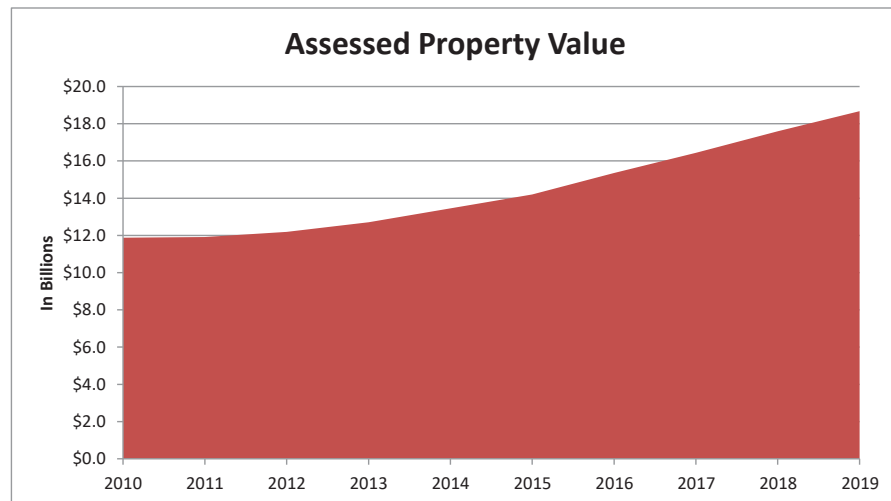
Exhibit A-16

<u>Governmental Unit</u>	<u>Gross Bonded Debt Balance</u>	<u>Percentage Applicable To City</u>	<u>Net Bonded Debt</u>
Direct Debt			
City of Manhattan Beach:			
Certificates of Participation Marine Avenue Park	\$ 5,706,170	100.000%	\$ 5,706,170
Refunding Certificates of Participation Police/Fire	8,009,505	100.000%	8,009,505
Total Direct Debt			<u>13,715,675</u>
Overlapping Debt			
Manhattan Beach UNIF DS 1996 SER A DS	\$ 1,607,796	99.998%	1,607,761
Manhattan Beach UNIF DS 1998 SER B	4,251,379	99.998%	4,251,286
Manhattan Beach USD DS 1999 SER C	2,184,425	99.998%	2,184,377
Manhattan Beach USD DS 2001 SER D	2,902,379	99.998%	2,902,315
Manhattan Beach USD DS 1995 SER E	4,628,829	99.998%	4,628,728
Manhattan Beach USD DS 2000 SER B	5,770,831	99.998%	5,770,705
Manhattan Beach USD DS 2008, 2011 SER C	24,160,467	99.998%	24,159,938
Manhattan Beach USD DS 2008 2012 SER D	790,000	99.998%	789,983
Manhattan Beach USD DS 2008 2012 SER E	8,310,000	99.998%	8,309,818
Manhattan Beach USD DS 2008 2013 SER F	14,295,000	99.998%	14,294,687
Manhattan Beach USD DS 2013 REF 2000 SER A	2,430,000	99.998%	2,429,947
Manhattan Beach USD DS 2016 SER A MEAS C	38,500,000	99.998%	38,499,157
Manhattan Beach USD DS 2016 SER A MEAS EE	37,705,000	99.998%	37,704,174
Metropolitan Water District	23,317,224	1.534%	357,782
El Camino CCS DS 2002 SER 2012C	177,350,103	16.820%	29,830,385
El Camino CCS DS 2012 REF BONDS	30,935,000	16.820%	5,203,284
El Camino CCD DS 2012 SER 2016 A	90,750,000	16.820%	15,264,200
El Camino CCS DS 2016 REF BONDS	71,165,000	16.820%	11,969,992
El Camino CCS DS 2012 SER 2018B	50,000,000	16.820%	8,410,027
Total Overlapping Debt			<u>218,568,545</u>
Total Direct and Overlapping Debt			<u>\$ 232,284,220</u>

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

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

	Fiscal Year				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Total Assessed Value	\$ 11,871,677,111	\$ 11,913,602,319	\$ 12,190,853,653	\$ 12,713,329,765	\$ 13,453,303,900
Legal debt limit (3.75%)	445,187,892	446,760,087	457,157,012	476,749,866	504,498,896
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 445,187,892</u>	<u>\$ 446,760,087</u>	<u>\$ 457,157,012</u>	<u>\$ 476,749,866</u>	<u>\$ 504,498,896</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%
Assessed Value Growth	1.49%	0.35%	2.33%	4.29%	5.82%

