

**CITY OF MANHATTAN BEACH,  
CALIFORNIA**

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2003**

**Prepared By:**

**Finance Department**

**Bruce Moe, Finance Director**

# **INTRODUCTORY SECTION**

# **BASIC FINANCIAL STATEMENTS**

# **GOVERNMENT-WIDE STATEMENTS**

**CITY OF MANHATTAN BEACH**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2003**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and investments	\$ 55,637,506	\$ 14,228,597	\$ 69,866,103
Interest receivable	524,037		524,037
Taxes receivable	1,752,403		1,752,403
Accounts receivable	180,365	740,703	921,068
Due from other governments	507,786	400,000	907,786
Due from other funds	94,312		94,312
Prepaid items	45,949		45,949
Other receivables	23,252		23,252
Inventory	88,308	59,614	147,922
Total Current Assets	<u>58,853,918</u>	<u>15,428,914</u>	<u>74,282,832</u>
<b>Noncurrent Assets</b>			
Cash and investments - restricted	53,044	12,398,684	12,451,728
Note receivable	776,762	91,005	867,767
Unamortized bond issuance cost - net		405,387	405,387
<b>Capital assets (net of accumulated depreciation):</b>			
<b>Non-depreciable:</b>			
Land	33,634,566	1,757,434	35,392,000
<b>Depreciable:</b>			
Buildings	5,576,164	6,734,215	12,310,379
Machinery & Equipment	1,431,408	107,202	1,538,610
Vehicles	2,047,398		2,047,398
Infrastructure	26,808,713	18,318,374	45,127,087
Total Noncurrent Assets	<u>70,328,055</u>	<u>39,812,301</u>	<u>110,140,356</u>
Total Assets	<u>129,181,973</u>	<u>55,241,215</u>	<u>184,423,188</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	1,404,570	2,268,995	3,673,565
Accrued payroll	1,050,988		1,050,988
Deposits	336,085	171,602	507,687
Deferred revenue	619,929		619,929
Accrued interest		318,689	318,689
Accrued payables	113,903	997,150	1,111,053
Worker compensation claims	2,067,938		2,067,938
General liability claims	333,237		333,237
Long-term liabilities due within one year	431,374	89,890	521,264
Total Current Liabilities	<u>6,442,336</u>	<u>3,846,326</u>	<u>10,288,662</u>
<b>Noncurrent Liabilities</b>			
Long-term liabilities due in more than one year	12,420,313	17,506,778	29,927,091
Total Liabilities	<u>18,862,649</u>	<u>21,353,104</u>	<u>40,215,753</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	59,985,188	9,377,225	69,362,413
<b>Restricted for:</b>			
Capital improvements		8,952,692	8,952,692
Debt service	53,044	1,995,776	2,048,820
Business improvement districts		365,477	365,477
Unrestricted	50,281,092	13,196,941	63,478,033
Total Net Assets	<u>\$ 110,319,324</u>	<u>\$ 33,888,111</u>	<u>\$ 144,207,435</u>

See accompanying notes to financial statements.

**CITY OF MANHATTAN BEACH**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2003**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 6,513,233	\$ 2,686,306		
Public safety	17,783,757	3,079,276	\$ 687,719	
Public works	6,444,626	2,605,352	1,474,568	
Culture and recreation	4,012,233	1,595,202	459,376	\$ 594,616
Interest on long-term debt	128,240			
<b>Total Governmental Activities</b>	<b>34,882,089</b>	<b>9,966,136</b>	<b>2,621,663</b>	<b>594,616</b>
Business-type Activities:				
Water	6,082,124	7,024,867		
Stormwater	236,429	347,893		
Sewer	1,001,879	983,170		
Parking	1,612,275	1,546,932	15,957	400,000
Refuse	3,090,089	3,070,807	9,853	
<b>Total Business-type Activities</b>	<b>12,022,796</b>	<b>12,973,669</b>	<b>25,810</b>	<b>400,000</b>
<b>Total Government</b>	<b>\$ 46,904,885</b>	<b>\$ 22,939,805</b>	<b>\$ 2,647,473</b>	<b>\$ 994,616</b>

General Revenues:

Taxes:

- Property taxes
- Transient occupancy tax
- Franchise
- Sales tax
- Motor vehicle in lieu tax
- Other state
- Business license tax
- Other taxes

- Rental income
- Investment earnings
- Other
- Loss on exchange of property
- Transfers

Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (3,826,927)		\$ (3,826,927)
(14,016,762)		(14,016,762)
(2,364,706)		(2,364,706)
(1,363,039)		(1,363,039)
(128,240)		(128,240)
(21,699,674)		(21,699,674)
	\$ 942,743	942,743
	111,464	111,464
	(18,709)	(18,709)
	350,614	350,614
	(9,429)	(9,429)
	1,376,683	1,376,683
\$ (21,699,674)	\$ 1,376,683	\$ (20,322,991)
\$ 10,021,646		\$ 10,021,646
2,040,428		2,040,428
904,080		904,080
6,936,919		6,936,919
2,082,765		2,082,765
135,629		135,629
2,017,533		2,017,533
631,954		631,954
1,398,568		1,398,568
1,675,884	\$ 528,091	2,203,975
490,045	6,542	496,587
(47,930)		(47,930)
2,099,544	(2,099,544)	
30,387,065	(1,564,911)	28,822,154
8,687,391	(188,228)	8,499,163
101,631,933	34,076,339	135,708,272
\$ 110,319,324	\$ 33,888,111	\$ 144,207,435

# **FUND FINANCIAL STATEMENTS**



**CITY OF MANHATTAN BEACH**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2003**

<b>ASSETS</b>	<u>General</u>	<u>Capital Projects Capital Improvements</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Cash and investments	\$ 18,065,194	\$ 25,389,069	\$ 5,578,890	\$ 49,033,153
Interest receivable	524,037			524,037
Taxes receivable	1,739,981		12,422	1,752,403
Accounts receivable	179,692			179,692
Cash and investments - restricted	53,044			53,044
Due from other governments	65,969	164,616	277,201	507,786
Due from other funds	94,312			94,312
Prepaid items	23,804			23,804
Other receivables	23,252			23,252
Total Assets	<u>\$ 20,769,285</u>	<u>\$ 25,553,685</u>	<u>\$ 5,868,513</u>	<u>\$ 52,191,483</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	657,511	483,503	99,674	1,240,688
Accrued payroll	1,050,988			1,050,988
Due to other funds			84,312	84,312
Accrued payables		112,783		112,783
Accrued leave payable	135,808			135,808
Deposits	335,131			335,131
Deferred revenue	619,929			619,929
Total Liabilities	<u>2,799,367</u>	<u>596,286</u>	<u>183,986</u>	<u>3,579,639</u>
<b>FUND BALANCE</b>				
Reserved for:				
Encumbrances	612,140		3,475	615,615
Prepays	36,600			36,600
Debt service	178,062			178,062
Continuing capital projects		176,679	2,252,507	2,429,186
Unreserved, reported in:				
General fund	17,143,116			17,143,116
Special revenue funds			3,428,545	3,428,545
Capital projects funds		24,780,720		24,780,720
Total Fund Balances	<u>17,969,918</u>	<u>24,957,399</u>	<u>5,684,527</u>	<u>48,611,844</u>
Total Liabilities and and Fund Balances	<u>\$ 20,769,285</u>	<u>\$ 25,553,685</u>	<u>\$ 5,868,513</u>	<u>\$ 52,191,483</u>

See accompanying notes to financial statements.

**CITY OF MANHATTAN BEACH**

**GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2003**

Fund Balances of Governmental Funds	\$ 48,611,844
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	67,450,851
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(11,084,634)
Long-term notes receivables are not current available resources and, therefore, are not reported in the governmental funds.	776,762
Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, fleet management, building maintenance and operation, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.	<u>4,564,501</u>
Net Assets of Governmental Activities	<u><u>\$ 110,319,324</u></u>

See accompanying notes to financial statements.

**CITY OF MANHATTAN BEACH**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2003**

	General	Capital Projects Capital Improvements	Non-Major Governmental Funds	Total
<b>REVENUES</b>				
Taxes and assessments	\$ 22,513,546	\$ 304,715	\$ 1,220,286	\$ 24,038,547
Licenses and permits	1,488,674	74,497		1,563,171
Intergovernmental	2,323,826	164,616	1,656,512	4,144,954
Charges for services	5,593,429	537,634	29,468	6,160,531
Fines and forfeitures	1,932,625	109,180		2,041,805
Use of money and property	3,181,118		208,802	3,389,920
Net decrease in the fair value of investments	(230,473)		(56,667)	(287,140)
Other	494,406			494,406
Total Revenues	<u>37,297,151</u>	<u>1,190,642</u>	<u>3,058,401</u>	<u>41,546,194</u>
<b>EXPENDITURES</b>				
Current:				
General government	6,476,416	13,083		6,489,499
Public safety	17,873,137	1,593,631	236,339	19,703,107
Public works	4,550,451	4,022	2,322,600	6,877,073
Culture and recreation	3,750,080	942,512	791,464	5,484,056
Total Expenditures	<u>32,650,084</u>	<u>2,553,248</u>	<u>3,350,403</u>	<u>38,553,735</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,647,067</u>	<u>(1,362,606)</u>	<u>(292,002)</u>	<u>2,992,459</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,099,544	4,071,794		6,171,338
Transfers out	(4,498,230)			(4,498,230)
Total Other Financing Sources (Uses)	<u>(2,398,686)</u>	<u>4,071,794</u>		<u>1,673,108</u>
Net Change in Fund Balances	2,248,381	2,709,188	(292,002)	4,665,567
Fund Balances, Beginning of Year	<u>15,721,537</u>	<u>22,248,211</u>	<u>5,976,529</u>	<u>43,946,277</u>
Fund Balances, End of Year	<u>\$ 17,969,918</u>	<u>\$ 24,957,399</u>	<u>\$ 5,684,527</u>	<u>\$ 48,611,844</u>

See accompanying notes to financial statements.

**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, 2003**

Net Change in Fund Balances - Total Governmental Funds \$ 4,665,567

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:

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

Cost of assets capitalized	5,562,305
Depreciation expense	(1,404,378)

Revenue from principal payment received from notes receivable are recorded as revenue in the governmental funds. However, principal payments from notes receivable are eliminated from the statement of activities . This amount represents the change in the note receivables for this fiscal year. (28,328)

The statement of activities reports a gain or loss on the sale of the asset based on the proceeds received and the net book value at the time of sale. The loss on disposal of is calculated as follows:

Cost of assets disposed	(468,395)
Accumulated depreciation of the assets disposed	420,465

Compensated absences and supplemental leave expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (71,785)

Debt repayments are reported as an expenditure in the governments funds. The repayment is not an expense in the statement of activities as it is a reduction of a long-term liability. 301,523

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. (289,583)

Change in Net Assets of Governmental Activities	\$ 8,687,391
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See accompanying notes to financial statements.

**CITY OF MANHATTAN BEACH**

**STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUE</b>				
Taxes and assessments	\$ 21,618,330	\$ 21,618,330	\$ 22,513,546	\$ 895,216
Licenses and permits	1,230,900	1,230,900	1,488,674	257,774
Intergovernmental	2,145,560	2,145,560	2,323,826	178,266
Charges for services	4,264,400	4,838,541	5,593,429	754,888
Fines and forfeitures	2,174,966	2,174,966	1,932,625	(242,341)
Use of money and property	3,504,660	3,504,660	3,181,118	(323,542)
Net decrease in the fair value of investments			(230,473)	(230,473)
Other	157,700	157,700	494,406	336,706
<b>Total Revenues</b>	<b>35,096,516</b>	<b>35,670,657</b>	<b>37,297,151</b>	<b>1,626,494</b>
<b>EXPENDITURES</b>				
Current:				
General government	6,897,357	7,251,159	6,476,416	774,743
Public safety	18,617,715	18,719,661	17,873,137	846,524
Public works	4,521,861	4,650,065	4,550,451	99,614
Culture and recreation	3,756,612	3,825,118	3,750,080	75,038
<b>Total Expenditures</b>	<b>33,793,545</b>	<b>34,446,003</b>	<b>32,650,084</b>	<b>1,795,919</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,302,971</b>	<b>1,224,654</b>	<b>4,647,067</b>	<b>3,422,413</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			2,099,544	2,099,544
Transfers out			(4,498,230)	(4,498,230)
<b>Total Other Financing Sources (Uses)</b>		<b>-</b>	<b>(2,398,686)</b>	<b>(2,398,686)</b>
<b>Net Change in Fund Balances</b>	<b>1,302,971</b>	<b>1,224,654</b>	<b>2,248,381</b>	<b>1,023,727</b>
Fund Balance, Beginning of Year	15,721,537	15,721,537	15,721,537	
Fund Balance, End of Year	<u>\$ 17,024,508</u>	<u>\$ 16,946,191</u>	<u>\$ 17,969,918</u>	<u>\$ 1,023,727</u>

See accompanying notes to financial statements.

