

CITY OF MANHATTAN BEACH
CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL
REPORT

For the Year Ended June 30, 2002

Prepared by the Finance Department

Bruce Moe, Finance Director

**CITY OF MANHATTAN BEACH
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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INDEPENDENT AUDITORS' REPORT

City Council
City of Manhattan Beach
Manhattan Beach, California

We have audited the general-purpose financial statements of the City of Manhattan Beach as of and for the year ended June 30, 2002, as listed in the accompanying table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Manhattan Beach at June 30, 2002, and the results of its operations and the cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2002, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining individual fund and account group financial statements, schedules and the other information listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the City of Manhattan Beach, California. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole. The statistical information listed in the table of contents was not audited by us, and accordingly, we do not express an opinion thereon.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 22, 2002

CITY OF MANHATTAN BEACH

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002
(With Comparative Totals for June 30, 2001)**

		GOVERNMENTAL FUND TYPES		
		General	Special Revenue	Capital Projects
ASSETS				
Cash and investments		\$ 15,478,770	\$ 5,928,392	\$ 22,265,928
Interest receivable		849,156		
Taxes receivable		1,682,353	12,017	
Accounts receivable		234,578		
Note receivable		805,090		
Due from other governments		79,592	151,331	
Due from other funds		5,000		
Prepaid items		36,599		
Other receivables		22,652		
Inventory				
Fixed assets, net (Note 5)				
Unamortized bond issuance cost, net				
Amount available for retirement of general long-term debt				
Amount to be provided for retirement of general long-term debt				
Total Assets		<u>\$ 19,193,790</u>	<u>\$ 6,091,740</u>	<u>\$ 22,265,928</u>
LIABILITIES				
Accounts payable		\$ 725,961	\$ 115,211	\$ 17,717
Accrued payroll		878,685		
Due to other funds				
Accrued leave payable		120,658		
Deposits		369,830		
Deferred revenue		1,377,119		
Bonds payable				
Accrued interest				
Accrued payables				
Worker's compensation claims				
Liability claims				
Supplemental leave allowance				
Capital lease obligations				
Certificate of Participation				
Employee benefits payable				
Total Liabilities		<u>3,472,253</u>	<u>115,211</u>	<u>17,717</u>
FUND EQUITY				
Investment in general fixed assets				
Retained earnings				
Reserved				
Unreserved				
Fund balances				
Reserved		958,642	95,167	94,038
Unreserved				
Designated		9,941,528	2,504,200	19,015,109
Undesignated		4,821,367	3,377,162	3,139,064
Total Equity and Other Credits		<u>15,721,537</u>	<u>5,976,529</u>	<u>22,248,211</u>
Total Liabilities and Fund Equity		<u>\$ 19,193,790</u>	<u>\$ 6,091,740</u>	<u>\$ 22,265,928</u>

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTALS (Memorandum Only)	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General-Long Term Debt	2002	2001
\$ 18,437,222	\$ 6,610,168	\$ 2,152,903			\$ 70,873,383	\$ 60,868,680
					849,156	1,080,896
793,468					1,694,370	1,751,192
109,490					1,028,046	866,074
					914,580	944,936
					230,923	495,131
					5,000	210,554
					36,599	31,809
					22,652	28,032
64,538	92,322				156,860	144,064
19,346,050	1,986,014		\$ 47,537,527		68,869,591	57,884,571
138,417					138,417	144,840
				\$ 1,779,372	1,779,372	1,844,042
				9,535,000	9,535,000	8,838,157
<u>\$ 38,889,185</u>	<u>\$ 8,688,504</u>	<u>\$ 2,152,903</u>	<u>\$ 47,537,527</u>	<u>\$ 11,314,372</u>	<u>\$ 156,133,949</u>	<u>\$ 135,132,978</u>
\$ 693,142	\$ 161,093				\$ 1,713,124	\$ 1,271,690
					878,685	815,838
		\$ 5,000			5,000	210,554
3,957					124,615	148,919
172,289	2,807	710,180			1,255,106	677,197
					1,377,119	1,335,884
4,270,000					4,270,000	4,345,000
80,618					80,618	81,935
547,962					547,962	628,553
	3,138,702				3,138,702	2,199,633
	531,818				531,818	435,786
				\$ 104,638	104,638	100,168
				279,584	279,584	9,206,452
				9,535,000	9,535,000	
44,204		475,935		1,395,150	1,915,289	1,842,780
<u>5,812,172</u>	<u>3,834,420</u>	<u>1,191,115</u>		<u>11,314,372</u>	<u>25,757,260</u>	<u>23,300,389</u>
			\$ 47,537,527		47,537,527	37,754,743
6,886,852					6,886,852	6,924,732
26,190,161	4,854,084				31,044,245	26,663,750
		961,788			2,109,635	2,179,582
					31,460,837	24,605,588
					11,337,593	13,704,194
<u>33,077,013</u>	<u>4,854,084</u>	<u>961,788</u>	<u>47,537,527</u>		<u>130,376,689</u>	<u>111,832,589</u>
<u>\$ 38,889,185</u>	<u>\$ 8,688,504</u>	<u>\$ 2,152,903</u>	<u>\$ 47,537,527</u>	<u>\$ 11,314,372</u>	<u>\$ 156,133,949</u>	<u>\$ 135,132,978</u>

CITY OF MANHATTAN BEACH

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(With Comparative Totals for the Fiscal Year Ended June 30, 2001)**