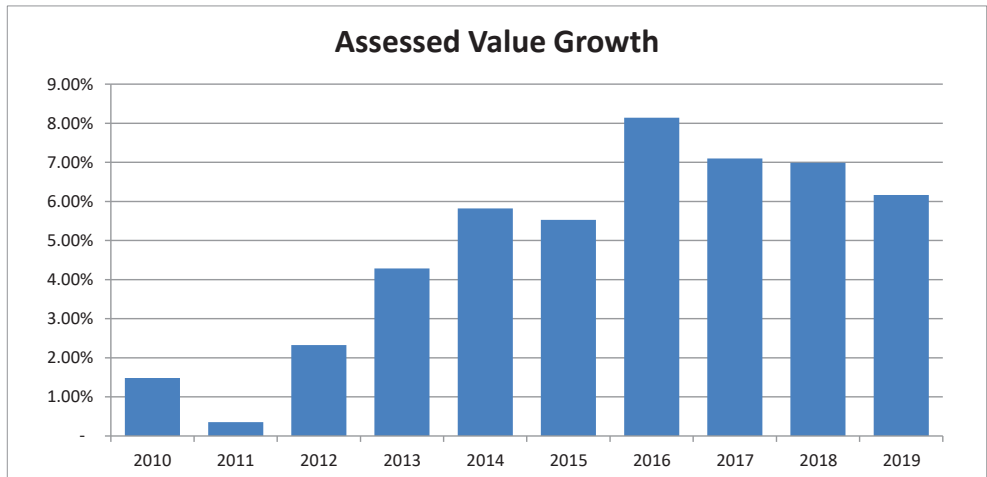


Source: City of Manhattan Beach Finance Department Historical CAFRs

Fiscal Year				
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 14,196,903,333	\$ 15,352,495,483	\$ 16,442,347,904	\$ 17,591,875,267	\$ 18,676,191,358
532,383,875	575,718,581	616,588,046	659,695,323	700,357,176
-	-	-	-	-
<u>\$ 532,383,875</u>	<u>\$ 575,718,581</u>	<u>\$ 616,588,046</u>	<u>\$ 659,695,323</u>	<u>\$ 700,357,176</u>

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

5.53%	8.14%	7.10%	6.99%	6.16%
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**City of Statistical
Pledged-Revenue Coverage,
Last Ten Fiscal Years**

Water - Wastewater Debt Service Principal and Interest

Fiscal Year	Utility Service Charges	(a) Less: Operating Expenses	Net Available Revenue	Debt Service		Times Coverage
				Principal	Interest	
2010	9,668,966	9,129,202	539,764	115,000	212,345	1.65
2011	12,149,167	9,230,873	2,918,294	120,000	205,769	8.96
2012	15,572,398	9,431,747	6,140,651	130,000	201,090	18.55
2013 (c)	18,322,360	10,105,431	8,216,929	85,000	93,150	46.12
2014	19,908,104	10,611,569	9,296,535	160,000	93,150	36.72
2015	19,674,895	10,082,087	9,592,808	165,000	89,950 (b)	37.63
2016	17,814,103	10,389,899	7,424,204	175,000	83,350 (b)	28.74
2017	17,977,445	11,279,607	6,697,838	185,000	76,350 (b)	25.63
2018	18,947,767	11,818,853	7,128,914	190,000	68,950 (b)	27.53
2019	18,889,006	12,947,329	5,941,677	195,000	63,250 (b)	23.01

(a) Operating Expense less depreciation expense

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

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

Parking Debt Service Principal and Interest

Parking Fund Revenue	(a) Less: Operating Expenses	Net Available Revenue	Debt Service		Times Coverage
			Principal	Interest	
1,591,919	789,917	802,002	285,000	575,046	0.93
2,094,783	765,202	1,329,581	300,000	564,432	1.54
2,302,557	988,324	1,314,233	310,000	552,580	1.52
2,305,348	1,326,796	978,552	360,000	342,475	1.39
2,432,958	1,356,782	1,076,176	370,000	348,762	1.50
2,566,403	1,505,208	1,061,195	375,000	341,363 (b)	1.48
2,533,935	1,676,685	857,250	395,000	326,362 (b)	1.19
2,460,627	1,687,183	773,444	410,000	310,563 (b)	1.07
2,525,275	1,813,828	711,447	430,000	294,163 (b)	0.98
3,038,490	1,723,456	1,315,034	440,000	278,263 (b)	1.83