**CITY OF MANHATTAN BEACH**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2003**

	Business-type Activities		
	Enterprise Funds		
	Water	Stormwater	Wastewater
<b>ASSETS</b>			
Current Assets			
Cash and investments	\$ 8,775,211	\$ 1,032,645	\$ 1,312,097
Accounts receivable	375,869	34,701	53,605
Due from other governments			
Prepaid items			
Inventory	59,614		
Total Current Assets	9,210,694	1,067,346	1,365,702
Noncurrent Assets			
Cash and investments - restricted	227,101		111,498
Note receivable			
Unamortized bond issuance cost - net	88,391		43,484
Capital assets (net of accumulated depreciation):			
Non-depreciable:			
Land	307,967	7,650	
Depreciable:			
Building			
Machinery & Equipment			
Infrastructure	9,612,325	3,728,420	4,977,629
Total Noncurrent Assets	10,235,784	3,736,070	5,132,611
Total Assets	19,446,478	4,803,416	6,498,313
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	235,390	140,597	12,439
Deposits	519	170,000	
Accrued interest	52,195		25,685
Accrued payables	575,605	15,112	
Worker's compensation claims			
Liability claims			
Compensated absences	4,890		
Current portion of bonds payable	56,979		28,021
Total Current Liabilities	925,578	325,709	66,145
Noncurrent Liabilities			
Bonds payable	2,751,358		1,353,642
Accrued leave-long term	51,778		
Worker's compensation claims			
Liability claims			
Total Noncurrent Liabilities	2,803,136		1,353,642
Total Liabilities	3,728,714	325,709	1,419,787
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,111,955	3,736,070	3,595,966
Restricted for:			
Capital projects			
Debt service	227,101		111,498
Business improvement district			
Unrestricted	8,378,708	741,637	1,371,062
Total Net Assets	\$ 15,717,764	\$ 4,477,707	\$ 5,078,526

See accompanying notes to financial statements.

Business-type Activities					Governmental Activities- Internal Service Funds
Enterprise Funds					
Refuse	Parking	Non-Major Enterprise Funds	Total		
\$ 597,933	\$ 1,582,649	\$ 928,062	\$ 14,228,597	\$	6,604,353
276,528			740,703		673
		400,000	400,000		
					22,145
			59,614		88,308
874,461	1,582,649	1,328,062	15,428,914		6,715,479
	12,060,085		12,398,684		
	91,005		91,005		
	273,512		405,387		
	1,441,817		1,757,434		
	6,734,215		6,734,215		2,047,398
	107,202		107,202		
			18,318,374		
	20,707,836		39,812,301		2,047,398
874,461	22,290,485	1,328,062	55,241,215		8,762,877
263,156	1,484,942	132,471	2,268,995		163,882
155	380	548	171,602		954
	240,809		318,689		
	406,433		997,150		1,120
					2,067,938
					333,237
			4,890		
			85,000		
263,311	2,132,564	133,019	3,846,326		2,567,131
	13,350,000		17,455,000		
			51,778		
					1,526,471
					104,774
	13,350,000		17,506,778		1,631,245
263,311	15,482,564	133,019	21,353,104		4,198,376
	(5,066,766)		9,377,225		2,047,398
	8,952,692		8,952,692		
	1,657,177		1,995,776		
	365,477		365,477		
611,150	899,341	1,195,043	13,196,941		2,517,103
\$ 611,150	\$ 6,807,921	\$ 1,195,043	\$ 33,888,111	\$	4,564,501

**CITY OF MANHATTAN BEACH**

**STATEMENT OF REVENUE, EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2003**

	Business-Type Activities		
	Enterprise Funds		
	Water	Stormwater	Wastewater
<b>OPERATING REVENUES</b>			
Charges for services	\$ 6,700,527	\$ 347,893	\$ 842,052
Connection & installation fees			141,118
Recycling & replenishment	324,340		
Parking meters & space rentals			
Other			
Warehouse sales			
Total Operating Revenues	<u>7,024,867</u>	<u>347,893</u>	<u>983,170</u>
<b>OPERATING EXPENDITURES</b>			
Salaries and wages	480,075	45,751	125,594
Employee benefits	138,698	9,303	20,955
Contract and professional services	3,277,779	40,747	27,871
Materials and services	553,289	25,257	73,464
Utilities	252,629	9,566	22,826
Administrative service charges	969,601		498,921
Depreciation	244,245	105,805	150,628
Leases and rents			
Total Operating Expenses	<u>5,916,316</u>	<u>236,429</u>	<u>920,259</u>
Operating Income (Loss)	<u>1,108,551</u>	<u>111,464</u>	<u>62,911</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest earnings on investments	359,771	32,612	74,915
Net decrease in the fair value of investments	(60,498)	(6,958)	(22,917)
Interest earnings on bond funds	13,833		6,875
Miscellaneous revenues	2,506		
Interest paid on bonds	(158,802)		(78,173)
Bond amortization	(4,384)		(2,157)
Bond administration fees	(2,622)		(1,290)
Total Nonoperating Revenues (Expenses)	<u>149,804</u>	<u>25,654</u>	<u>(22,747)</u>
Income Before Transfers	1,258,355	137,118	40,164
Transfers in		29,951	
Transfers out	(1,366,666)		(649,972)
Change in Net Assets	(108,311)	167,069	(609,808)
Total Net Assets - Beginning As Restated	<u>15,826,075</u>	<u>4,310,638</u>	<u>5,688,334</u>
Total Net Assets - Ending	<u>\$ 15,717,764</u>	<u>\$ 4,477,707</u>	<u>\$ 5,078,526</u>

See accompanying notes to financial statements.



Business-Type Activities				
Enterprise Funds				Governmental Activities Internal Service Funds
Refuse	Parking	Non-Major Enterprise Funds	Totals	
\$ 2,633,790			\$ 10,524,262	\$ 4,428,170
			141,118	
437,017			761,357	
	\$ 860,613	\$ 686,319	1,546,932	
9,853	15,957	400,000	425,810	60,120
				127,595
3,080,660	876,570	1,086,319	13,399,479	4,615,885
	33,083	17,517	702,020	780,370
	3,132	1,860	173,948	192,761
2,764,542	140,291	97,296	6,348,526	293,511
41,388	122,641	537,516	1,353,555	3,485,248
518	22,215	23,498	331,252	133,166
283,641	74,852	26,094	1,853,109	103,680
	41,757		542,435	364,809
		210,754	210,754	
3,090,089	437,971	914,535	11,515,599	5,353,545
(9,429)	438,599	171,784	1,883,880	(737,660)
23,256	107,456	34,797	632,807	
(4,388)	(43,572)	(7,778)	(146,111)	
	20,687		41,395	
		4,036	6,542	21,641
	(240,809)		(477,784)	
	(5,018)		(11,559)	
	(13,942)		(17,854)	
18,868	(175,198)	31,055	27,436	21,641
9,439	263,401	202,839	1,911,316	(716,019)
			29,951	426,436
(37,857)		(75,000)	(2,129,495)	
(28,418)	263,401	127,839	(188,228)	(289,583)
639,568	6,544,520	1,067,204	34,076,339	4,854,084
\$ 611,150	\$ 6,807,921	\$ 1,195,043	\$ 33,888,111	\$ 4,564,501

**CITY OF MANHATTAN BEACH**

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2003**

	Business-Type Activities		
	Enterprise Funds		
	Water	Stormwater	Wastewater
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$7,135,172	\$ 316,680	\$ 987,150
Receipts from interfund services provided			
Payments to suppliers	(3,646,282)	(49,978)	(101,372)
Payments to employees	(563,841)	(55,054)	(146,550)
Payments for interfund services used	(1,177,370)	(5,147)	(563,991)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,747,679</u>	<u>206,501</u>	<u>175,237</u>
<b>CASH FLOW FROM CAPITAL AND AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(991,704)	(137,087)	(241,274)
Proceeds from capital debt			
Principal paid on bonds	(53,617)		(26,383)
Interest paid on bonds	(160,637)		(79,075)
Bond admin fee	(2,624)		(1,288)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,208,582)</u>	<u>(137,087)</u>	<u>(348,020)</u>
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer out	(1,366,666)		(649,972)
Transfer in		29,951	
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,366,666)</u>	<u>29,951</u>	<u>(649,972)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	313,106	25,654	58,873
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(514,463)	125,019	(763,882)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>9,516,775</u>	<u>907,626</u>	<u>2,187,477</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$9,002,312</u>	<u>\$ 1,032,645</u>	<u>\$1,423,595</u>

See accompanying notes to financial statements.

Business-Type Activities				
Enterprise Funds				Governmental
Refuse	Parking	Non-Major Enterprise Funds	Totals	Activities- Internal Service Funds
\$ 3,060,048	\$ 897,605	\$ 681,977	\$ 13,078,632	\$ 106,663
				4,695,315
(2,776,116)	(258,760)	(866,549)	(7,699,057)	(3,368,933)
	(36,219)	(19,377)	(821,041)	(895,660)
(286,631)	(74,620)	(20,483)	(2,128,242)	(544,453)
(2,699)	528,006	(224,432)	2,430,292	(7,068)
	(4,032,618)		(5,402,683)	(425,183)
	13,071,470		13,071,470	
			(80,000)	
			(239,712)	
	(13,942)		(17,854)	
	9,024,910		7,331,221	(425,183)
(37,857)		(75,000)	(2,129,495)	
			29,951	426,436
(37,857)		(75,000)	(2,099,544)	426,436
18,868	84,572	27,019	528,092	
(21,688)	9,637,488	(272,413)	8,190,061	(5,815)
619,621	4,005,246	1,200,475	18,437,220	6,610,168
\$ 597,933	\$ 13,642,734	\$ 928,062	\$ 26,627,281	\$ 6,604,353

**CITY OF MANHATTAN BEACH**

**STATEMENT OF CASH FLOWS, Continued  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2003**

	Business-Type Activities		
	Enterprise Funds		
	Water	Stormwater	Wastewater
<b>RECONCILIATION OF OPERATING INCOME (LOSS)            TO NET CASH PROVIDED (USED) BY OPERATING            ACTIVITIES</b>			
Operating income (loss)	\$1,108,551	\$ 111,464	\$ 62,911
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	244,245	105,805	150,628
Miscellaneous revenue	2,506		
(Increase) decrease in accounts receivable	95,285	(31,213)	6,917
(Increase) in prepaids			
(Increase) in due from other governments			
Decrease in note receivable			
(Increase) decrease in inventory	4,924		
(Increase) decrease in amounts payable related to the construction of capital assets	88,504	(114,979)	(2,423)
Increase (decrease) in accounts payable and accrued payables	195,844	135,424	(42,796)
Increase (decrease) in accrued leave	8,508		
Increase (decrease) in deposits	(688)		
Increase (decrease) in worker's comp			
Increase (decrease) in liability claims			
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$1,747,679</u>	 <u>\$ 206,501</u>	 <u>\$ 175,237</u>

See accompanying notes to financial statements.

Business-Type Activities					
Enterprise Funds					Governmental
Refuse	Parking	Other Enterprise Funds	Totals		Activities- Internal Service Funds
\$ (9,429)	\$ 438,599	\$ 171,784	\$ 1,883,880		\$ (737,660)
	41,757		542,435		364,809
		4,036	6,542		21,641
(20,613)	2,389		52,765		(675)
		(400,000)	(400,000)		(22,145)
	18,484		18,484		
			4,924		4,014
	(1,682,703)		(1,711,601)		(1,010)
27,343	1,709,480	(252)	2,025,043		3,910
			8,508		
			(688)		(1,853)
					455,710
					(93,809)
<u>\$ (2,699)</u>	<u>\$ 528,006</u>	<u>\$ (224,432)</u>	<u>\$ 2,430,292</u>		<u>\$ (7,068)</u>

**CITY OF MANHATTAN BEACH**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2003**

	Pension Trust Fund	Special Deposits Agency Fund	Total
<b>ASSETS</b>			
Cash and investments	\$ 936,617	\$ 1,322,795	\$ 2,259,412
Total Assets	<u>\$ 936,617</u>	<u>\$ 1,322,795</u>	<u>\$ 2,259,412</u>
<b>LIABILITIES</b>			
Due to other funds		10,000	10,000
401(a) plan deposits		610,090	610,090
Utility development deposit		619,874	619,874
Other deposits		82,831	82,831
Total Liabilities		<u>\$ 1,322,795</u>	<u>\$ 1,322,795</u>
<b>NET ASSETS</b>			
Restricted	<u>\$ 936,617</u>		<u>\$ 936,617</u>

See accompanying notes to financial statements.

**CITY OF MANHATTAN BEACH**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Pension Trust Fund</u>
<b>ADDITIONS</b>	
Investment earnings:	
Interest	\$ 60,531
Net decrease in the Fair Value of Investments	<u>(6,710)</u>
 Total Additions	 <u>53,821</u>
 <b>DEDUCTIONS</b>	
Benefits	<u>78,992</u>
 Total Deductions	 <u>78,992</u>
 Changes in net assets	 <u>(25,171)</u>
 Net assets - Beginning of Year	 <u>961,788</u>
 Net assets - End of Year	 <u><u>\$ 936,617</u></u>

See accompanying notes to financial statements.