	GOVERNMENTAL FUND TYPES		
	General Fund	Special Revenue	Capital Projects
REVENUES			
Taxes and assessments	\$ 21,394,584	\$ 381,397	\$ 320,684
Licenses and permits	1,350,574		97,267
Intergovernmental	2,276,473	1,971,563	
Charges for services	4,718,062	6,098	529,325
Fines and forfeitures	1,787,793		102,528
Use of money and property	3,378,252	299,734	
Net increase (decrease) in the fair value of investments	205,406	15,567	
Other	735,732	8,733	1,160,526
Total Revenues	35,846,876	2,683,092	2,210,330
EXPENDITURES			
Current:			
General government	6,453,362		
Public safety	16,844,852	129,358	
Public works	4,205,353	685,765	
Culture and recreation	3,478,171	672,282	
Capital outlay		569,769	1,475,920
Debt service:			
Interest and fiscal charges	907,269		
Total Expenditures	31,889,007	2,057,174	1,475,920
REVENUES OVER (UNDER) EXPENDITURES	3,957,869	625,918	734,410
OTHER FINANCING SOURCES			
Operating transfers in	75,000	15,311	4,889,118
Other financing sources	9,443,752		
Other financing uses	(8,838,158)		
Operating transfers out	(6,458,429)	(15,311)	
Total Other Financing Sources	(5,777,835)		4,889,118
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,819,966)	625,918	5,623,528
Fund Balance, Beginning of Year	17,541,503	5,350,611	16,624,683
Fund Balances, End of Year	\$ 15,721,537	\$ 5,976,529	\$ 22,248,211

The accompanying notes are an integral part of these financial statements.

TOTALS
(Memorandum Only)

2002	2001
\$ 22,096,665	\$ 22,234,198
1,447,841	1,394,038
4,248,036	5,219,620
5,253,485	4,724,434
1,890,321	2,044,684
3,677,986	3,973,287
220,973	964,321
1,904,991	414,385
40,740,298	40,968,967
6,453,362	6,112,802
16,974,210	16,370,442
4,891,118	4,458,722
4,150,453	3,086,968
2,045,689	5,949,461
907,269	
35,422,101	35,978,395
5,318,197	4,990,572
4,979,429	4,352,279
9,443,752	2,338,887
(8,838,158)	
(6,473,740)	(5,212,928)
(888,717)	1,478,238
4,429,480	6,468,810
39,516,797	33,047,987
\$ 43,946,277	\$ 39,516,797

CITY OF MANHATTAN BEACH

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL, SPECIAL REVENUE AND CAPITAL PROJECTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	GENERAL FUND		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes and assessments	\$ 20,454,000	\$ 21,394,584	\$ 940,584
Licenses and permits	1,151,700	1,350,574	198,874
Intergovernmental	1,968,850	2,276,473	307,623
Charges for services	3,991,200	4,718,062	726,862
Fines and forfeitures	1,845,000	1,787,793	(57,207)
Use of money and property	3,577,960	3,378,252	(199,708)
Net increase (decrease) in the fair value of investments		205,406	205,406
Other	387,096	735,732	348,636
Total Revenues	33,375,806	35,846,876	2,471,070
EXPENDITURES			
Current:			
General government	7,568,740	6,453,362	1,115,378
Public safety	17,152,711	16,844,852	307,859
Public works	4,515,446	4,205,353	310,093
Culture and recreation	3,489,867	3,478,171	11,696
Capital outlay			
Debt service:			
Interest and fiscal charges	991,751	907,269	84,482
Total Expenditures	33,718,515	31,889,007	1,829,508
REVENUES OVER (UNDER) EXPENDITURES	(342,709)	3,957,869	4,300,578
OTHER FINANCING SOURCES (USES)			
Operating transfers in	75,000	75,000	
Other financing sources	9,443,752	9,443,752	
Other financing uses	(8,838,158)	(8,838,158)	
Operating transfers out	(6,523,065)	(6,458,429)	64,636
Total Other Financing Sources (Uses)	(5,842,471)	(5,777,835)	64,636
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(6,185,180)	(1,819,966)	4,365,214
Fund Balances, Beginning of Year	17,541,503	17,541,503	
Fund Balances, End of Year	\$ 11,356,323	\$ 15,721,537	\$ 4,365,214

The accompanying notes are an integral part of these financial statements.

SPECIAL REVENUE			CAPITAL PROJECTS		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 384,750	\$ 381,397	\$ (3,353)	\$ 360,000	\$ 320,684	\$ (39,316)
			100,000	97,267	(2,733)
2,118,270	1,971,563	(146,707)			
7,200	6,098	(1,102)	545,000	529,325	(15,675)
			107,000	102,528	(4,472)
170,710	299,734	129,024			
	15,567	15,567			
	8,733	8,733	1,080,400	1,160,526	80,126
<u>2,680,930</u>	<u>2,683,092</u>	<u>2,162</u>	<u>2,192,400</u>	<u>2,210,330</u>	<u>17,930</u>
477,730	129,358	348,372			
1,500,766	685,765	815,001			
581,587	672,282	(90,695)			
2,839,503	569,769	2,269,734	6,378,101	1,475,920	4,902,181
<u>5,399,586</u>	<u>2,057,174</u>	<u>3,342,412</u>	<u>6,378,101</u>	<u>1,475,920</u>	<u>4,902,181</u>
<u>(2,718,656)</u>	<u>625,918</u>	<u>3,344,574</u>	<u>(4,185,701)</u>	<u>734,410</u>	<u>4,920,111</u>
	15,311	15,311	4,953,754	4,889,118	(64,636)
	(15,311)	(15,311)			
			<u>4,953,754</u>	<u>4,889,118</u>	<u>(64,636)</u>
(2,718,656)	625,918	3,344,574	768,053	5,623,528	4,855,475
<u>5,350,611</u>	<u>5,350,611</u>		<u>16,624,683</u>	<u>16,624,683</u>	
<u>\$ 2,631,955</u>	<u>\$ 5,976,529</u>	<u>\$ 3,344,574</u>	<u>\$ 17,392,736</u>	<u>\$ 22,248,211</u>	<u>\$ 4,855,475</u>