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Statistical Section

Demographic and Economic Information

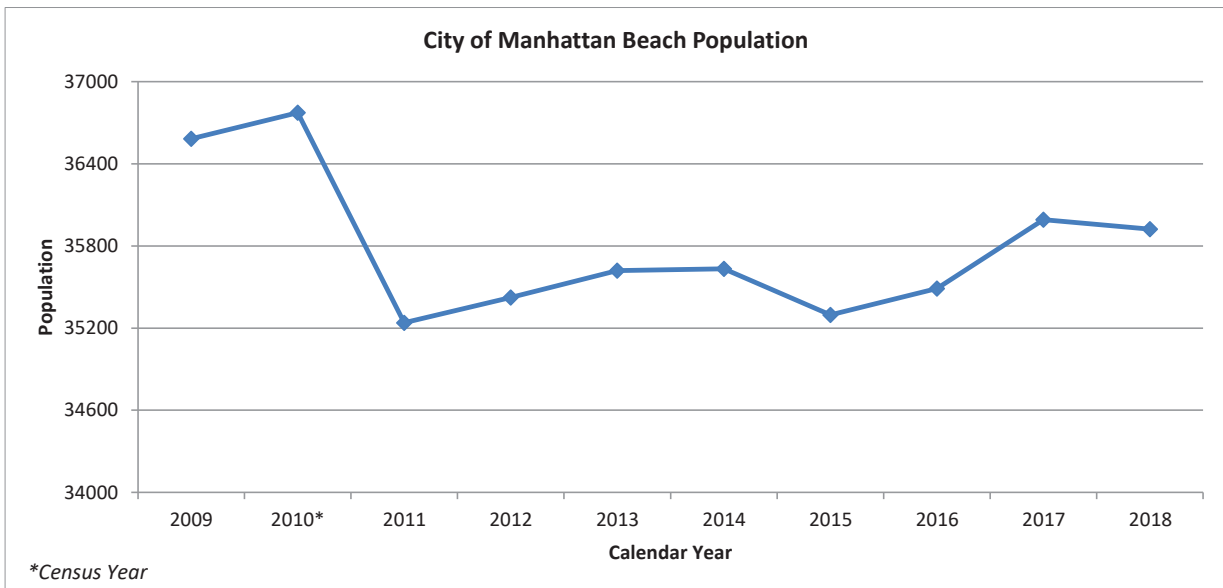
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.

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

Calendar Year	Population	Man Beach Personal Income (in thousands)	Personal Income L.A. County¹ (in thousands)	Per Capita Personal Income L.A. County¹	Per Capita Personal Income Man Beach	Unempl Rate	School Enrollment
2009	36,583	2,659,307	392,000,000	37,718	72,692	4.1%	6,560
2010*	36,773	2,830,050	405,000,000	38,789	76,960	4.5%	6,602
2011	35,239	2,802,945	420,900,000	42,696	79,541	4.4%	6,651
2012	35,423	2,850,383	435,300,000	43,916	80,467	3.2%	6,768
2013	35,619	2,945,228	451,100,000	45,024	82,687	2.6%	6,814
2014	35,633	2,864,394	487,900,000	48,456	80,386	3.4%	6,787
2015	35,297	2,906,208	521,900,000	51,207	82,335	2.7%	6,687
2016	35,488	2,969,983	557,382,000	54,432	83,689	2.1%	6,682
2017	35,991	3,102,178	585,515,000	56,698	86,192	2.6%	6,776
2018	35,922	3,208,080	602,632,000	58,349	89,306	3.4%	6,647