## **NOTES TO FINANCIAL STATEMENTS**



## CITY OF MANHATTAN BEACH

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

#### NOTE #1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Description of the Reporting Entity

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

##### Blended Component Unit:

*Manhattan Beach Capital Improvements Corporation* – The Manhattan Beach Capital Improvements Corporation (the Corporation) is a nonprofit public benefits corporation, organized under the laws of the State of California in September 1996, pursuant to the Nonprofit Public Benefit Corporation Laws (Title I, Division 2, Part 2, Section 5110). The sole purpose of the Corporation is to issue debt for capital improvements. In September of 1996, this entity issued \$4,615,000 of debt in the form of Certificates of Participation to fund specific projects related to the City's water and wastewater infrastructure. This debt is accounted for in the Proprietary Fund Types within the Water and Waste-Water Funds. In April of 2002, this entity also issued \$9,535,000 of debt to pay the cost of refinancing existing ground lease commitments with the Beach Cities Health District for the newly constructed Marine Avenue Sports Fields. This debt was structured as a variable rate demand Certificate of Participation. Most recently, in January 2003, this entity issued \$13,350,000 of fixed rate Certificate of Participation for the construction of a two level downtown subterranean parking structure and outdoor plaza. This endeavor is commonly known as the Metlox Public Improvement project. This project is currently under construction with completion of the parking structure planned for January 2004. The public plaza will be completed in 2005.

##### B. Accounting and Reporting Policies

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

This is the first year the City of Manhattan Beach has adopted the following new financial reporting requirements of Government Accounting Standards Board.

Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*

Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*

Statement No. 38, *Certain Financial Statement Note Disclosures*

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Statement No. 41, *Budgetary comparison Schedules – Perspective Differences, an amendment of GASB 34*

**GASB Statement No. 34** is a new financial reporting requirement for local governments in the United States. The City has implemented this pronouncement and has restructured much of the information that it has presented in the past. The main goal is to make the reports more comprehensive and easier to understand and use.

**GASB Statement No. 37** addresses selected issues and amends GASB Statement No. 21, Accounting for Escheat Property, and No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. These Statements make selective changes including accounting for Escheat Property, Management's Discussion and Analysis, Capitalization of Construction - Period Interest, Modified Approach for Reporting Infrastructure, Program Revenues and Major Fund Criteria.

**GASB Statement No. 38** establishes and modifies disclosure requirements related to Summary of Significant Accounting Policies, actions taken to address violations of significant finance - related legal and contractual provisions, debt and lease obligations, short-term debt, disaggregation of receivable and payable balances, and interfund balances and transfers.

**GASB Statement No. 41** establishes guidance for governments with significant budgetary perspective differences to report budgetary comparison schedules within the GASB No. 34 reporting model. This statement does not have a significant impact on the financial statements of the City.

**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.

## CITY OF MANHATTAN BEACH

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

#### NOTE #1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *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.

#### 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 interdepartmental operations where it is the stated intent that costs of providing services to the departments of the City on a continuing basis be financed or recovered primarily by charges to the user departments.

#### Fiduciary Fund Types

- *Trust and Agency Funds* – to account for assets held by the City as trustee or agent for individuals, private organizations or other governmental units and/or other funds. These include Pension Trust Funds, Agency Funds, and Special Assessment Funds.

#### **D. Basis of Accounting/Measurement Funds**

##### Government-Wide Financial Statements

The City Government-Wide Financial Statements include a Statement of Net Assets and Statement of Activities and Changes in Net Assts. These statements present summaries of Governmental Activities for the City. Fiduciary activities of the City are not included in these statements.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

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

Government-wide financial statements do not provide information by fund. They simply distinguish between governmental and business activities. The City’s statement of net assets includes both current and non-current assets and liabilities. In prior years, the non-current assets and liabilities were recorded in the General Fixed-Assets Account Group and the General Long-term Debt Account Group which are no longer reported.

Financial Statement Classification

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

Invested in Capital Assets, Net to Related Debt

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

Restricted Net Assets

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

Unrestricted Net Assets

Represent the net assets of the City, not restricted for any project or other purpose.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenue, Expenditures, and Changes in Fund Balances for all major governmental funds and aggregated non-major funds. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net asset presented in the Government-Wide Financial Statements. The City has presented all major funds that met the qualifications of GASB Statement No. 34.

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

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

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

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

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

## CITY OF MANHATTAN BEACH

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

#### *NOTE #1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

##### Proprietary Fund Financial Statements

Proprietary Funds Financial Statements include a Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows. All Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. With this measurement focus, all assets and liabilities (current and long term) resulting from the operations of these funds are included in the Statement of Net Assets. Accordingly, proprietary fund Statement of Net Assets present assets and liabilities classified into their respective current and long term categories.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

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

##### Fiduciary Funds

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

##### Major Funds

The City reports the following major governmental funds:

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

## CITY OF MANHATTAN BEACH

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

#### NOTE #1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 or Internal Service Funds.

The City reports the following major proprietary funds:

*Water Fund* is used to account for the operation of the City's water utility system. Revenues are generated from user fees, which are adjusted periodically to meet the costs of administration, operation, maintenance, and capital improvements to the system. In the 1997 fiscal year 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.

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

*Wastewater Fund* is used to account for the maintenance of, and improvements to, the City's sewer system. Revenues are derived from a user charge placed on the water bills. In the 1997 fiscal year 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.

*Refuse Fund* is used to account for the provision of refuse collection and recycling services in the City. The City bills both residential and commercial properties. Rates were not increased during this fiscal year.

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

#### E. Property Tax Calendar

Property tax revenue is recognized on the basis of GASB Code Section P70, that is, in the fiscal year for which the taxes have been levied providing they become available. Available means due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period.

The County of Los Angeles collects property taxes for the City. Tax liens attach annually as of 12:01 AM on the first day in March preceding 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<sup>st</sup> to June 30<sup>th</sup>. All secured personal property taxes and one-half of the taxes on real property are due November 1<sup>st</sup>; the second installment is due February 1<sup>st</sup>. All taxes are delinquent, if unpaid, on December 10<sup>th</sup> and April 10<sup>th</sup>, respectively. Unsecured personal property taxes become due on March 1<sup>st</sup> each year and are delinquent, if unpaid, on August 31<sup>st</sup>.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

**F. Capital Assets**

Capital assets, which include, land, machinery and equipment, buildings and improvements, and infrastructure (roads, bridges, curbs and gutters, streets, walk-streets and sidewalks, parks and recreation improvements), are reported in the Governmental Activities column of the Government-Wide Financial Statements. Capital assets are defined by the City as assets with an initial, individual cost of more than a certain cost and an estimated life of more than two years. Minimum capitalization cost are as follows: Capital infrastructure assets including buildings, improvements and infrastructure, \$100,000. General capital assets including machinery and equipment \$1,000. Such assets are recorded at historical cost and capitalized as acquired and/or constructed.

In the 1995-96 year the City obtained an independent appraisal of all City owned land parcels and enterprise capital assets infrastructure related to its Water, Wastewater and Parking funds. The appraisal was done to assure compliance with accounting standards and involved the estimation of historical costs for a variety of enterprise facilities.

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

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

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

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

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



## CITY OF MANHATTAN BEACH

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

#### NOTE #1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **G. Budgetary Basis of Accounting**

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

##### **H. Other Accounting Policies**

- *Cash and Cash Equivalents* – For purpose of the statement of cash flows, the City considers cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The City follows the practice of pooling cash and investments of all funds except for funds in its 401(a) plan and outstanding water, wastewater, and Marine Avenue Sports Field bonded debt, which are held by outside trustees. City employees individually direct their investments in the 401(a) plan.
- *Investments* – Investments are shown at fair value, in accordance with GASB Statement No. 31. Fair value is based upon quoted market prices.
- *Inventories* – Inventories of materials and supplies are carried at cost on a weighted-average basis. The City uses the consumption method of accounting for inventories.

##### **I. Interfund Transactions**

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

##### **J. Long-term Obligation**

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

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

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

- *Claims and Judgments* – The City has recorded all judgment and claim liabilities resulting from workers' compensation and liability insurance claims in the Insurance Reserve Fund, which is a component of the Internal Service Funds Group.

The recorded liability is based upon an estimate of reported claims as provided by an analysis of a third party administrator. Reported known loss and reserves of \$2,401,175 are recorded in Insurance Reserve Fund.

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

**K. Vacation and Sick Leave**

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

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

**L. Supplemental Leave Allowance**

In December 1994, an emergency leave bank was established for active management/confidential employees. At June 30, 2003, the total accrued liability for this benefit amounted to \$110,054 based on accumulated hours for months in service during the time period from January 1, 1990, to December 4, 1994, as specified in the parameters of the plan. Upon termination, the employee will be paid for any unused leave and as such the total amount of the liability is accrued as a long-term item (See Note 6).

**M. Allocation of Interest Income Among Funds**

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

**N. Cash Flow Statements**

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

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

**O. Estimates**

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

**P. Use of Restricted Resources**

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

*NOTE #2 – CASH AND INVESTMENTS*

The City maintains a cash and investment pool that is available for use by all funds, with the exception of trust funds held by fiscal agents. Each fund type’s portion of the pool is presented on the Financial Statements as “cash and investments.” Investments of the 401(a) plan and medical 125 plan programs are held by an outside trustee and are reflected in the “Trust and Agency” fund types group.

Interest income earned on pooled cash and investments is allocated to the various funds based on the cash balances. Interest income from cash and investments in the 401(a) plan is credited directly to the related fund.

Cash and investments at June 30, 2003 consisted of the following:

Pooled Deposits:

Demand deposits	\$ 1,743,804
Total Pooled Deposits	1,743,804
Petty cash	14,529
Pooled investments	69,757,093
Funds held by trustee, restricted	12,451,727
Investments - 401(a) plan	610,090
Total Cash and Investments	<u>\$ 84,577,243</u>

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #2 – CASH AND INVESTMENTS (Continued)*

The following schedule summarizes how the cash and investments are reported in the accompanying financial statements:

Governmental Funds:		
Unrestricted		\$ 49,033,153
Restricted		53,044
Total Governmental Funds		<u>49,086,197</u>
Proprietary Funds:		
Enterprise Funds - Unrestricted		14,228,597
Enterprise Funds - Restricted		12,398,684
Internal Service Funds - Unrestricted		<u>6,604,353</u>
Total Proprietary Funds		<u>33,231,634</u>
Fudiciary Funds:		
Pension Trust Fund - Restricted		936,617
Agency Fund - Restricted		<u>1,322,795</u>
Total Fudiciary Funds		<u>2,259,412</u>
Total Cash and Investments		<u><u>\$ 84,577,243</u></u>

**A. Credit Risk, Bank Balances and Carrying Amount of Deposits**

Cash and deposits of the City are summarized below. The deposits are classified as to credit risk by three categories as follows: Category 1 includes deposits that are insured or collateralized, with the securities held by the City or its agent in the City’s name; Category 2 includes deposits which are uninsured but which are collateralized with the securities held by the pledging financial institution’s trust department in the City’s name; Category 3 includes deposits which are uninsured and uncollateralized, or collateralized with securities held by the pledging financial institution, or by its trust department, safe keeping department or agent but not in the City’s name.

	BANK BALANCE -			BANK BALANCES	CARRYING AMOUNTS
	1	2	3		
Categorized					
Demand Deposits	<u>\$100,000</u>		<u>\$1,701,145</u>	<u>\$ 1,801,145</u>	<u>\$1,743,804</u>
Total	<u>\$100,000</u>		<u>\$1,701,145</u>	<u>\$ 1,801,145</u>	<u>1,743,804</u>
Uncategorized					
Cash with fiscal agent					
Petty Cash					<u>14,529</u>
Total Cash and Cash Equivalents					<u><u>\$1,758,333</u></u>

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #2 – CASH AND INVESTMENTS (Continued)*

All pooled cash and non-negotiable certificates of deposit are entirely insured or collateralized. The California Government Code requires California banks and savings and loan associations to secure a City’s deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110 percent of a City’s deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of a City’s total deposits.

**B. Credit Risk, Carrying Amount and Market Value of Investments**

Investments of the City are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by three categories as follows: Category 1 includes investments that are insured or registered for which securities are held by the City or its agent in the City’s name; Category 2 includes uninsured and unregistered investments for which the securities are held by the broker’s or dealer’s agent in the City’s name; Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its agent, but not in the City’s name.