CITY OF MANHATTAN BEACH

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (CONTINUED)
GENERAL, SPECIAL REVENUE AND CAPITAL PROJECTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	TOTALS (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes and assessments	\$ 21,198,750	\$ 22,096,665	\$ 897,915
Licenses and permits	1,251,700	1,447,841	196,141
Intergovernmental	4,087,120	4,248,036	160,916
Charges for services	4,543,400	5,253,485	710,085
Fines and forfeitures	1,952,000	1,890,321	(61,679)
Use of money and property	3,748,670	3,677,986	(70,684)
Net increase (decrease) in the fair value of investments		220,973	220,973
Other	1,467,496	1,904,991	437,495
Total Revenues	38,249,136	40,740,298	2,491,162
EXPENDITURES			
Current:			
General government	7,568,740	6,453,362	1,115,378
Public safety	17,630,441	16,974,210	656,231
Public works	6,016,212	4,891,118	1,125,094
Culture and recreation	4,071,454	4,150,453	(78,999)
Capital outlay	9,217,604	2,045,689	7,171,915
Debt service:			
Interest and fiscal charges	991,751	907,269	84,482
Total Expenditures	45,496,202	35,422,101	10,074,101
REVENUES OVER (UNDER) EXPENDITURES	(7,247,066)	5,318,197	12,565,263
OTHER FINANCING SOURCES (USES)			
Operating transfers in	5,028,754	4,979,429	(49,325)
Other financing sources	9,443,752	9,443,752	
Other financing uses	(8,838,158)	(8,838,158)	
Operating transfers out	(6,523,065)	(6,473,740)	49,325
Total Other Financing Sources (Uses)	(888,717)	(888,717)	
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(8,135,783)	4,429,480	12,565,263
Fund Balances, Beginning of Year	39,516,797	39,516,797	
Fund Balances, End of Year	<u>\$ 31,381,014</u>	<u>\$ 43,946,277</u>	<u>\$ 12,565,263</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MANHATTAN BEACH

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(With Comparative Totals for the Fiscal Year Ended June 30, 2001)**

	PROPRIETARY FUNDS		TOTALS (Memorandum Only)	
	Enterprise	Internal Service	2002	2001
OPERATING REVENUES				
Charges for services	\$ 10,103,794	\$ 4,145,472	\$ 14,249,266	\$ 13,682,940
Connection and installation fees	397,778	140,348	538,126	512,751
Recycling and replenishment	726,507		726,507	813,808
Parking meters and space rentals	1,262,174		1,262,174	1,268,653
Other	335,050	74,376	409,426	267,438
Total Operating Revenues	12,825,303	4,360,196	17,185,499	16,545,590
OPERATING EXPENSES				
Salaries and wages	649,036	682,060	1,331,096	1,320,588
Employee benefits	160,970	179,444	340,414	320,762
Contract and professional services	5,836,645	302,299	6,138,944	6,181,072
Materials and services	582,158	3,438,856	4,021,014	3,951,112
Utilities	314,952	124,671	439,623	366,610
Administrative service charges	1,399,190	206,218	1,605,408	1,526,108
Depreciation	516,477	378,536	895,013	784,389
Leases and rents	194,582	116,084	310,666	293,401
Total Operating Expenses	9,654,010	5,428,168	15,082,178	14,744,042
OPERATING INCOME (LOSS)	3,171,293	(1,067,972)	2,103,321	1,801,548
NON OPERATING REVENUES (EXPENSES)				
Interest earnings on investments	844,938		844,938	833,055
Net increase (decrease) in the fair value of investments	69,421		69,421	389,672
Interest earnings on bond funds	20,857		20,857	28,920
Miscellaneous revenues	44,434	20,170	64,604	337,175
Interest paid on bonds	(242,502)		(242,502)	(246,426)
Bond amortization	(6,423)		(6,423)	(6,294)
Bond administration fees	(5,912)		(5,912)	(3,912)
Total Nonoperating Revenues (Expenses)	724,813	20,170	744,983	1,332,190
Income before operating transfers	3,896,106	(1,047,802)	2,848,304	3,133,738
OPERATING TRANSFERS				
Operating transfers in		1,569,311	1,569,311	1,024,522
Operating transfers out	(75,000)		(75,000)	(163,873)
Total Operating Transfers	(75,000)	1,569,311	1,494,311	860,649
NET INCOME	3,821,106	521,509	4,342,615	3,994,387
Retained Earnings, Beginning of Year	29,255,907	4,332,575	33,588,482	29,626,440
Retained Earnings, End of Year	\$ 33,077,013	\$ 4,854,084	\$ 37,931,097	\$ 33,588,482

The accompanying notes are an integral part of these financial statements.

CITY OF MANHATTAN BEACH

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(With Comparative Totals for the Fiscal Year Ended June 30, 2001)**