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



City of Manhattan Beach
Principal Employers
Current Year

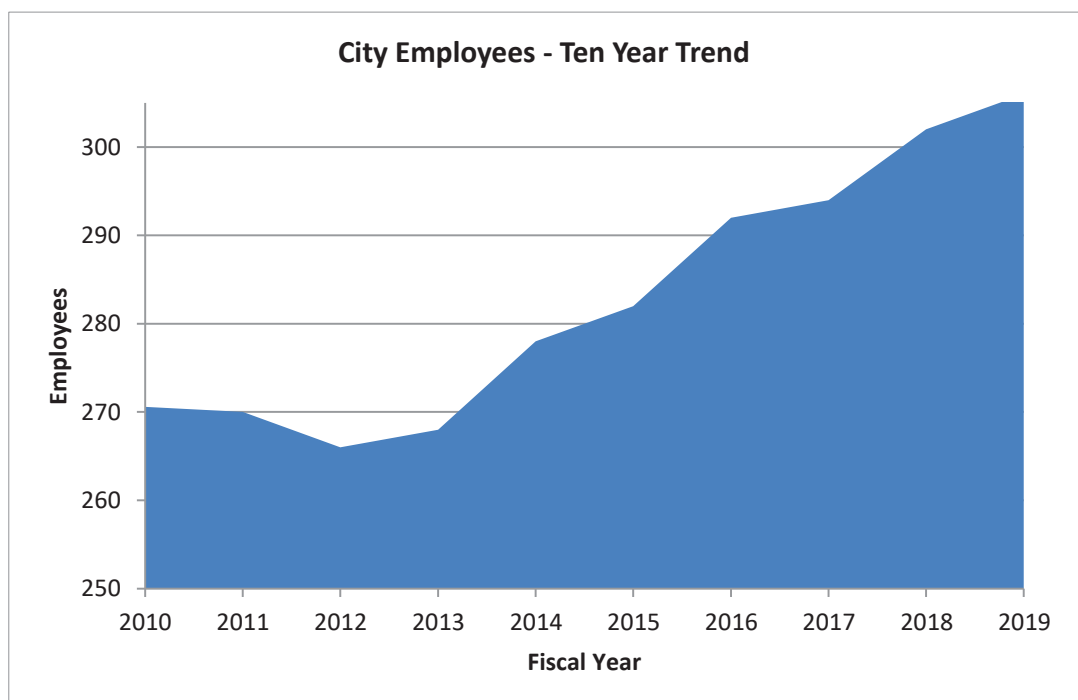
Exhibit A-20

<u>Employer</u>	2019	
	<u>Employees</u>	<u>Percentage of Total Employment</u>
Northrop Grumman Systems Corp.	2,020	18.06%
Manhattan Beach Unified School District	764	6.83%
Kinecta Federal Credit Union	550	4.92%
Skechers USA Inc (Corporate)	429	3.83%
Target Stores T199 Target Corp	405	3.62%
City of Manhattan Beach	306	2.74%
Fry's Electronics, Inc	264	2.36%
Skechers U.S.A., Inc. (Online)	243	2.17%
Manhattan Beach Hotel TRS LLC	233	2.08%
Ralphs Grocery Company #166	167	1.49%
Skechers USA, Inc.(Retail)	148	1.32%
Bristol Farms	129	1.15%
Olive Garden #1723	117	1.05%
Houston's Restaurant	115	1.03%
24 Hour Fitness #163	108	0.97%
California Pizza Kitchen	106	0.95%
Il Fornaio	99	0.88%
Manhattan Country Club	90	0.80%
Boston Consulting Group, Inc	85	0.76%
Chili's Grill & Bar #860	85	0.76%
Western America	84	0.75%
Manhattan Beach Toyota	82	0.73%
Islands Fine Burgers & Drinks	75	0.67%
Recreational Equipment Inc-REI	75	0.67%
Belamar Hotel	71	0.63%
Total	6,850	61.23%

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

Exhibit A-21

<u>Function/Program</u>	<u>Full-time Authorized Employees as of June 30</u>									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General government										
Management services	14	14	13	12	13	13	17	17	17	15
Finance*	20	20	20	20	25	25	17	17	17	18
Information Technology*	-	-	-	-	-	-	9	9	9	9
Human Resources	7	7	6	6	6	6	8	8	8	8
Community Development	20	20	19	20	21	22	24	24	28	30
Parks and Recreation	20	20	20	20	21	23	25	25	25	25
Police										
Officers	63	64	62	65	65	65	65	65	65	65
Civilians	35	34	35	36	39.8	39.8	39.8	41.8	41.8	42.8
Fire										
Firefighters & officers	30	30	30	30	30	31	30	30	30	30
Civilians	1	1	1	1	1.2	1.2	1.2	1.2	1.2	1.2
Public works										
Engineering	8	8	8	8.2	7.25	7.25	7.5	8.5	11	12.5
Water	13.5	14.25	14.25	11.7	11.2	11.2	11.2	11.35	10.85	10.8
Wastewater	3.1	3.35	3.35	3.3	3.2	3.2	3.2	3.45	3	3.9
Other	36	34.4	34.4	34.8	34.35	34.35	34.1	32.7	35.15	34.8
Total	<u>270.6</u>	<u>270</u>	<u>266</u>	<u>268</u>	<u>278</u>	<u>282</u>	<u>292</u>	<u>294</u>	<u>302</u>	<u>306</u>