	CATEGORY			Carrying Value	Fair Value
	1	2	3		
<u>Pooled Investments:</u>					
Local Agency Investment Fund	(1)			\$ 40,000,000	\$ 40,113,541 (2)
Corporate Notes		\$ 10,892,335		10,892,335	10,892,335
U.S. Government Securities		17,864,758		17,864,758	17,864,758
Money Market Liquid Fund	(1)			1,000,000	1,000,000
Total Pooled Investments		<u>\$ 28,757,093</u>	<u>\$ -</u>	<u>\$ 69,757,093</u>	<u>\$ 69,870,634</u>
<u>Investments with Fiscal Agents:</u>					
First American Treasury Obligation Fund	(1)			\$ 53,043	\$ 53,043
AIM Private Inv. Class Treasury Fund	(1)			38	38
AIG Matched Funding Corp. Inv. Agreements	(1)			338,560	338,560
US Bank Money Market	(1)			2,049,386	2,049,386
MBIA Inc. Investment Agreements	(1)			10,010,700	10,010,700
Total Investments with Fiscal Agents		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,451,727</u>	<u>\$ 12,451,727</u>
<u>401(a) Plan:</u>					
401(a) Plan	(1)	\$ -	\$ -	\$ 610,090	\$ 610,090
Grand Total		<u>\$ 28,757,093</u>	<u>\$ -</u>	<u>\$ 82,818,910</u>	<u>\$ 82,932,451</u>

(1) Not subject to categorization.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #2 – CASH AND INVESTMENTS (Continued)*

- (2) The management of the State of California Pooled Money Investment Account (generally referred to as LAIF) has indicated to the City that as of June 30, 2003, the carrying amount of the pool was \$55,422,506,109 and the estimated market value for the pool (including accrued interest) was \$55,709,492,881. The City's proportionate share of that value is \$40,000,000. Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes, totaling \$304,000,000 and asset-backed securities, totaling \$985,676,000. LAIF's (and the City's) exposure to risk (credit, market or legal), if any, is not able to be determined as of June 30, 2003.

**C. 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
- Los Angeles County Pool
- Repurchase Agreements
- Medium Term Corporate Notes
- Insured Municipal Bonds
- Floaters or Step-ups with market driven interest rate adjustments
- Mutual Funds of highest ratings

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

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

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

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

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #2 – CASH AND INVESTMENTS (Continued)*

**E. Cash and Investments – 401 (a) Plan**

The City contributes to a 401(a) plan to its management confidential employees into which these employees can make voluntary contributions. The fair value of the plan assets at June 30, 2003, is \$610,090.

**F. Fair Value of Investments**

Accounting pronouncement GASB Statement No. 31 generally applies to investments in external investment pools, investments purchased with maturities greater than one year, mutual funds, and certain investment agreements. Generally, governmental entities need to report the “fair value” changes for these investments at year-end and records these gains or losses on their income 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, 2003, \$727,452 of unrealized gains were recorded in the investment portfolio.

*State of California State Treasurer’s Local Agency Investment Fund* – The City holds an investment in LAIF that is subject to being adjusted to “fair value.” 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 \$40,000,000 whose pro-rata share of fair value was estimated by the State Treasurer to be \$40,113,541. The difference was immaterial for presentation in the financial statements.

The State Treasurer’s Local Agency Investment Fund is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee, comprised of California State officials and various participants, provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer’s office. The City is a voluntary participant in the investment pool.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #3 – INTERFUND TRANSACTIONS*

Interfund Balances

Interfund balances consisted of the following at June 30, 2003:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 94,312	
Federal and State Grants Fund		\$ 84,312
Special Deposits Trust and Agency Funds		10,000
Total	<u>\$ 94,312</u>	<u>\$ 94,312</u>

This balance resulted from a deposit made initially by the General Fund to establish a medical plan account with a third party administrator and for funds with deficit cash balances.

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, 2003 are presented below:

		Transfer From					
		General Fund	Water Fund	Wastewater Fund	Refuse Fund	Other Enterprise Funds	Total
Transfer To	General Fund		\$ 1,336,715	\$ 649,972	\$37,857	\$ 75,000	\$ 2,099,544
	Capital Improvements Fund	\$ 4,071,794					4,071,794
	Stormwater Fund		29,951				29,951
	Internal Service Funds	426,436					426,436
	Total	<u>\$ 4,498,230</u>	<u>\$ 1,366,666</u>	<u>\$ 649,972</u>	<u>\$37,857</u>	<u>\$ 75,000</u>	<u>\$ 6,627,725</u>



**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #3 – INTERFUND TRANSACTIONS (Continued)*

The inter-fund transfers scheduled above resulted from a variety of City initiatives including the following:

- A \$3,837,644 transfer out of the General Fund to the Capital Improvements Fund for funding of the Public Safety Facility as planned for in the City budget.
- A \$234,150 transfer out of the General Fund to the Capital Improvements Fund for future funding of the Strand walkway improvements as planned for in the City budget.
- A \$426,436 transfer out of the General Fund to the Insurance Reserve Fund to maintain risk management reserve fund levels as required by fiscal policy.
- A \$75,000 transfer into the General Fund from the County Lot Fund per existing operating agreements.
- A \$29,951 transfer into the Storm Water to the Water fund for storm fee services originally collected in the Water Fund.

In fiscal year 2002-2003 the City initiated and completed a cost allocation plan study the scope of which involved a review of all General Fund services provided to the City owned utility funds - Water - Wastewater - Refuse. The study resulted in an increase in overall charges from these utility funds which were applied on a retroactive basis. The total of this retroactive transfer amounted to \$2,024,544 as reflected above. On a going forward basis inter-fund charges have been modified to reflect the new study amounts. Such charges will be considered in future rate studies and capital budget plans.

*NOTE #4 – LEASE AND NOTES RECEIVABLE*

The City owns land leased to others upon which a tennis complex, office building, hotel and golf course have been constructed by the lessees. The City receives rental payments, which consist of a base rental plus a percentage of gross revenues, which exceed the base rental.

The tennis complex and office building lease expires in October 2042, and upon expiration, tenants have the option of extending the lease for two additional 15-year periods. The hotel and golf course lease expires in February 2033, and upon expiration, tenants have the option of extending the lease for two additional 25-year periods. At the end of the lease terms (including renewal options) title to the improvements will revert to the City. The lease payments received are recorded as revenue in the General Fund.

In February 1997, the City sold two tracts of land, which were property of the Parking Fund. Total consideration for this sale was \$190,218 of which \$150,000 was received in the form of a promissory note. The note is secured by a deed of trust and bears interest at a rate of 8 percent, which matures in April 2007. As of June 30, 2003, the remaining balance was \$91,005.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*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 Assets. The City elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructure reporting, whereby depreciation expense and accumulated depreciation has been recorded. The following table presents the capital assets activity for the year ended June 30, 2003.

	Beginning Balance	Adjustments	Beginning Balance, As Restated	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>						
Capital Assets Not Being Depreciated:						
Land	\$ 36,982,902	\$ (3,348,336)	\$ 33,634,566			\$ 33,634,566
Total Capital Assets Not Being Depreciated	36,982,902	(3,348,336)	33,634,566			33,634,566
Capital Assets, Being Depreciated:						
Buildings and Structures	3,766,614	\$ 1,544,635	\$ 5,311,249	\$ 2,478,350		7,789,599
Machinery and Equipment	3,585,487		3,585,487	159,964	\$ (103,701)	3,641,750
Vehicles	4,803,516		4,803,516	426,193	(364,694)	4,865,015
Infrastructure						
Street/Roadways		31,034,321	31,034,321	1,552,322		32,586,643
Parks and Recreation	3,202,524	6,039,057	9,241,581	1,371,670		10,613,251
Total Capital Assets Being Depreciated	15,358,141	38,618,013	53,976,154	5,988,499	(468,395)	59,496,258
Less Accumulated Depreciation for:						
Buildings and Structures		(2,110,984)	(2,110,984)	(102,451)		(2,213,435)
Machinery and Equipment		(2,002,794)	(2,002,794)	(279,362)	71,814	(2,210,342)
Vehicles	(2,817,502)		(2,817,502)	(348,766)	348,651	(2,817,617)
Infrastructure						
Street/Roadways		(12,715,376)	(12,715,376)	(865,172)		(13,580,548)
Parks and Recreation		(2,653,240)	(2,653,240)	(157,393)		(2,810,633)
Total Accumulated Depreciation	(2,817,502)	(19,482,394)	(22,299,896)	(1,753,144)	420,465	(23,632,575)
Total Capital Assets, Being Depreciated, Net	12,540,639	19,135,619	31,676,258	4,235,355	(47,930)	35,863,683
Governmental Activities Capital Assets, Net	\$ 49,523,541	\$ 15,787,283	\$ 65,310,824	\$ 4,235,355	\$ (47,930)	\$ 69,498,249

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #5 – CAPITAL ASSETS AND DEPRECIATION (Continued)*

	Beginning Balance	Adjustments	Beginning Balance, As Restated	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>						
Capital Assets, Not Being Depreciated						
Land - Water	\$ 307,067	\$ 900	\$ 307,967			\$ 307,967
Land - Stormwater		7,650	7,650			7,650
Land - Parking	920,572		920,572	\$ 521,245		1,441,817
Total Capital Assets Not Being Depreciated	1,227,639	8,550	1,236,189	521,245		1,757,434
Capital Assets, Being Depreciated:						
Buildings and structures	2,073,957	(192,180)	1,881,777	5,370,427		7,252,204
Machinery and equipment	98,877	343,893	442,770			442,770
Infrastructure						
Water	16,467,621	(675,898)	15,791,723	903,200		16,694,923
Stormwater	5,453,479	107,204	5,560,683	252,065		5,812,748
Wastewater	8,040,395	887,043	8,927,438	243,697		9,171,135
Total Capital Assets Being Depreciated	32,134,329	470,062	32,604,391	6,769,389	-	39,373,780
Less Accumulated Depreciation For:						
Buildings and structures	(1,001,822)	525,590	(476,232)	(41,757)		(517,989)
Machinery and equipment	(98,877)	(236,691)	(335,568)			(335,568)
Infrastructure						
Water	(7,345,335)	506,982	(6,838,353)	(244,245)		(7,082,598)
Stormwater	(1,972,086)	(6,437)	(1,978,523)	(105,805)		(2,084,328)
Wastewater	(3,597,898)	(444,980)	(4,042,878)	(150,628)		(4,193,506)
Total Accumulated Depreciation	(14,016,018)	344,464	(13,671,554)	(542,435)		(14,213,989)
Total Capital Assets, Being Depreciated, Net	18,118,311	814,526	18,932,837	6,226,954	-	25,159,791
Business-type Activities Capital Assets, Net	\$ 19,345,950	\$ 823,076	\$ 20,169,026	\$ 6,748,199	\$ -	\$ 26,917,225

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #5 – CAPITAL ASSETS AND DEPRECIATION (Continued)*

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

Governmental Activities:	
General government	\$ 172,668
Public safety	126,660
Public works	1,268,547
Culture and recreation	185,269
Total Depreciation Expense - Governmental Activities	<u>\$ 1,753,144</u>
Business-type Activities :	
Water	\$ 244,245
Stormwater	105,805
Wastewater	150,628
Parking	41,757
Total Depreciation Expense - Business-type Activities	<u>\$ 542,435</u>

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #6 – LONG-TERM LIABILITIES*

The following is a summary of changes in long-term liability for the year ended June 30, 2003:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003	Amount Due in 2004
<b>Governmental Activities:</b>					
<b>Long-term Debt</b>					
Capital lease	\$ 279,584		\$101,523	\$ 178,061	\$ 115,566
Marine Avenue certificate of participation	9,535,000		200,000	9,335,000	180,000
<b>Other Long-term Liabilities</b>					
Supplemental leave allowance	104,638	\$ 5,416		110,054	
Compensated absences	1,395,150	202,177		1,597,327	135,808
Worker's compensation claims	1,147,631	378,840		1,526,471	
General liability claims	190,475		85,701	104,774	
Governmental Activity Long-term Liabilities	<u>\$12,652,478</u>	<u>\$ 586,433</u>	<u>\$387,224</u>	<u>\$ 12,851,687</u>	<u>\$ 431,374</u>
<b>Business-type Activities:</b>					
<b>Long-term Debt</b>					
Water fund certificate of participation	\$ 2,861,955		\$ 53,625	\$ 2,808,330	\$ 56,971
Wastewater fund certificate of participation	1,408,045		26,375	1,381,670	28,029
Metlox certificate of participation		\$ 13,350,000		13,350,000	
<b>Other Long-term Liabilities</b>					
Compensated absences	44,204	12,464		56,668	4,890
Business-type Activity Long-term Liabilities	<u>\$ 4,314,204</u>	<u>\$ 13,362,464</u>	<u>\$ 80,000</u>	<u>\$ 17,596,668</u>	<u>\$ 89,890</u>

1. *Capital Lease: Municipal Energy Retrofit Program* – During the 1994-1995 fiscal year the City entered into an energy retrofitting program with Honeywell Home & Building Controls Services. As part of this program the City contracted for the upgrade, replacement and maintenance of heating, lighting and air conditioning equipment for facilities at a variety of locations. In doing so the City entered into a Lease-Purchase Agreement consisting of forty-one consecutive quarterly payments commencing November 1994 and ending November 2004. Each payment includes interest at an imputed annual rate of 6.58 percent.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #6 – LONG-TERM LIABILITIES (Continued)*

Annual debt service requirements to maturity for the capital lease are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$ 115,566	\$ 8,759	\$ 124,325
2005	62,495	1,512	64,007
Total	<u>\$ 178,061</u>	<u>\$ 10,271</u>	<u>\$ 188,332</u>