	PROPRIETARY FUNDS		TOTALS (Memorandum Only)	
	Enterprise	Internal Service	2002	2001
Cash Flows from Operating Activities:				
Operating income (loss)	\$ 3,171,293	\$ (1,067,972)	\$ 2,103,321	\$ 1,801,548
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	516,477	378,536	895,013	784,389
Miscellaneous revenue	44,434	20,170	64,604	337,175
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(112,081)		(112,081)	254,287
Inventory	(6,679)		(6,679)	(7,214)
Prepays		(6,117)	(6,117)	64,305
Increase (decrease) in:				
Accounts payable	214,172	59,168	273,340	(446,935)
Accrued leave	1,848		1,848	(2,907)
Customer deposits	169,966	(207)	169,759	1,681
Workers compensation claims		939,069	939,069	707,160
Liability claims		96,033	96,033	203,007
Bonds payable	(75,000)		(75,000)	(70,000)
Accrued interest payable	(1,317)		(1,317)	(1,237)
Net Cash Provided By (Used In) Operating Activities	<u>3,923,113</u>	<u>418,680</u>	<u>4,341,793</u>	<u>3,625,259</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(1,696,380)	(400,869)	(2,097,249)	(2,802,875)
Interest paid on bonds	(242,502)		(242,502)	(246,426)
Bond administration fee	(5,912)		(5,912)	(3,912)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(1,944,794)</u>	<u>(400,869)</u>	<u>(2,345,663)</u>	<u>(3,053,213)</u>
Cash Flows from Noncapital Financing Activities				
Operating transfers in		1,569,311	1,569,311	1,024,522
Operating transfers (out)	(75,000)		(75,000)	(163,873)
Net Cash Provided by (Used in) Noncapital financing activities	<u>(75,000)</u>	<u>1,569,311</u>	<u>1,494,311</u>	<u>860,649</u>
Cash Flows from Investing Activities:				
Interest on investments	935,216		935,216	1,251,647
Net Cash Provided By (Used In) Investing Activities	<u>935,216</u>		<u>935,216</u>	<u>1,251,647</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,838,535	1,587,122	4,425,657	2,684,342
Cash and Cash Equivalents at Beginning of Year	15,598,687	5,023,046	20,621,733	17,937,391
Cash and Cash Equivalents at End of Year	<u>\$ 18,437,222</u>	<u>\$ 6,610,168</u>	<u>\$ 25,047,390</u>	<u>\$ 20,621,733</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MANHATTAN BEACH
 COMBINED STATEMENT OF CHANGES IN NET PLAN ASSETS
 PENSION TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002
 (With Comparative Totals for the Fiscal Year Ended June 30, 2001)**

	TOTALS (Memorandum Only)	
	2002	2001
ADDITIONS		
Interest	\$ 61,469	\$ 61,064
Transfers in	48,756	
Net increase (decrease) in the fair value of investments	4,937	33,040
Total Additions	<u>115,162</u>	<u>94,104</u>
DEDUCTIONS		
Benefits	77,185	75,710
Transfers out	48,756	
Total Deductions	<u>125,941</u>	<u>75,710</u>
Net Increase (Decrease)	(10,779)	18,394
Net Assets Held in Trust for Pension Benefits:		
Beginning of Year	<u>972,567</u>	<u>954,173</u>
End of Year	<u>\$ 961,788</u>	<u>\$ 972,567</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

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 board. 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 is accounted for in the General Long-term Debt Account Group (GLTDAG) and was structured as a variable rate demand Certificate of Participation.

B. Fund Accounting Systems

The accounts of the City are organized and operated on the basis of funds and account groups 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 and account groups 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 and account groups are used to record the City's financial transactions. For financial reporting purposes such funds and account groups 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, 2002

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.

Account Groups

- *General Fixed Assets Account Group* – Property, plant and equipment acquired to support governmental fund type operations are accounted for in the General Fixed Assets Account Group rather than in the governmental fund of origin. Such fixed assets are valued at historical cost or estimated historical cost if the actual cost is not available. Donated fixed assets are valued at the estimated fair market value at the time of donation. The cost value of Enterprise and Internal Service Fund fixed assets are not included in this account group as such assets are accounted for specifically within each related proprietary fund. No depreciation has been recorded on governmental general fixed assets.
- *General Long Term Debt Account Group* – Long-term liabilities expected to be financed from governmental funds are recorded, accounted for and controlled in the General Long Term Debt Account Group. As of June 30, 2002, the City Liabilities recorded in this account group primarily consist of the value of employee benefit leave accruals, existing capital equipment lease obligations, and the debt value of variable rate demand Certificates of Participation issued to refinance the Marine Avenue Sports Fields.

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

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

C. Basis of Accounting

Governmental Funds

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 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 combined 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.

Proprietary Funds

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 balance sheet. Accordingly, proprietary fund balance sheet statements present assets and liabilities classified into their respective current and long term categories. Fund equity (net total assets) is segregated in contributed capital and retained earnings components and the related operating statements present increases (revenues) and decreases (expenses) in net total assets.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

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

Agency Funds

The City's Agency Funds are purely custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

All proprietary and pension trust 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. For its proprietary operations, 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.

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 1st to June 30th. All secured personal property taxes and one-half of the taxes on real property are due November 1st; the second installment is due February 1st. All taxes are delinquent, if unpaid, on December 10th and April 10th, respectively. Unsecured personal property taxes become due on March 1st each year and are delinquent, if unpaid, on August 31st.

Fixed Assets

For Governmental Fund Types, disbursements to purchase fixed assets are recorded as expenditures within the fund of origin. Such assets are capitalized, at historical cost, only in the General Fixed Assets Account Group (see Note 5).

The General Fixed Assets Account Group does not include public domain infrastructure fixed assets such as roads, bridges, curbs and gutters, streets, walk-streets and sidewalks, parks and recreation improvements, and the like. No depreciation is provided on general fixed assets.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

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

For Proprietary Fund Types, fixed 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 fixed 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.