Source: City of Manhattan Beach Finance Department

CITY OF MANHATTAN BEACH
SCHEDULE OF INSURANCE IN FORCE

June 30, 2019

<u>TYPE OF COVERAGE</u>	<u>POLICY NUMBER</u>	<u>FROM</u>
Liability		
Self-Insured - MOC		07/01/19
Excess Liability		
CSAC-Excess Insurance Authority (Pool) - MOC	EIA-PE 19 EL-109	07/01/19
Great American Insurance Company		07/01/19
Markel Global Reinsurance Co/Lloyds Syndicates		07/01/19
Everest Reinsurance Company		07/01/19
Lloyds Syndicates		07/01/19
Building & Property (Including \$100M Boiler and Machinery and \$100M EQ)		
CSAC-Excess Insurance	EIAPPR19-21	03/31/19
Other Carriers	Various	03/31/19
Other Carriers	Various	03/31/19
Other Carriers	Various	03/31/19
Other Carriers	Various	03/31/19
Workers' Comp.		
Self-Insured	-	07/01/19
Excess Workers' Comp.		
CSAC-Excess Insurance	EIA PE 19 EWC-152	07/01/19
Liberty Insurance Corporation	EW7-64N-444785-019	07/01/19
Government Crime Policy		
National Union Fire Insurance	01-590-97-65	06/30/18
Inland Marine - Fine Arts		
Travelers Property and	QT660-6B28226A- TIL-19	07/02/19
Cyber Risk		
Beazley Syndicate/Lloyd's of London	B0180PH1933951	7/1/2019

CITY OF MANHATTAN BEACH
SCHEDULE OF INSURANCE IN FORCE

June 30, 2019

<u>TO</u>	<u>LIMITS OF COVERAGE</u>	<u>ANNUAL PREMIUM</u>
07/01/20	\$500,000 per occurrence	\$389,245
07/01/20	\$4,500,000 excess of \$500,000	Included in above
07/01/20	\$5,000,000 excess of \$5,000,000	Included in above
07/01/20	\$5,000,000 excess of \$10,000,000	Included in above
07/01/20	\$5,000,000 excess of \$15,000,000	Included in above
07/01/20	\$5,000,000 excess of \$20,000,000	Included in above
03/31/20	\$25,000,000	\$215,758
03/31/20	\$35,000,000 excess of \$25,000,000	Included in above
03/31/20	\$40,000,000 excess of \$60,000,000	Included in above
03/31/20	\$100,000,000 excess of \$100,000,000	Included in above
03/31/20	\$100,000,000 excess of \$200,000,000	Included in above
07/01/20	\$750,000 per occurrence	\$280,586
07/01/20	\$4,250,000 excess of \$750,000	Included in above
07/01/20	Statutory limits excess of \$50,000,000	Included in above
06/30/20	\$15,000,000	\$7,150
07/02/20	\$1,000,000	\$4,123
07/01/20	\$2,000,000	\$1,600

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

Exhibit A-23

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government										
Building permits issued	1,254	1,318	1,484	1,339	1,673	1,847	1,853	1,223	1,644	1,353
Building inspections conducted	9,544	9,676	10,298	11,165	13,370	14,708	14,630	14,796	16,032	15,272
Police										
Arrests	1,224	1,007	1,387	1,173	1,367	1,383	1,590	1,371	1,095	1,019
Parking citations	72,789	70,001	68,080	63,624	61,651	63,423	66,255	64,105	57,624	47,422
Traffic citations	9,513	8,591	9,605	6,890	6,339	4,222	4,723	3,682	4,209	2,449
Fire (a)										
Emergency responses	3,036	3,100	3,254	3,176	3,379	3,434	3,690	3,760	3,637	3,653
Fires extinguished	94	98	94	95	76	56	63	76	87	87
Inspections	1,300	973	1,650	933	1,078	536	852	697	688	1,421
Refuse collection										
Refuse collected (tons per day)	62.33	60.27	47.78	43.55	42.05	49.48	52.72	53.31	51.01	54
Recyclables collected (tons per day)	42.44	44.07	45.18	48.16	50.19	53.05	47.7	41.55	34.66	35
Other public works										
Street resurfacing (miles)	8.5	6.6	3.9	-	1.0	3.0	1.0	0.7	2.9	4.0
Parks and recreation										
Athletic field permits issued	4,501	4,887	5,901	7,002	7,779	10,369	9,912	10,328	8,499	6,815
Community center admissions*	134,144	147,630	41,374	89,134	107,632	76,860	52,424	63,083	64,592	52,505
Water										
Water main breaks	-	4	3	4	6	7	4	9	8	7
Average daily consumption (thousands of gallons)	5,096	4,900	4,920	5,123	4,929	4,468	4,021	4,130	4,392	4,257
Peak daily consumption (thousands of gallons)	7,644	7,350	6,712	6,989	7,169	5,344	5,344	6,190	5,735	7,266
Transportation										
Total route miles	51,736	65,517	43,461	38,995	41,680	44,067	46,175	40,961	42,535	49,639
Passengers	14,945	18,831	18,899	16,039	17,059	20,065	22,067	26,810	25,963	26,223