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

Annual debt service requirements to maturity for the Marine Ave. (COP) are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$ 180,000	\$ 375,201	\$ 555,201
2005	185,000	366,553	551,553
2006	190,000	361,364	551,364
2007	200,000	353,287	553,287
2008	205,000	345,542	550,542
2009-2013	1,140,000	1,589,395	2,729,395
2014-2018	1,360,000	1,332,276	2,692,276
2019-2023	1,630,000	1,025,129	2,655,129
2024-2028	1,935,000	659,094	2,594,094
2029-2033	2,310,000	222,621	2,532,621
Total	<u>\$9,335,000</u>	<u>\$6,630,462</u>	<u>\$15,965,462</u>

3. *Supplemental Leave Allowances* – In December 1994, an emergency leave bank was established for active management/confidential employees. At June 30, 2003, the total accrued liability for this benefit amounted to \$110,054 based on accumulated hours for months in service during the time period from January 1, 1990, to December 4, 1994, as specified in the parameters of the plan. Upon termination, the employee will be paid for any unused leave and as such the total amount of the liability is accrued as a long-term item.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #6 – LONG-TERM LIABILITIES (Continued)*

4. *Compensated Absences* – At June 30, 2003, the total accrued liability for compensated absences amounted to \$1,653,995, which is comprised of \$1,425,985 and \$228,010 of vested vacation and sick leave respectively. \$1,461,519 of this compensated leave liability has been determined to be long-term in nature and related to general governmental services. Additionally, \$51,778 of proprietary fund type long-term leave absences are recorded in the enterprise funds.
5. *Workers' Compensation Claims* – This is an estimation of the workers' compensation claims that have been incurred but not reported. At June 30, 2003, the long-term portion was \$1,526,471.
6. *General Liability Claims* – This is an estimation of the general disability claims incurred by not reported. At June 30, 2003, the long-term portion was \$104,774.
7. *Water and Wastewater Certificates of Participation* – In September 1996, the Manhattan Beach Capital Improvements Corporation issued \$4,615,000 of debt in the form of Certificates of Participation. This debt was issued to finance 1996 and 1997 enterprise fund projects related specifically to the water and waste water systems. The certificates bear interest at 5.3 percent to 5.8 percent and mature through 2026. Installment payments to be made by the City will be secured by net revenues received by the subject enterprise funds and do not obligate the City's general funds.

The following schedule illustrates the debt service requirements to maturity for bonds outstanding as of June 30, 2003:

Water Fund				Wastewater Fund			
Fiscal Year				Fiscal Year			
Ending	Principal	Interest	Total	Ending	Principal	Interest	Total
June 30,				June 30,			
2004	\$ 56,971	\$ 157,736	\$ 214,707	2004	\$ 28,029	\$ 77,604	\$ 105,633
2005	60,311	154,628	214,939	2005	29,678	76,075	105,753
2006	63,674	151,342	215,016	2006	31,326	74,458	105,784
2007	67,025	147,853	214,878	2007	32,975	72,742	105,717
2008	70,376	144,161	214,537	2008	34,624	70,925	105,549
2009-2013	408,851	658,260	1,067,111	2009-2013	201,149	323,854	525,003
2014-2018	552,955	524,861	1,077,816	2014-2018	272,045	258,223	530,268
2019-2023	743,976	340,217	1,084,193	2019-2023	366,024	167,382	533,406
2024-2026	784,191	94,465	878,656	2024-2026	385,820	46,475	432,295
	<u>\$ 2,808,330</u>	<u>\$2,373,523</u>	<u>\$ 5,181,853</u>		<u>\$ 1,381,670</u>	<u>\$1,167,738</u>	<u>\$2,549,408</u>

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #6 – LONG-TERM LIABILITIES (Continued)*

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$ -	\$ 539,745	\$ 539,745
2005	255,000	597,871	852,871
2006	260,000	592,771	852,771
2007	265,000	587,571	852,571
2008	270,000	581,609	851,609
2009-2013	1,500,000	2,772,494	4,272,494
2014-2018	1,830,000	2,452,544	4,282,544
2019-2023	2,285,000	2,005,365	4,290,365
2024-2028	2,930,000	1,392,750	4,322,750
2029-2033	3,755,000	582,000	4,337,000
Total	<u>\$13,350,000</u>	<u>\$ 12,104,720</u>	<u>\$ 25,454,720</u>



**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #7 – CLASSIFICATION FUND BALANCE AND ENTERPRISE FUND NET ASSETS*

The City’s governmental funds reserves and designations at June 30, 2003 are presented below, followed by explanations of the nature and purpose of each reserve and designation.

	General Fund	Capital Improvement Fund	Other Government Funds
<b>Reserved:</b>			
Encumbrances	\$ 612,140		\$ 3,475
Prepays	36,600		
Debt Service	178,062		
Continuing Capital Projects		\$ 176,679	2,252,507
<b>Total Reserved</b>	<b>826,802</b>	<b>176,679</b>	<b>2,255,982</b>
<b>Designated</b>			
Financial Policy	6,760,541		
Economic Uncertainty	2,000,000		
Employee Leave Benefit	1,571,573		
Pension Stabilization	2,024,545		
Police-Fire Safety Facility		18,362,729	
Strand Walkway		1,160,790	
Artesia Blvd.		1,026,300	
<b>Total Designated</b>	<b>12,356,659</b>	<b>20,549,819</b>	<b>-</b>
<b>Undesignated</b>	<b>4,786,457</b>	<b>4,230,901</b>	<b>3,428,545</b>
<b>Total Fund Equity</b>	<b>\$ 17,969,918</b>	<b>\$ 24,957,399</b>	<b>\$ 5,684,527</b>

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #7 – CLASSIFICATION FUND BALANCE AND ENTERPRISE FUND NET ASSETS (Continued)*

The City’s Enterprise Fund restrictions and City Council designations at June 30, 2003 are presented below along with explanations of the nature and purpose of each.

	Water Fund	Storm Fund	Waste Water Fund	Refuse Fund	Parking Fund	Non-Major Enterprise Funds	Total Enterprise Funds
<b>Restrictions:</b>							
Bonded Capital Project					\$ 8,952,692		\$ 8,952,692
Debt Service	\$ 227,101		\$ 111,498		1,657,177		1,995,776
BID					365,477		365,477
<b>Total Restricted</b>	<b>227,101</b>	<b>-</b>	<b>111,498</b>	<b>-</b>	<b>10,975,346</b>	<b>-</b>	<b>11,313,945</b>
<b>Investment in Capital Assets, Net of Debt</b>							
	7,111,955	\$ 3,736,070	3,595,966		(5,066,766)		9,377,225
<b>Unrestricted</b>							
<b>Designations</b>							
Continuing CIPs	2,228,314	773,130	793,555				3,794,999
Financial Policy	1,909,000	63,000	196,000		98,000	\$ 85,000	2,351,000
<b>Total Designated</b>	<b>4,137,314</b>	<b>836,130</b>	<b>989,555</b>	<b>-</b>	<b>98,000</b>	<b>85,000</b>	<b>6,145,999</b>
<b>Unrestricted Net Assets</b>							
After Designations	4,241,394	(94,493)	381,507	\$ 611,150	801,341	1,110,043	7,050,942
<b>Total Net Assets</b>	<b>\$ 15,717,764</b>	<b>\$ 4,477,707</b>	<b>\$ 5,078,526</b>	<b>\$ 611,150</b>	<b>\$ 6,807,921</b>	<b>\$ 1,195,043</b>	<b>\$ 33,888,111</b>

*NOTE #8 – RESTATEMENT OF PROPRIETARY FUND BEGINNING NET ASSETS*

During fiscal year 2002-2003, the City implemented GASB Statement No. 34. As part of the implementation, the City performed an infrastructure valuation. As part of this valuation process, capital assets recorded in several of the City’s Enterprise Funds were adjusted to reflect proper fund classifications as of June 30, 2002. Additionally, a valuation correction in the Water Fund was noted and recorded as part of this process. As a result the beginning balances for the following funds have been restated.

	Water	Stormwater	Wastewater	Parking
Beginning Net Assets	\$ 15,994,091	\$ 4,202,221	\$ 5,246,371	\$ 5,927,558
Adjustments	(168,016)	108,417	441,963	616,962
<b>Beginning Net Assets, as Restated</b>	<b>\$ 15,826,075</b>	<b>\$ 4,310,638</b>	<b>\$ 5,688,334</b>	<b>\$ 6,544,520</b>

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #9 – RETIREMENT PLANS*

A. California Public Employees Retirement System

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

In Fiscal Year 2001-2002 the City Safety Retirement Plan was unbundled and replaced with separate Police and Fire Plans. The Police Plan was modified from the two percent at 50 to the three percent at 50 benefits. The Fire Plan was modified from the two percent at 50 to the three percent at 55 benefits. Given this current year change in benefit plans, the following retirement plan disclosure tables reflect the latest available historical trend information. As these plans mature into future years, the presentation of trend information will expand accordingly.

*Funding Policy* – Active plan members in the Safety and Miscellaneous Plans are required to contribute 9 percent and 7 percent of their annual covered salary, respectively. The City of Manhattan Beach is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. In accordance with existing bargaining group labor agreements, the City fully pays the employee contribution for all full time salaried safety and miscellaneous employees. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for Fiscal Year 2002-2003 was 12.833 percent, 4.765 percent, and zero percent for police, fire, and miscellaneous employees, respectively. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #9 – RETIREMENT PLANS (Continued)*

*Annual Pension Cost* – For Fiscal Year 2002-2003, the City of Manhattan Beach’s annual pension cost was \$707,274 for the Police, Fire, and Miscellaneous Plans combined, and was equal to the City’s required and actual contributions. The City also contributed \$1,242,196 for the 2002-2003 fiscal year on behalf of the employees. The City’s payroll for employees covered by the plans for the year ended June 30, 2003, was \$15,659,509. The total payroll for the year was \$19,041,227. The required contributions for Fiscal Year 2002-2003 were determined as part of the June 30, 2001, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25 percent investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75 percent to 14.20 percent for miscellaneous members (from 3.75 percent to 11.59 percent for safety members); and (c) two percent maximum cost-of-living adjustment not to exceed the consumer price index. Both (a) and (b) include an inflation component of 3.5 percent. The actuarial value of the Safety and Miscellaneous Plans’ assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. The Safety and Miscellaneous Plans’ unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period ends June 30, 2011.

Three-year Trend Information for the Cal PERS Police Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2001	\$ -	0.00%	\$ -
6/30/2002	\$ 481,079	95.18%	\$ (592,208)
6/30/2003	\$ 600,254	95.23%	\$ (563,550)

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #9 – RETIREMENT PLANS (Continued)*

Annual Pension Cost and Net Pension Obligation Police Plan

The City of Manhattan Beach annual pension cost and change net pension obligation in Fiscal year ending June 30, 2002 is as follows:

	<u>Police</u>
Annual required contributions (ARC)	\$ 571,596
Interest on net pension obligation (NPO)	(48,857)
Amortization of net pension obligation	<u>77,515</u>
Annual pension cost	600,254
Actual contributions made in fiscal year	<u>571,596</u>
Increase (Decrease) in NPO	28,658
NPO at Beginning of Year	<u>(592,208)</u>
NPO at End of Year	<u><u>\$ (563,550)</u></u>

Funded Status of Cal PERS Police Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
6/30/1999	\$31,977,422	\$40,698,326	\$ (8,720,904)	127.3%	\$3,887,514	(224.33)%
6/30/2000	\$39,384,276	\$46,163,623	\$ (6,779,347)	117.2%	\$4,390,090	(154.42)%
6/30/2001	\$41,984,208	\$46,779,860	\$ (4,792,823)	114.2%	\$4,568,938	(106.3)%

Three-year Trend Information for the Cal PERS Fire Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2001	\$ -	0.00%	\$ -
6/30/2002	\$ 124,294	89.52%	\$ (333,114)
6/30/2003	\$ 151,798	89.38%	\$ (316,994)

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #9 – RETIREMENT PLANS (Continued)*

Annual Pension Cost and Net Pension Obligation Fire Plan

The City of Manhattan Beach annual pension cost and change net pension obligation in Fiscal year ending June 30, 2002 is as follows:

	<u>Fire</u>
Annual required contributions (ARC)	\$ 135,678
Interest on net pension obligation (NPO)	(27,482)
Amortization of net pension obligation	<u>43,602</u>
Annual pension cost	151,798
Actual contributions made in fiscal year	<u>135,678</u>
Increase (Decrease) in NPO	16,120
NPO at Beginning of Year	<u>(333,114)</u>
NPO at End of Year	<u><u>\$ (316,994)</u></u>

Funded Status of Cal PERS Fire Plan

Valuation Date	Entry Age	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
	Normal Accrued Liability					
6/30/1999	\$18,020,477	\$22,892,562	\$ (4,872,085)	127.0%	\$2,000,444	(243.55)%
6/30/2000	\$20,769,978	\$26,126,347	\$ (5,356,369)	125.8%	\$2,224,554	(240.78)%
6/30/2001	\$22,790,321	\$26,700,234	\$ (3,909,913)	117.2%	\$2,467,527	(158.45)%

Three-Year Trend Information for the Cal PERS Miscellaneous Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2001	\$ -	0.00%	\$ -
6/30/2002	\$ -	0.00%	\$ -
6/30/2003	\$ -	0.00%	\$ -

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #9 – RETIREMENT PLANS (Continued)*

Funded Status of Cal PERS Miscellaneous Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
6/30/1999	\$24,725,805	\$36,935,655	\$ (12,209,850)	149.4%	\$7,192,293	(169.76)%
6/30/2000	\$26,798,233	\$40,447,665	\$ (13,649,432)	150.9%	\$7,556,860	(180.62)%
6/30/2001	\$28,873,800	\$41,183,641	\$ (12,309,841)	142.6%	\$7,750,542	(158.80)%

**B. City Funded Pension Plans**

**1. Supplemental Retirement Plan**

The Supplemental Retirement Plan is a single-employer defined benefit pension plan that covers Police, Fire and Management/Confidential employees who retired prior to January 1995. The plan provides the employee the difference between the benefit provided by the California Public Employees Retirement System (CalPERS) calculated under the life annuity option and the CalPERS 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, firefighters, and management employee upon retirement, a monthly amount which would make up the difference for that option of which the officer will receive from CalPERS 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 percent annual cost of living increase. This plan is currently dormant as discussed in the next paragraph. The Supplemental Retirement Plan does not have a separate annual financial report.