Proprietary fixed assets are reported net of accumulated depreciation on their balance sheets. Depreciation is provided for on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40 - 60 Years
Equipment	20 - 40 Years
Vehicles	3 - 20 Years

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

D. Budgetary Data

- *General Budget Policies* – The City Council approves each year’s budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. Supplemental appropriations, where required during the period, are also approved by the Council. Interdepartmental budget changes are approved by the City Manager. Expenditures may not exceed appropriations at the fund level, which is the legal level of control. Budgets were legally adopted for the general, special revenue, capital projects, enterprise, and trust and agency during the fiscal year ended June 30, 2002. During the year, several supplementary appropriations were necessary as directed by the actions of City Council. At fiscal year-end, all operating budget appropriations lapse. Ongoing appropriations for authorized but incomplete projects in all impacted funds are carried into the subsequent year and related fund reserves are appropriately established.
- *Encumbrances* – Encumbrances are estimations of costs related to unperformed contracts for goods and services. Encumbrances outstanding at year-end are reported as a reservation of governmental fund balance. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts-in-process at year-end are completed. They do not constitute expenditures or estimated liabilities.
- *Budget Basis of Accounting* – Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is at the fund level. Budgeted expenditure amounts represent original budget estimates adjusted for supplemental appropriations authorized by City Council during the year. Individual amendments were not material in relation to original appropriations.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

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

E. Other Accounting Policies

- *Total Columns on Combined Statements* – “Memorandum Only” captions on combined statements - total columns mean that totals are presented for overview informational purposes only and that they do not fairly present financial position or results of operations for the governmental unit as a whole in conformity with accounting principles generally accepted in the United States of America. Interfund eliminations have not been made in the aggregation of these totals.
- *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 Governmental Accounting Standards (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.
- *Bond Issuance Costs* – Bond issuance costs for governmental fund types are recorded as expenditures in the period incurred. Bond issuance costs in the proprietary fund types are deferred and amortized over the term of the corresponding debt using the bonds outstanding method.
- *Long-Term Receivables* – Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources,” since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of long-term loans receivable are offset by fund balance reserve accounts.
- *Claims and Judgements* – The City has recorded all judgement 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 \$2,332,414 are recorded in Insurance Reserve Fund. Additionally, the City has recorded \$1,338,106 of incurred but not reported claims based upon information available at June 30, 2002.

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

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

Only the short-term liability is reflected as a current liability in all applicable governmental fund types; the remainder of the liability is reported in the General Long-Term Debt Account Group. The short-term liability, which will be liquidated with expendable available financial resources, is the amount due to employees for future absences, which is attributable to services already rendered, and which is expected to be paid during the next fiscal year.

F. Vacation and Sick Leave

It is the City's policy is 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 elect to convert 50 percent of the value of their unused sick time upon service retirement.

At June 30, 2002, the total accrued liability for compensated absences amounted to \$1,563,968, which is comprised of \$1,339,557 and \$224,411 of vested vacation and sick leave respectively. \$1,395,150 of this compensated leave liability has been determined to be long-term in nature and related to general governmental services. Accordingly, this amount has been recorded in the Long-Term Debt Account Group. Additionally, \$44,204 of proprietary fund type long-term leave absences are recorded in the enterprise funds. The remaining related liabilities are recorded as short term General Fund and Proprietary Fund balances.

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 consolidated balance sheet.

G. Supplemental Leave Allowance

In December 1994, an emergency leave bank was established for active management/confidential employees. At June 30, 2002, the total accrued liability for this benefit amounted to \$104,638 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 in the Long-Term Debt Account Group (See Note 7).

H. Fund Balance - Reserves and Designations

Reservations and designation of fund balances are reflected in the general-purpose financial statements and appear within the equity sections of the balance sheets presented therein. Reserves identify that portion of the fund balance segregated for specific future purposes or not available to finance expenditures of the subsequent accounting period. Fund designations on the other hand may be identified by the entities governing body to reflect tentative plans or commitments of governmental resources.

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

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

I. Deferred Compensation

In October 1997, GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans", was issued. This Statement establishes accounting and financial reporting standards for Internal Revenue Code (IRC) section 457 deferred compensation plans of state and local governments. Pursuant to the IRC 457 subsection (g), all amounts of compensation deferred under the plan, all property, or rights are solely the property and rights of the employee and beneficiaries of the Plan. The City compensation funds are not subject to the claims of the City's general creditors. The City has established an eligible deferred compensation plan in accordance with subsection (g) of the IRC Section 457. Under the provisions of this Statement, it is no longer considered appropriate to report the Section 457 plan in the City's financial statements. The investments under the City's 457 plan as of June 30, 2002, were \$8,901,914.

J. New Accounting Standards

The City of Manhattan Beach has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions". The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2000. The Statement establishes accounting and financial reporting standards to guide state and local governments' decisions about when to report the results of nonexchange transactions involving cash and other financial capital resources.

The Statement identifies four classes of nonexchange transactions, these are: (a) derived tax revenues (for example income taxes, sales taxes, and other assessments on earning or consumption), (b) imposed nonexchange revenues (for example property taxes and fines), (c) government-mandates nonexchange transactions (for example federal programs that state or local governments are mandated to perform), (d) voluntary nonexchange transactions (for example certain grants and private donations).

The implementation did not have a material effect on the financial statements of the City.

Governmental Accounting Standards Board (GASB) Statement No. 34

The Governmental Accounting Standards Board has issued Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments". This Statement establishes a new financial reporting model for state and local governments. This new model requires that at a minimum the basic financial statements of a government include: (1) Management's discussion and analysis (MD&A) as a component of required supplementary information (RSI), (2) both government-wide financial statements and fund financial statements, (3) notes to the financial statements and (4) RSI other than MD&A.

The implementation of the Statement is mandated in three phases based upon a government's total annual revenues of its governmental and enterprise funds in the fiscal years ending after June 15, 1999. The City of Manhattan Beach is scheduled to implement GASB Statement No. 34 for the fiscal year ending June 30, 2003.

Phase 1 governments, those with annual revenues of \$100 million or greater will be required to implement for periods beginning after June 15, 2001.

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

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

Phase 2 governments, those with annual revenues of \$10 million or more but less than \$100 million will be required to implement for periods beginning after June 15, 2002.

Phase 3 governments, those with annual revenues of less than \$10 million will be required to implement for periods beginning after June 15, 2003.

The Statement also requires that governments capitalize all infrastructure assets, and also include all debt of the government in the Statement of Net Assets. The implementation of the infrastructure assets can be deferred until future years depending on the implementation Phase as noted above.