(a) Represents calendar year data.

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

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

Exhibit A-24

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	23	23	23	23	23	23	23	23	23	23
Fire stations	2	2	2	2	2	2	2	2	2	2
Other public works										
Streets (miles)	110	110	108	108	108	108	108	108	108	108
Highways (miles)	10	10	10	10	10	10	10	10	10	10
Parks and recreation										
Acreage	80.88	80.88	80.88	80.88	80.88	80.88	80.88	80.88	80.88	80.88
Baseball/softball diamonds	13	13	13	13	18	18	18	18	18	18
Soccer/football fields	15	15	15	15	19	19	19	19	19	19
Community centers	2	2	2	2	3	3	3	3	3	3
Water										
Water mains (miles)	106	106	106	106	106	106	106	106	106	106
Fire hydrants	775	774	774	774	774	774	774	774	774	775
Storage capacity (1000s Gallons)	9,830	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800
Wastewater										
Sanitary sewers (miles)	84.0	81.6	82.0	82.0	82.0	82.0	82.0	82.0	82.0	82.0
Storm sewers (miles)	16.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	21.0
Transportation—minibuses	4	4	4	4	4	4	4	5	5	5

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

Population distribution by ethnic group (one race):

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

Household Type:

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

Population distribution by age group:

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

Population distribution by gender:

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

Bond Disclosure Section

Continuing Disclosure Requirements

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

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Continuing Disclosure Requirements

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

- Marine Refunding Certificates of Participation, Series 2016
- Metlox and Water/Wastewater Refunding Certificates of Participation, Series 2012
- Police and Fire Facility Refunding Certificates of Participation, Series 2013
- Reassessment District Limited Obligation Refunding Bonds, Series 2018

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

Reporting of Events with Respect to Debt Issuance during Fiscal Year 2018-19

None.

Information relating to Reassessment District Bonds, Series 2018, for Fiscal Year 2018-19

Principal Amount Outstanding	\$4,995,000
Balances in:	
Improvement Fund	\$0
Debt Service Reserve Fund	\$511,996

The balance in the Debt Service Reserve Fund exceeds the reserve requirement.

Delinquencies of Reassessment District Bonds for Fiscal Year 2018-19

As of June 30, 2019

PARCEL	TAX LEVIED	TAX PAID	Delinquencies
4169001007	1,977.63	988.81	988.82
4169010015	1,716.28	-	1,716.28
4175022021	522.75	261.37	261.38
4175027016	861.34	770.45	90.89
4175029007	702.60	-	702.60
4175030009	702.60	-	702.60
4178013081	1,098.01	549.00	549.01
TOTAL DELIQUENCIES			\$5,011.58

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

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

Table 13 – Investment Portfolio Summary

As of June 30, 2019

Type of Investment	Market Value
Cash	\$4,835,123
Local Government Fund	33,256,831
US Treasury & Agency Notes	70,161,370
Medium-Term Notes	19,583,585
Funds Held by Fiscal Agent	1,974,152
Petty Cash	4,032
Total	\$129,815,093

Table 14 – Unrepresented Unit and Employee Associations

As of June 30, 2019

Employee Unit	No. Full-Time Employees*	Percent of Workforce
Manhattan Beach Fire Association	26	8.7%
Manhattan Beach Fire Management Association	3	1.0%
Manhattan Beach Police Officers' Association	57	19.0%
Manhattan Beach Police Management Association	7	2.3%
Miscellaneous Unit - Teamsters Local 911	144	48.0%
Manhattan Beach Mid-Managers Employee Association	39	13.0%
Management/Confidential (not represented)	24	8.0%
Total	300	100.0%

* As Budgeted. Excludes elected officials.

Additional Information

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