The City has ceded the liabilities of active participants in the plan to CalPERS as of January 1, 1995. The City’s remaining obligation is to fund the benefits for those participants who are currently retired. The number of participants covered under the plan as of June 30, 2003 is as follows:

Retirees and beneficiaries receiving benefits

Management/Confidential

5

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

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #9 – RETIREMENT PLANS (Continued)*

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded (Overfunded) Accrued Liability</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
6/30/1994	\$ 1,523,583	\$ 1,522,147	\$ (1,436)	\$ 10,316,797	(1.39)%
6/30/1995	1,614,068	1,522,147	(91,921)	4,087,727	(2.25)%
6/30/1996	564,788	205,418	(359,370)	N/A	N/A
6/30/1997	543,583	205,418	(338,165)	N/A	N/A
6/30/1998	244,741	220,145	(24,596)	N/A	N/A
6/30/1999	238,406	220,145	(18,261)	N/A	N/A
6/30/2000	234,028	208,773	(25,240)	N/A	N/A
6/30/2001	227,989	208,773	(19,216)	N/A	N/A
6/30/2002	234,488	200,915	(33,573)	N/A	N/A
6/30/2003	224,064	200,915	(23,149)	N/A	N/A

During the 1994-95 fiscal year the supplemental benefits for safety employees were transferred to PERS.

Schedule of Employer Contributions

<u>Year Ended</u>	<u>Annual Actual Contribution</u>	<u>Percentage Contribution</u>
6/30/1994	\$ 132,055	100%
6/30/1995	44,965	100%
6/30/1996	N/A	N/A
6/30/1997	N/A	N/A
6/30/1998	N/A	N/A
6/30/1999	N/A	N/A
6/30/2000	N/A	N/A
6/30/2001	N/A	N/A
6/30/2002	N/A	N/A
6/30/2003	N/A	N/A



**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #9 – RETIREMENT PLANS (Continued)*

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

Valuation Date	June 30, 2002
Actuarial cost method	Projected Unit Cost Credit Method
Amortization period	N/A plan is dormant
Remaining amortization period	N/A plan is dormant
Asset valuation method	N/A plan is dormant
Actuarial assumptions	
Investment rate of return	6.5 percent
Projected salary increases	N/A plan is dormant
Includes inflation at	N/A plan is dormant
Cost-of-living adjustments	2 percent

2. Single Highest Year Plan

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

The City has ceded the liabilities of active participants in the plan to CalPERS as of July 1, 1993. The City's remaining obligation is to fund the benefits for those participants who are currently retired. The number of participants covered under the plan as of June 30, 2002 is as follows:

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #9 – RETIREMENT PLANS (Continued)*

Retirees and beneficiaries receiving benefits

Management/Confidential	5
Miscellaneous	2
Fire	2
Police	<u>5</u>
 Total	 <u><u>14</u></u>

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Overfunded) Accrued Liability	Covered Payroll	UAAL as a % of Covered Payroll
6/30/1994	\$ 589,405	\$ 471,299	\$ (118,106)	N/A	N/A
6/30/1995	596,473	471,299	(125,174)	N/A	N/A
6/30/1996	565,631	495,795	(69,836)	N/A	N/A
6/30/1997	520,280	495,795	(24,485)	N/A	N/A
6/30/1998	607,602	546,538	(61,064)	N/A	N/A
6/30/1999	596,229	546,538	(49,691)	N/A	N/A
6/30/2000	596,885	532,507	(64,377)	N/A	N/A
6/30/2001	580,156	532,507	(47,649)	N/A	N/A
6/30/2002	602,569	516,298	(86,271)	N/A	N/A
6/30/2003	582,400	516,298	(42,953)	N/A	N/A

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #9 – RETIREMENT PLANS (Continued)*

Schedule of Employer Contributions

<u>Year Ended</u>	<u>Annual Actual Contribution</u>	<u>Percentage Contribution</u>
6/30/1994	N/A	N/A
6/30/1995	N/A	N/A
6/30/1996	N/A	N/A
6/30/1997	N/A	N/A
6/30/1998	N/A	N/A
6/30/1999	N/A	N/A
6/30/2000	N/A	N/A
6/30/2001	N/A	N/A
6/30/2002	N/A	N/A
6/30/2003	N/A	N/A

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

Valuation Date	June 30, 2002
Actuarial cost method	Projected Unit Cost Credit Method
Amortization period	N/A plan is dormant
Remaining amortization period	N/A plan is dormant
Asset valuation method	N/A plan is dormant
Actuarial assumptions	
Investment rate of return	6.5 percent
Projected salary increases	N/A plan is dormant
Includes inflation at	N/A plan is dormant
Cost-of-living adjustments	2 percent

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #9 – RETIREMENT PLANS (Continued)*

3. Post Retirement Plan for Firefighters

The Post Retirement Plan for Firefighters is a single-employer defined benefit pension plan of the City of Manhattan Beach. This plan was effective December 7, 1996 and is covered under the collective bargaining agreement with the Firefighters Association. The plan covers all firefighters covered under the collective bargaining agreement with the Firefighter’s Association of Manhattan Beach. The plan provides for \$150 per month to cover the cost of insurance premiums. Eligibility includes any firefighter who takes a service retirement on and after December 7, 1996, and who has a minimum of twenty year of service with the City of Manhattan Beach. The benefit is payable until the participant qualifies for Medicare benefits. This plan is being accounted for in the Pension Fund. The Post Retirement Plan for Firefighters does not issue a separate annual financial report.

The number of participants covered under the plan as of June 30, 2003 is as follows:

Retirees and beneficiaries receiving benefits

Fire - Active Participants	26
Fire - Retirees	<u>1</u>
Total	<u><u>27</u></u>

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Overfunded) Accrued Liability	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2001	\$ 164,422	\$ 109,979	\$ (54,433)	N/A	N/A
6/30/2002	124,731	106,873	(17,858)	N/A	N/A
6/30/2003	130,150	106,873	(23,277)	N/A	N/A

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

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #9 – RETIREMENT PLANS (Continued)*

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Percentage Contribution
6/30/2001	N/A	N/A
6/30/2002	N/A	N/A
6/30/2003	N/A	N/A

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

Valuation Date	June 30, 2002
Actuarial cost method	Projected Unit Cost Credit Method
Actuarial assumptions	
Investment rate of return	6.5 percent

4. 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 established the Public Agency Retirement System (PARS) as the retirement program for this group.

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

Total payroll for employees covered by this plan for the year was \$1,078,746. The amount of employee contributions was \$40,453 and employer contributions was \$40,453.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #10 – POST-EMPLOYMENT HEALTH INSURANCE*

In addition to the pension benefits described in Note 9, the City provides certain health insurance benefits, in accordance with memoranda of understanding, to retired employees. To qualify, a retiree must meet the criteria for PERS retirement.

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

The City recognizes the cost of providing these benefits by recording the insurance premiums as expenditures. The cost to the City in fiscal year 2002-2003, for this benefit was \$5,792.

*NOTE #11 – RISK MANAGEMENT*

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City currently reports all of its risk management activities in its Insurance Reserve Fund. The City adopted a self-insured workers' compensation program that is administered by a service agent. The City is self-insured for the first \$250,000 on each claim. Insurance coverage in excess of the self-insured amount is provided by a private insurance company up to a limit of \$20,000,000. Also, the City is self-insured for the first \$250,000 on each general liability claim against the City. The insurance coverage in excess of the self-insured amount is provided by Independent Cities Risk Management Authority (ICRMA) up to a limit of \$10,000,000. ICRMA is considered a self-sustaining risk pool. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2003, the amount of these liabilities was \$4,032,421. The amount represents an estimate of \$2,401,175 for reported claims through June 30, 2003, and \$1,631,245 of estimated incurred but not reported claims. This liability is the City's best estimate based on available information. Changes in the reported liability at June 30, 2003, resulted from the following:

Year	Liability Beginning of Year	Current Year Claims and Changes In Estimates	Claims and Payments	Liability End of Year
2002	\$ 2,635,419	\$ 2,004,546	\$ (969,445)	\$ 3,670,520
2003	\$ 3,670,520	\$ 1,685,041	\$ (1,323,140)	\$ 4,032,421

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #11 – RISK MANAGEMENT (Continued)*

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

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

The ICRMA has published its own financial report for the year ended June 30, 2003, which can be obtained from Independent Cities Risk Management Authority, 14156 Magnolia Park, Sherman Oaks, California.

*NOTE #12 – 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, 2003, was 23.1 percent.

Summarized audited financial information for SBRPCA at June 30, 2002\*, is presented below:

Balance Sheet

Assets	\$ 12,224,871
Liabilities to Member Cities (All Current)	\$ 791,514
Bonds payable	9,540,000
Fund Equity	1,893,357
Total Liabilities and Fund Equity	\$ 12,224,871

\* Most current information available.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #12 – JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)*

Revenues and Expenditures

Revenues	\$ 4,978,464
Expenditures	<u>(4,829,932)</u>
Excess of Expenditures Over Revenues	148,532
Fund Equity - July 1, 2001	1,660,725
Contributed Capital	<u>84,100</u>
Fund Equity - June 30, 2002 *	<u><u>\$ 1,893,357</u></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.

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

Summarized audited financial information for L.A. IMPACT at June 30, 2002\*, is presented below:

Balance Sheet

Assets	<u>\$ 7,311,722</u>
Liabilities to Member Cities (All Current)	\$ 1,871,427
Fund Equity	4,548,776
General Fixed Assets	<u>891,519</u>
Total Liabilities, Fund Equity, and Other Credits	<u><u>\$ 7,311,722</u></u>

\* Most current information available.



**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #12 – JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)*

Revenues and Expenditures

Revenues	\$ 4,713,879
Expenditures	<u>(4,719,176)</u>
Excess of Revenues Over Expenditures	(5,297)
Fund Equity - July 1, 2001 (as restated)	<u>4,554,073</u>
Fund Equity - June 30, 2002	<u><u>\$ 4,548,776</u></u>

\* Most current information available.

*NOTE #13 – EMPLOYEE 401 (a) PLAN*

The City contributes to a 401(a) plan to its management confidential employees into which employees can make voluntary contributions. The market value of the plan assets at June 30, 2003, was \$610,090.

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

	<u>Market Value 401(a) Plan</u>
Total Assets	<u><u>\$ 610,090</u></u>
Liability to Plan Participants	<u><u>\$ 610,090</u></u>

*NOTE #14 – RELATED PARTY TRANSACTIONS*

In June 1995, the City entered into a loan agreement with its City Manager to be used toward the purchase of his residence within the City. The original loan amount was \$430,000. The outstanding principal balance of the loan at June 30, 2003, was \$369,205.

In July 2000, the City entered into a loan agreement with its Police Chief to be used toward the purchase of his residence within the City. The original loan amount was \$427,500. The outstanding principal balance of the loan at June 30, 2003, was \$407,557.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

*NOTE #15 – COMMITMENTS AND CONTINGENCIES*

There are certain lawsuits pending against the City, which seek monetary damages. The outcome and financial effect of these matters on the City cannot presently be determined and no provision for any potential liability or losses has been included in the basic financial statements as of June 30, 2003, however, City management expects such amounts, if any, to be immaterial.

Construction Management Services Contract – Police/Fire Facility

The City of Manhattan Beach has entered into a contract with Vanir Construction, Inc. to provide construction management services for the Police/Fire facility project. The contract was for an amount not-to-exceed \$1,698,072. As of June 30, 2003 the remaining balance on the contract was \$1,145,870.

Architect Contract – Police/Fire Facility

The City of Manhattan Beach has entered into a contract with Hellmuth, Obata & Kassabaum, Inc. to provide architectural services for the Police/Fire facility project. The contract was for an amount not-to-exceed \$2,475,234. As of June 30, 2003 the remaining balance on the contract was \$703,320.