This will be a complete change in the presentation of government financial statements. The City of Manhattan Beach has already begun to develop plans and implement policies to prepare for the implementation of the new reporting model defined within GASB Statement No. 34.

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 combined balance sheet 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 consisted of the following:

Pooled Deposits:

Demand deposits	\$ 475,771
Total Pooled Deposits	475,771
Petty cash	14,595
Pooled investments	69,487,600
Funds held by trustee, restricted for debt service reserves	419,482
Investments - 401(a) plan	475,935
Total Cash and Investments	<u>\$70,873,383</u>

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #2 – CASH AND INVESTMENTS (Continued)

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
	CATEGORY				
	1	2	3		
Categorized					
Demand Deposits	\$100,000		\$ 874,561	\$ 974,561	\$ 475,771
Total	<u>\$100,000</u>		<u>\$ 874,561</u>	<u>\$ 974,561</u>	475,771
Uncategorized					
Petty Cash					<u>14,595</u>
Total Cash and Cash Equivalents					<u>\$ 490,366</u>

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.

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #2 – CASH AND INVESTMENTS (Continued)

	CATEGORY			Reported Amount and Fair Value
	1	2	3	
<u>Pooled Investments:</u>				
Local Agency Investment Fund	(1)			\$ 25,875,000 (2)
Corporate Notes	\$ 15,138,285			15,138,285
U.S. Government Securities	28,474,315			28,474,315
Total Pooled Investments	<u>\$ 43,612,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,487,600</u>
<u>Investments with Fiscal Agents:</u>				
First American Treasury Obligation Fund	(1)			\$ 80,702
AIM Private Inv. Class Treasury Fund	(1)			220
AIG Matched Funding Corp. Inv. Agreements	(1)			338,560
Total Investments with Fiscal Agents	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 419,482</u>
<u>401(a) Plan:</u>				
401(a) Plan	(1)	\$ -	\$ -	\$ -
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Grand Total		<u>\$ 43,612,600</u>	<u>\$ -</u>	<u>\$ -</u>
			<u>\$ -</u>	<u>\$ 70,383,017</u>

(1) Not subject to categorization.

(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, 2002, the carrying amount of the pool was \$47,719,552,487 and the estimated market value for the pool (including accrued interest) was \$48,082,558,174. The City's proportionate share of that value is \$25,875,000. Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes, totaling \$551,578,000 and asset-backed securities, totaling \$921,063,000. 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, 2002.

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

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

NOTE #2 – CASH AND INVESTMENTS (Continued)

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

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.

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, 2002, is \$475,935.

F. Fair Value of Investments

Accounting pronouncement GASB Statement 31 generally applies to investments in external investment pools (State of California LAIF & county treasury 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, 2002, \$1,167,413 of unrealized gains were recorded in the investment portfolio.

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #2 – CASH AND INVESTMENTS (Continued)

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 \$25,946,936 whose pro-rata share of fair value was estimated by the State Treasurer to be \$25,875,000.

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.

NOTE #3 – INTERFUND TRANSACTIONS

A. Interfund Balances

Amounts due to and due from other funds consisted of the following as of June 30, 2002:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 5,000	
Trust and Agency Funds		
Special Deposits		\$ 5,000
Total	<u>\$ 5,000</u>	<u>\$ 5,000</u>

The interfund payable from trust and agency funds relates to an initial deposit to establish a medical plan account with a third party administrator.

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #3 – INTERFUND TRANSACTIONS (Continued)

B. Operating Transfers

With City Council approval, resources may be transferred from one fund to another. Operating transfers between individual funds during the fiscal year ended June 30, 2002 are presented below:

	Transfers	
	In	Out
General Fund	\$ 75,000	\$ 6,458,429
Capital Projects Fund:		
Capital Improvements Fund		
Transfer from General Fund in support of:		
Future funding of Civic Center facilities	4,641,754	
Funding for Strand Walkway	247,364	
Total Capital Projects Fund	4,889,118	
Special Revenue Funds:		
Proposition A	15,311	
Proposition C		15,311
Total Special Revenue Funds	15,311	15,311
Proprietary Funds:		
County Parking Lot Fund:		
Transfer of available surplus funds in line with existing County agreements and budget projections		75,000
Insurance Reserve	1,569,311	
Total Proprietary Funds	1,569,311	75,000
Total	\$ 6,548,740	\$ 6,548,740

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

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. At June 30, 2002, the future minimum lease payments receivable under these leases were as follows:

Fiscal Year Ending June 30,	Hotel Ground Lease	Tennis Club Lease	Total
2003	\$ 400,000	\$ 230,000	\$ 630,000
2004	400,000	230,000	630,000
2005	400,000	230,000	630,000
2006	400,000	230,000	630,000
2007	400,000	230,000	630,000
Thereafter	10,266,667	8,117,083	18,383,750
Total	<u>\$ 12,266,667</u>	<u>\$ 9,267,083</u>	<u>\$ 21,533,750</u>

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.

At June 30, 2002, the future minimum payments to be received under this note were as follows:

Fiscal Year Ending June 30,	
2003	\$ 13,200
2004	13,200
2005	13,200
2006	13,200
2007	13,200
Thereafter	100,290
Total	<u>\$ 166,290</u>

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #5 – CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land	\$27,707,902	\$ 9,275,000		\$36,982,902
Buildings and Structures	6,969,138			6,969,138
Machinery and Equipment	3,077,703	664,433	\$ 156,649	3,585,487
Totals	<u>\$37,754,743</u>	<u>\$ 9,939,433</u>	<u>\$ 156,649</u>	<u>\$47,537,527</u>

In the 2002 fiscal year, the City received a land donation from TRW of the 8 acres of park space currently known as Marine Avenue Park. This land was previously leased to the City for a nominal fee. The market value of the land at the time of donation was estimated at \$9,275,000 and is recorded as an increase to land assets accordingly.