*NOTE #16 – OPERATING AGREEMENT*

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

Fiscal Year Ending June 30,	
2004	\$ 151,797
2005	148,544
2006	145,699
2007	147,636
2008	149,978
2009-2013	628,826
2014-2018	518,970
2019-2023	532,378
2024-2028	528,539
2029-2031	188,351
Total	<u>\$ 3,140,718</u>

**CITY OF MANHATTAN BEACH**

**JUNE 30, 2003**

**MAJOR FUND BUDGETARY COMPARISON SCHEDULES**

Budgetary comparison statements are presented as part of the basic financial statement for the General Fund as provided for by GASB Statement No. 34. The budgetary comparison schedules for the remaining major funds are presented to aid in additional analysis and are not a required part of the basic financial statements.

**CITY OF MANHATTAN BEACH**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
CAPITAL IMPROVEMENTS CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and assessments	\$ 334,750	\$ 334,750	\$ 304,715	\$ (30,035)
Licenses and permits	175,500	175,500	74,497	(101,003)
Intergovernmental			164,616	164,616
Charges for services	523,240	523,240	537,634	14,394
Fines and forfeitures	100,000	100,000	109,180	9,180
<b>Total Revenues</b>	<b>1,133,490</b>	<b>1,133,490</b>	<b>1,190,642</b>	<b>57,152</b>
<b>EXPENDITURES</b>				
Current:				
General government	125,000	125,000	13,083	(111,917)
Public safety		4,552,691	1,593,631	(2,959,060)
Public works	10,000	344,529	4,022	340,507
Culture and recreation		993,340	942,512	50,828
<b>Total Expenditures</b>	<b>135,000</b>	<b>6,015,560</b>	<b>2,553,248</b>	<b>(2,679,642)</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>998,490</b>	<b>(4,882,070)</b>	<b>(1,362,606)</b>	<b>3,519,464</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in			4,071,794	4,071,794
<b>Total Other Financing Sources</b>			<b>4,071,794</b>	<b>4,071,794</b>
<b>Net Change in Fund Balances</b>	<b>998,490</b>	<b>(4,882,070)</b>	<b>2,709,188</b>	<b>7,591,258</b>
Fund Balances, Beginning of Year	22,248,211	22,248,211	22,248,211	
<b>Fund Balances, End of Year</b>	<b>\$ 23,246,701</b>	<b>\$ 17,366,141</b>	<b>\$ 24,957,399</b>	<b>\$ 7,591,258</b>

# CITY OF MANHATTAN BEACH

JUNE 30, 2003

## NON-MAJOR GOVERNMENTAL FUNDS

### Special Revenues 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 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. Assessments from Zone 10 of the street lighting district also provide for the maintenance of the street beautification area in downtown Manhattan Beach.

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

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

**Police Safety Grants** is used for monies received from the Federal and State governments for the purposes of supplementing front-line law enforcement services.

**Federal and State Grant Fund** is used to account for any Federal, State, or legal grants received, such as Block Grant or Park Bond funds. Revenues budgeted this year include the receipt of Park Bond grants awarded to the City in previous fiscal years.

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

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

**CITY OF MANHATTAN BEACH**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2003**

	Street Lighting	Gas Tax	Asset Forfeiture	Police Safety Grants
<b>ASSETS</b>				
Cash and investments	\$ 578,257	\$ 2,193,212	\$ 783,902	\$ 123,578
Taxes receivable	12,422			
Due from other governments		95,379		
Total Assets	<u>\$ 590,679</u>	<u>\$ 2,288,591</u>	<u>\$ 783,902</u>	<u>\$ 123,578</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	37,295	15,427	179	38,098
Due to other funds				
Total Liabilities	<u>37,295</u>	<u>15,427</u>	<u>179</u>	<u>38,098</u>
<b>FUND BALANCE</b>				
Reserved for:				
Encumbrances				3,475
Continuing capital projects		1,291,400		
Unreserved, reported in:				
Special revenue funds	553,384	981,764	783,723	82,005
Total Fund Balances	<u>553,384</u>	<u>2,273,164</u>	<u>783,723</u>	<u>85,480</u>
Total Liabilities and and Fund Balances	<u>\$ 590,679</u>	<u>\$ 2,288,591</u>	<u>\$ 783,902</u>	<u>\$ 123,578</u>

Federal & State Grants	Proposition A	Proposition C	Air Quality	Total Other Governmental Funds
	\$ 446,648	\$ 1,308,078	\$ 145,215	\$ 5,578,890
				12,422
\$ 84,312	47,500	39,397	10,613	277,201
<u>\$ 84,312</u>	<u>\$ 494,148</u>	<u>\$ 1,347,475</u>	<u>\$ 155,828</u>	<u>\$ 5,868,513</u>

	8,375	300		99,674
84,312				84,312
<u>84,312</u>	<u>8,375</u>	<u>300</u>		<u>183,986</u>

				3,475
	5,978	955,129		2,252,507
	479,795	392,046	155,828	3,428,545
	485,773	1,347,175	155,828	5,684,527
<u>\$ 84,312</u>	<u>\$ 494,148</u>	<u>\$ 1,347,475</u>	<u>\$ 155,828</u>	<u>\$ 5,868,513</u>

**CITY OF MANHATTAN BEACH**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2003**

	Street Lighting	Gas Tax	Asset Forfeiture	Police Safety Grants
<b>REVENUES</b>				
Taxes and assessments	\$ 379,945			
Intergovernmental		\$ 883,935	\$ 32,617	\$ 117,931
Charges for services	21,000			
Use of money and property	20,011	78,212	28,705	6,222
Net decrease in the fair value of investments	(6,080)	(24,048)	(6,875)	(1,429)
Total Revenues	<u>414,876</u>	<u>938,099</u>	<u>54,447</u>	<u>122,724</u>
<b>EXPENDITURES</b>				
Current:				
Public safety			42,781	193,558
Public works	445,243	1,282,940		
Culture and recreation				
Total Expenditures	<u>445,243</u>	<u>1,282,940</u>	<u>42,781</u>	<u>193,558</u>
Net Change in Fund Balances	(30,367)	(344,841)	11,666	(70,834)
Fund Balances, Beginning of Year	<u>583,751</u>	<u>2,618,005</u>	<u>772,057</u>	<u>156,314</u>
Fund Balances, End of Year	<u>\$ 553,384</u>	<u>\$ 2,273,164</u>	<u>\$ 783,723</u>	<u>\$ 85,480</u>



Federal and State Grants	Proposition A	Proposition C	Air Quality	Total Other Governmental Funds
	\$ 459,376	\$ 380,965		\$ 1,220,286
\$ 430,000		151,130	\$ 40,899	1,656,512
	8,468			29,468
	17,793	53,178	4,681	208,802
	(8,774)	(8,701)	(760)	(56,667)
430,000	476,863	576,572	44,820	3,058,401
				236,339
	52,992	528,399	13,026	2,322,600
430,000	361,464			791,464
430,000	414,456	528,399	13,026	3,350,403
	62,407	48,173	31,794	(292,002)
	423,366	1,299,002	124,034	5,976,529
\$ -	\$ 485,773	\$ 1,347,175	\$ 155,828	\$ 5,684,527

CITY OF MANHATTAN BEACH

SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 STREET LIGHTING FUND  
 FOR THE YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and assessments	\$ 386,783	\$ 386,783	\$ 379,945	\$ (6,838)
Charges for services	21,000	21,000	21,000	
Use of money and property	27,510	27,510	20,011	(7,499)
Net decrease in the fair value of investments			(6,080)	(6,080)
Total Revenues	<u>435,293</u>	<u>435,293</u>	<u>414,876</u>	<u>(20,417)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	468,859	737,161	445,243	291,918
Total Expenditures	<u>468,859</u>	<u>737,161</u>	<u>445,243</u>	<u>291,918</u>
Net Change in Fund Balances	(33,566)	(301,868)	(30,367)	271,501
Fund Balances, Beginning of Year	<u>583,751</u>	<u>583,751</u>	<u>583,751</u>	
Fund Balances, End of Year	<u>\$ 550,185</u>	<u>\$ 281,883</u>	<u>\$ 553,384</u>	<u>\$ 271,501</u>

**CITY OF MANHATTAN BEACH**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GAS TAX FUND  
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 654,000	\$ 654,000	\$ 883,935	\$ 229,935
Use of money and property	36,900	36,900	78,212	41,312
Net decrease in the fair value of investments			(24,048)	(24,048)
<b>Total Revenues</b>	<b>690,900</b>	<b>690,900</b>	<b>938,099</b>	<b>247,199</b>
<b>EXPENDITURES</b>				
Current:				
Public works	1,160,340	2,826,264	1,282,940	1,543,324
<b>Total Expenditures</b>	<b>1,160,340</b>	<b>2,826,264</b>	<b>1,282,940</b>	<b>1,543,324</b>
<b>Net Change in Fund Balances</b>	<b>(469,440)</b>	<b>(2,135,364)</b>	<b>(344,841)</b>	<b>1,790,523</b>
Fund Balances, Beginning of Year	2,618,005	2,618,005	2,618,005	
Fund Balances, End of Year	<u>\$ 2,148,565</u>	<u>\$ 482,641</u>	<u>\$ 2,273,164</u>	<u>\$ 1,790,523</u>

**CITY OF MANHATTAN BEACH**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
ASSET FORFEITURE FUND  
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental			\$ 32,617	\$ 32,617
Use of money and property	\$ 35,800	\$ 35,800	28,705	(7,095)
Net decrease in the fair value of investments			(6,875)	(6,875)
Total Revenues	<u>35,800</u>	<u>35,800</u>	<u>54,447</u>	<u>18,647</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	<u>329,079</u>	<u>329,079</u>	<u>42,781</u>	<u>(286,298)</u>
Total Expenditures	<u>329,079</u>	<u>329,079</u>	<u>42,781</u>	<u>(286,298)</u>
Net Change in Fund Balances	(293,279)	(293,279)	11,666	304,945
Fund Balances, Beginning of Year	<u>772,057</u>	<u>772,057</u>	<u>772,057</u>	
Fund Balances, End of Year	<u>\$ 478,778</u>	<u>\$ 478,778</u>	<u>\$783,723</u>	<u>\$ 304,945</u>

**CITY OF MANHATTAN BEACH**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
POLICE SAFETY GRANTS FUND  
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental		\$ 117,931	\$ 117,931	
Use of money and property			6,222	\$ 6,222
Net decrease in the fair value of investments			(1,429)	(1,429)
<b>Total Revenues</b>		<u>117,931</u>	<u>122,724</u>	<u>4,793</u>
<b>EXPENDITURES</b>				
Current:				
Public safety		<u>213,098</u>	<u>193,558</u>	<u>19,540</u>
<b>Total Expenditures</b>		<u>213,098</u>	<u>193,558</u>	<u>19,540</u>
<b>Net Change in Fund Balances</b>		<u>(95,167)</u>	<u>(70,834)</u>	<u>24,333</u>
<b>Fund Balances, Beginning of Year</b>	<u>\$ 156,314</u>	<u>156,314</u>	<u>156,314</u>	
<b>Fund Balances, End of Year</b>	<u>\$ 156,314</u>	<u>\$ 61,147</u>	<u>\$ 85,480</u>	<u>\$ 24,333</u>

**CITY OF MANHATTAN BEACH**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FEDERAL AND STATE GRANT FUND  
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 1,450,000	\$ 1,880,000	\$430,000	\$ (1,450,000)
Total Revenues	<u>1,450,000</u>	<u>1,880,000</u>	<u>430,000</u>	<u>(1,450,000)</u>
EXPENDITURES				
Current:				
Public works	2,450,000	2,200,000		2,200,000
Culture and recreation		430,000	430,000	
Total Expenditures	<u>2,450,000</u>	<u>2,630,000</u>	<u>430,000</u>	<u>2,200,000</u>
Net Change in Fund Balances	(1,000,000)	(750,000)		(750,000)
Fund Balances, Beginning of Year				
Fund Balances, End of Year	<u>\$ (1,000,000)</u>	<u>\$ (750,000)</u>	<u>\$ -</u>	<u>\$ (750,000)</u>

**CITY OF MANHATTAN BEACH**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
PROPOSITION A FUND  
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes and assessments	\$ 463,500	\$ 463,500	\$ 459,376	\$ (4,124)
Charges for services	6,000	6,000	8,468	2,468
Use of money and property	28,000	28,000	17,793	(10,207)
Net decrease in the fair value of investments			(8,774)	(8,774)
Total Revenues	<u>497,500</u>	<u>497,500</u>	<u>476,863</u>	<u>(20,637)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	46,000	46,000	52,992	(6,992)
Culture and recreation	<u>349,667</u>	<u>360,467</u>	<u>361,464</u>	<u>(997)</u>
Total Expenditures	<u>395,667</u>	<u>406,467</u>	<u>414,456</u>	<u>(7,989)</u>
Net Change in Fund Balances	101,833	91,033	62,407	(28,626)
Fund Balances, Beginning of Year	<u>423,366</u>	<u>423,366</u>	<u>423,366</u>	
Fund Balances, End of Year	<u>\$ 525,199</u>	<u>\$ 514,399</u>	<u>\$ 485,773</u>	<u>\$ (28,626)</u>

**CITY OF MANHATTAN BEACH**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
PROPOSITION C FUND  
FOR THE YEAR ENDED JUNE 30, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and assessments	\$ 381,800	\$ 381,800	\$ 380,965	\$ (835)
Intergovernmental			151,130	151,130
Use of money and property	46,600	46,600	53,178	6,578
Net decrease in the fair value of investments			(8,701)	(8,701)
Total Revenues	<u>428,400</u>	<u>428,400</u>	<u>576,572</u>	<u>148,172</u>
<b>EXPENDITURES</b>				
Current:				
Public works	<u>253,550</u>	<u>1,483,378</u>	<u>528,399</u>	<u>954,979</u>
Total Expenditures	<u>253,550</u>	<u>1,483,378</u>	<u>528,399</u>	<u>954,979</u>
Net Change in Fund Balances	174,850	(1,054,978)	48,173	1,103,151
Fund Balances, Beginning of Year	<u>1,299,002</u>	<u>1,299,002</u>	<u>1,299,002</u>	
Fund Balances, End of Year	<u>\$ 1,473,852</u>	<u>\$ 244,024</u>	<u>\$1,347,175</u>	<u>\$ 1,103,151</u>



**CITY OF MANHATTAN BEACH**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
AIR QUALITY FUND  
FOR THE YEAR ENDED JUNE 30, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 40,899	\$ 899
Use of money and property	5,500	5,500	4,681	(819)
Net decrease in the fair value of investments			(760)	(760)
Total Revenues	<u>45,500</u>	<u>45,500</u>	<u>44,820</u>	<u>(680)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	<u>2,000</u>	<u>62,000</u>	<u>13,026</u>	<u>48,974</u>
Total Expenditures	<u>2,000</u>	<u>62,000</u>	<u>13,026</u>	<u>48,974</u>
Net Change in Fund Balances	43,500	(16,500)	31,794	48,294
Fund Balances, Beginning of Year	<u>124,034</u>	<u>124,034</u>	<u>124,034</u>	
Fund Balances, End of Year	<u>\$ 167,534</u>	<u>\$ 107,534</u>	<u>\$ 155,828</u>	<u>\$ 48,294</u>

**CITY OF MANHATTAN BEACH**  
**NON- MAJOR ENTERPRISE FUNDS**

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

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

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

**CITY OF MANHATTAN BEACH**

**COMBINING STATEMENT OF NET ASSETS  
NON-MAJOR ENTERPRISE FUNDS  
JUNE 30, 2003**

	<u>County Parking Lot</u>	<u>State Pier Parking</u>	<u>Total Other Enterprise Funds</u>
<b>ASSETS</b>			
Current Assets			
Cash and investments	\$ 254,112	\$ 673,950	\$ 928,062
Due from other governments		400,000	400,000
Total Assets	<u>\$ 254,112</u>	<u>\$ 1,073,950</u>	<u>\$ 1,328,062</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	115,916	16,555	132,471
Deposits	548		548
Total Liabilities	<u>116,464</u>	<u>16,555</u>	<u>133,019</u>
<b>NET ASSETS</b>			
Unrestricted	<u>137,648</u>	<u>1,057,395</u>	<u>1,195,043</u>
Total Net Assets	<u>\$ 137,648</u>	<u>\$ 1,057,395</u>	<u>\$ 1,195,043</u>

**CITY OF MANHATTAN BEACH**

**COMBINING STATEMENT OF REVENUE, EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
NON-MAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2003**

	County Parking Lot	State Pier Parking	Total Other Enterprise Funds
<b>OPERATING REVENUES</b>			
Parking meters & space rentals	\$ 383,159	\$ 303,160	\$ 686,319
Other		400,000	400,000
Total Operating Revenues	<u>383,159</u>	<u>703,160</u>	<u>1,086,319</u>
<b>OPERATING EXPENDITURES</b>			
Current:			
Salaries and wages	8,450	9,067	17,517
Employee benefits	910	950	1,860
Contract and professional services	29,535	67,761	97,296
Materials and services	6,039	531,477	537,516
Utilities	2,868	20,630	23,498
Administrative service charges	13,047	13,047	26,094
Leases and rents	210,754		210,754
Total Operating Expenses	<u>271,603</u>	<u>642,932</u>	<u>914,535</u>
Operating Income	<u>111,556</u>	<u>60,228</u>	<u>171,784</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest earnings on investments		34,797	34,797
Net increase (decrease) in the fair value of investments		(7,778)	(7,778)
Miscellaneous revenues		4,036	4,036
Total Nonoperating Revenue		<u>31,055</u>	<u>31,055</u>
Income Before Transfers	111,556	91,283	202,839
Transfers out	<u>(75,000)</u>		<u>(75,000)</u>
Change in Net Assets	36,556	91,283	127,839
Total Net Assets - Beginning	<u>101,092</u>	<u>966,112</u>	<u>1,067,204</u>
Total Net Assets - Ending	<u>\$ 137,648</u>	<u>\$ 1,057,395</u>	<u>\$ 1,195,043</u>

**CITY OF MANHATTAN BEACH**

**COMBINING STATEMENT OF CASH FLOWS  
NON-MAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2003**

	County Parking Lot	State Pier and Parking Lot	Total Other Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 383,192	\$ 298,785	\$ 681,977
Payments to suppliers	(240,515)	(626,034)	(866,549)
Payments to employees	(9,359)	(10,018)	(19,377)
Payments for interfund services used	(8,129)	(12,354)	(20,483)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>125,189</u>	<u>(349,621)</u>	<u>(224,432)</u>
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer out	(75,000)		(75,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(75,000)</u>	-	<u>(75,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments		27,019	27,019
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	50,189	(322,602)	(272,413)
CASH AND CASH EQUIVALENTS, Beginning of Year	203,923	996,552	1,200,475
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 254,112</u>	<u>\$ 673,950</u>	<u>\$ 928,062</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 111,556	\$ 60,228	\$ 171,784
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Miscellaneous revenue		4,036	4,036
(Increase) decrease in due from other govts		(400,000)	(400,000)
Increase (decrease) in accounts payable	13,633	(13,885)	(252)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 125,189</u>	<u>\$ (349,621)</u>	<u>\$ (224,432)</u>

**CITY OF MANHATTAN BEACH**  
**NON-MAJOR INTERNAL SERVICE FUNDS**

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

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

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

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

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

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2003

	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance	Total Governmental Activities- Internal Service
<b>ASSETS</b>					
Current Assets					
Cash and investments	\$ 4,405,049	\$ 927,241	\$ 1,216,847	\$ 55,216	\$ 6,604,353
Accounts receivable	673				673
Prepaid items			22,145		22,145
Inventory				88,308	88,308
Total Current Assets	<u>4,405,722</u>	<u>927,241</u>	<u>1,238,992</u>	<u>143,524</u>	<u>6,715,479</u>
Noncurrent Assets					
Capital assets (net of accumulated depreciation)					
Machinery and equipment			2,047,398		2,047,398
Total Assets	<u>4,405,722</u>	<u>927,241</u>	<u>3,286,390</u>	<u>143,524</u>	<u>8,762,877</u>
<b>LIABILITIES</b>					
Current Liabilities					
Accounts payable	3,593	57,951	67,766	34,572	163,882
Deposits	954				954
Capital lease obligations					
Accrued liabilities			1,120		1,120
Workers' compensation claims	2,067,938				2,067,938
General liability claims	333,237				333,237
Total Current Liabilities	<u>2,405,722</u>	<u>57,951</u>	<u>68,886</u>	<u>34,572</u>	<u>2,567,131</u>
Noncurrent Liabilities					
Workers' compensation claims	1,526,471				1,526,471
General liability claims	104,774				104,774
Total Noncurrent Liabilities	<u>1,631,245</u>				<u>1,631,245</u>
Total Liabilities	<u>4,036,967</u>	<u>57,951</u>	<u>68,886</u>	<u>34,572</u>	<u>4,198,376</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt			2,047,398		2,047,398
Unrestricted	368,755	869,290	1,170,106	108,952	2,517,103
Total Net Assets	<u>\$ 368,755</u>	<u>\$ 869,290</u>	<u>\$ 3,217,504</u>	<u>\$ 108,952</u>	<u>\$ 4,564,501</u>

**CITY OF MANHATTAN BEACH**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance	Total Governmental Activities- Internal Service
<b>OPERATING REVENUES</b>					
Charges for services	\$ 1,753,512	\$ 680,278	\$ 1,300,084	\$ 694,296	\$ 4,428,170
Warehouse sales				127,595	127,595
Other	43,344		16,776		60,120
Total Operating Revenues	1,796,856	680,278	1,316,860	821,891	4,615,885
<b>OPERATING EXPENDITURES</b>					
Salaries and wages	144,445	277,526	203,002	155,397	780,370
Employee benefits	25,359	32,952	113,225	21,225	192,761
Contract and professional services	20,194	33,388	43,761	196,168	293,511
Materials and services	2,593,471	248,006	326,450	317,321	3,485,248
Utilities	10,686	8,688	1,100	112,692	133,166
Administrative service charges	43,166		40,543	19,971	103,680
Depreciation			364,809		364,809
Total Operating Expenses	2,837,321	600,560	1,092,890	822,774	5,353,545
Operating income (loss)	(1,040,465)	79,718	223,970	(883)	(737,660)
Non operating revenues					
Miscellaneous			21,641		21,641
Total Nonoperating Revenues			21,641		21,641
Income (Loss) Before Transfers	(1,040,465)	79,718	245,611	(883)	(716,019)
Transfers in	426,436				426,436
Change in Net Assets	(614,029)	79,718	245,611	(883)	(289,583)
Total Net Assets - Beginning	982,784	789,572	2,971,893	109,835	4,854,084
Total Net Assets - Ending	\$ 368,755	\$ 869,290	\$ 3,217,504	\$ 108,952	\$ 4,564,501



**CITY OF MANHATTAN BEACH**

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Insurance Reserve	Information Systems	Fleet Management
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 55,831		\$ 38,445
Receipts from interfund services provided	1,753,708	\$ 680,326	1,307,260
Payments to suppliers	(2,000,295)	(283,470)	(347,773)
Payments to employees	(169,804)	(310,480)	(238,755)
Payments for interfund services used	(317,098)	(19,904)	(149,728)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(677,658)</u>	<u>66,472</u>	<u>609,449</u>
<b>CASH FLOW FROM CAPITAL AND AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets			(425,183)
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer in	426,436		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
	<u>426,436</u>		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(251,222)	66,472	184,266
CASH AND CASH EQUIVALENTS, Beginning of Year	4,656,271	860,769	1,032,581
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 4,405,049</u>	<u>\$ 927,241</u>	<u>\$ 1,216,847</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (1,040,465)	\$ 79,718	\$ 223,970
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation			364,809
Miscellaneous revenue			21,641
(Increase) in accounts receivable	(675)		
(Increase) in prepaids			(22,145)
Decrease in inventory			
(Increase) in amounts payable related to the construction of capital assets			(1,010)
Increase (decrease) in accounts payable	3,434	(13,246)	22,184
(Decrease) in deposits	(1,853)		
Increase in worker's comp	455,710		
(Decrease) in liability claims	(93,809)		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (677,658)</u>	<u>\$ 66,472</u>	<u>\$ 609,449</u>

<u>Building Maintenance</u>	<u>Governmental Activities - Internal Service Finds</u>
\$ 12,387	\$ 106,663
954,021	4,695,315
(737,395)	(3,368,933)
(176,621)	(895,660)
<u>(57,723)</u>	<u>(544,453)</u>
<u>(5,331)</u>	<u>(7,068)</u>
 	<u>(425,183)</u>
 	<u>426,436</u>
 	<u>426,436</u>
(5,331)	(5,815)
<u>60,547</u>	<u>6,610,168</u>
<u>\$ 55,216</u>	<u>\$ 6,604,353</u>

\$ (883)	\$ (737,660)
	364,809
	21,641
	(675)
	(22,145)
4,014	4,014
	(1,010)
(8,462)	3,910
	(1,853)
	455,710
	<u>(93,809)</u>
<u>\$ (5,331)</u>	<u>\$ (7,068)</u>

**CITY OF MANHATTAN BEACH**

**SPECIAL DEPOSITS AGENCY FUND  
STATEMENT OF CHANGES IN AGENCY FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2003</u>
<b>ASSETS</b>				
Cash and investments	\$ 1,191,115	\$ 427,960	\$ (296,280)	\$ 1,322,795
Total Assets	<u>\$ 1,191,115</u>	<u>\$ 427,960</u>	<u>\$ (296,280)</u>	<u>\$ 1,322,795</u>
<b>LIABILITIES</b>				
Due to other funds	5,000	30,000	(25,000)	10,000
401(a) plan deposits	475,934	134,155		610,089
Utility development deposit	619,874			619,874
Other deposits	<u>90,307</u>	<u>263,805</u>	<u>(271,280)</u>	<u>82,832</u>
Total Liabilities	<u>\$ 1,191,115</u>	<u>\$ 427,960</u>	<u>\$ (296,280)</u>	<u>\$ 1,322,795</u>