NOTE #6 – PROPRIETARY FUND FIXED ASSETS

A summary of proprietary fund type property, plant and equipment is presented below:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ENTERPRISE FUNDS:				
WATER FUND				
Land	\$ 307,067			\$ 307,067
Buildings and Structures	3,676,897	\$ 154,515		3,831,412
Machinery and Equipment	12,492,555	143,654		12,636,209
Less: Accumulated Depreciation	(7,075,358)	(269,977)		(7,345,335)
Net Book Value	<u>\$ 9,401,161</u>	<u>\$ 28,192</u>	<u>\$ -</u>	<u>\$ 9,429,353</u>
WATER WASTE FUND				
Buildings and Structures	\$ 498,773	\$ 612,797		\$ 1,111,570
Machinery and Equipment	6,928,925			6,928,925
Less: Accumulated Depreciation	(3,495,900)	(101,998)		(3,597,898)
Net Book Value	<u>\$ 3,931,798</u>	<u>\$ 510,799</u>	<u>\$ -</u>	<u>\$ 4,442,597</u>
STORM WATER FUND				
Buildings and Structures	\$ 458,489	\$ 570,354		\$ 1,028,843
Machinery and Equipment	4,385,927	38,709		4,424,636
Less: Accumulated Depreciation	(1,877,166)	(94,920)		(1,972,086)
Net Book Value	<u>\$ 2,967,250</u>	<u>\$ 514,143</u>	<u>\$ -</u>	<u>\$ 3,481,393</u>

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE #6 – PROPRIETARY FUND FIXED ASSETS (Continued)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
PARKING FUND				
Land	\$ 920,572			\$ 920,572
Buildings and Structures	1,897,606	\$ 176,351		2,073,957
Machinery and Equipment	98,877			98,877
Less: Accumulated Depreciation	(1,051,117)	(49,582)		(1,100,699)
Net Book Value	<u>\$ 1,865,938</u>	<u>\$ 126,769</u>	<u>\$ -</u>	<u>\$ 1,992,707</u>
COUNTY PARKING LOT FUND				
Equipment	\$ 76,980			\$ 76,980
Less: Accumulated Depreciation	(76,980)			(76,980)
Net Book Value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
INTERNAL SERVICE FUND:				
FLEET MANAGEMENT FUND				
Equipment	\$ 4,728,375	\$ 415,870	\$ (340,729)	\$ 4,803,516
Less: Accumulated Depreciation	(2,764,694)	(378,536)	325,728	(2,817,502)
Net Book Value	<u>\$ 1,963,681</u>	<u>\$ 37,334</u>	<u>\$ (15,001)</u>	<u>\$ 1,986,014</u>

NOTE #7 – LONG-TERM DEBT

A. General Long-Term Debt Account Group

The following is a schedule of changes in long-term debt of the entity for the fiscal year ended June 30, 2002:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Supplemental Leave Allowance	\$ 100,168	\$ 4,470		\$ 104,638
Capital Leases	368,294		\$ 88,710	279,584
Compensated Absences	1,375,579	19,571		1,395,150
Marine Sports Field Lease	8,838,158		8,838,158	
Marine Ave. Certificate of Participation		9,535,000		9,535,000
Totals	<u>\$ 10,682,199</u>	<u>\$ 9,559,041</u>	<u>\$ 8,926,868</u>	<u>\$ 11,314,372</u>

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #7 – LONG-TERM DEBT (Continued)

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.

The following schedule illustrates the debt service requirements to maturity for the capital lease outstanding as of June 30, 2002:

Fiscal Year Ending June 30,	Principal	Interest	Total
2003	\$ 101,523	\$ 15,617	\$ 117,140
2004	115,566	8,759	124,325
2005	62,495	1,512	64,007
Total	<u>\$ 279,584</u>	<u>\$ 25,888</u>	<u>\$ 305,472</u>

2. *Capital Lease – Marine Sports Field* – During prior years the City of Manhattan Beach entered into a sale-leaseback transaction with the Beach Cities Health District (BCHD). The transaction was a result of the City purchasing 7 acres of property located at Marine and Aviation in the City of Manhattan Beach. During the 2001-2002 fiscal year the City of Manhattan Beach refinanced the lease with the \$9,535,000 Variable Rate Demand Refunding Certificates of Participation discussed below.
3. *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 used at the issuance of the COP's. The COP's mature on August 1, 2032, the outstanding balance at June 30, 2002 is \$9,535,000.

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #7 – LONG-TERM DEBT (Continued)

Fiscal Year Ending June 30,	Principal	Estimated Interest	Total
2003	\$ 200,000	\$ 313,649	\$ 513,649
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
Thereafter	8,580,000	5,174,057	13,754,057
Total	<u>\$9,535,000</u>	<u>\$6,944,111</u>	<u>\$16,479,111</u>

B. Enterprise Funds

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 is a schedule of changes in bonds outstanding for the fiscal year ended June 30, 2002:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Water Fund	\$ 2,912,226		\$ 50,271	\$ 2,861,955
Wastewater Fund	1,432,774		24,729	1,408,045
Total	<u>\$ 4,345,000</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ 4,270,000</u>

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #7 – LONG-TERM DEBT (Continued)

The following schedule illustrates the debt service requirements to maturity for bonds outstanding as of June 30, 2002:

<u>Water Fund</u>				<u>Wastewater Fund</u>			
<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 53,620	\$ 160,667	\$ 214,287	2003	\$ 26,380	\$ 79,046	\$ 105,426
2004	56,971	159,246	216,217	2004	28,029	77,604	105,633
2005	60,322	154,628	214,950	2005	29,678	76,075	105,753
2006	63,674	151,342	215,016	2006	31,326	74,458	105,784
2007	67,023	147,653	214,677	2007	32,975	72,642	105,617
Thereafter	<u>2,560,345</u>	<u>1,762,163</u>	<u>4,322,508</u>	Thereafter	<u>1,259,657</u>	<u>866,957</u>	<u>2,126,614</u>
	<u>\$2,861,955</u>	<u>\$2,535,699</u>	<u>\$5,397,655</u>		<u>\$ 1,408,045</u>	<u>\$1,246,782</u>	<u>\$ 2,654,827</u>

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #8 – FUND EQUITY

The City has set up the following fund balance reserve/designation accounts, which are resources restricted for specific purposes:

	General Fund	Special Revenue Funds	Capital Project Funds	Enterprise Funds	Trust and Agency Funds
Reserved:					
Encumbrances	\$ 642,458	\$ 95,167	\$ 94,038		
Prepays	36,599				
Debt Service	279,585				
Working Capital Reserve				\$ 2,335,000	
B.I.D. - A				909,362	
B.I.D. - B				339,329	
Continuing Capital Projects				3,303,161	
Pension Obligations					\$ 961,788
Total Reserved	958,642	95,167	94,038	6,886,852	961,788
Designated					
Financial Policy	6,441,740				
Economic Uncertainty	2,000,000				
Employee Leave Benefit	1,499,788				
Police-Fire Safety Facility			16,022,519		
Strand Walkway			926,640		
Artesia Blvd.			1,026,300		
Continuing Capital Projects		2,504,200	1,039,650		
Total Designated	9,941,528	2,504,200	19,015,109	-	-
Undesignated	4,821,367	3,377,162	3,139,064	26,190,161	-
Total Fund Equity	\$ 15,721,537	\$ 5,976,529	\$ 22,248,211	\$ 33,077,013	\$ 961,788

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

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 benefit. 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 2001-2002 was 10.295 percent, 4.161 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, 2002**

NOTE #9 – RETIREMENT PLANS (Continued)

Annual Pension Cost – For Fiscal Year 2001-2002, the City of Manhattan Beach’s annual pension cost was \$569,173 for the Police, Fire, and Miscellaneous Plans combined, and was equal to the City’s required and actual contributions. The City also contributed \$1,184,994 for the 2001-2002 fiscal year on behalf of the employees. The City’s payroll for employees covered by the plans for the year ended June 30, 2002, was \$14,918,378. The total payroll for the year was \$18,070,625. The required contributions for Fiscal Year 2001-2002 were determined as part of the June 30, 1999, 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) zero percent cost-of-living adjustment. 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>
6/30/2000	\$ -	0.00%	\$ -
6/30/2001	\$ -	0.00%	\$ -
6/30/2002	\$ 481,079	95.18%	\$ (592,208)

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)	\$ 457,911
Interest on net pension obligation (NPO)	(50,769)
Amortization of net pension obligation	73,937
Annual pension cost	481,079
Actual contributions made in fiscal year	457,911
Increase (Decrease) in NPO	23,168
NPO at Beginning of Year	(615,376)
NPO at End of Year	<u>\$ (592,208)</u>

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #9 – RETIREMENT PLANS (Continued)

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)%

Three-year Trend Information for the Cal PERS Fire Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2000	\$ -	0.00%	\$ -
6/30/2001	\$ -	0.00%	\$ -
6/30/2002	\$ 124,294	89.52%	\$ (333,114)

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:

	Fire
Annual required contributions (ARC)	\$ 111,262
Interest on net pension obligation (NPO)	(28,557)
Amortization of net pension obligation	41,589
Annual pension cost	124,294
Actual contributions made in fiscal year	111,262
Increase (Decrease) in NPO	13,032
NPO at Beginning of Year	(346,146)
NPO at End of Year	\$ (333,114)

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #9 – RETIREMENT PLANS (Continued)

Funded Status of Cal PERS Fire 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
6/30/1998	N/A	N/A	N/A	N/A	N/A	N/A
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)%

Three-Year Trend Information for the Cal PERS Miscellaneous Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2000	\$ -	0.00%	\$ -
6/30/2001	\$ -	0.00%	\$ -
6/30/2002	\$ -	0.00%	\$ -

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
6/30/1998	\$22,687,642	\$33,429,988	\$ (10,742,346)	147.4%	\$6,670,114	(161.05)%
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)%

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #9 – RETIREMENT PLANS (Continued)

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, 2002 is as follows:

Retirees and beneficiaries receiving benefits

Management/Confidential

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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, 2002**

NOTE #9 – RETIREMENT PLANS (Continued)

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
6/30/1993	\$ 2,276,163	\$ 1,399,172	\$ (876,991)	\$ 11,249,609	(7.80)%
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

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

Schedule of Employer Contributions

Year Ended	Annual Actual Contribution	Percentage Contribution
6/30/1993	\$ 143,995	100%
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

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

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, 2002**

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
6/30/1993	\$ 1,998,132	\$ 1,558,923	\$ (439,209)	\$10,274,714	(4.27)%
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

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #9 – RETIREMENT PLANS (Continued)

Schedule of Employer Contributions

Year Ended	Annual Actual Contribution	Percentage Contribution
6/30/1993	\$ 143,846	100%
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

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, 2002**

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, 2002 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
6/30/2000	\$ 123,275	\$ 109,979	\$ (13,296)	N/A	N/A
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

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, 2002**

NOTE #9 – RETIREMENT PLANS (Continued)

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Percentage Contribution
6/30/2000	N/A	N/A
6/30/2001	N/A	N/A
6/30/2002	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 \$980,693. The amount of employee contributions was \$36,776 and employer contributions was \$36,776.

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

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 2001-2002, for this benefit was \$4,800.

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, 2002, the amount of these liabilities was \$3,670,520. The amount represents an estimate of \$2,332,414 for reported claims through June 30, 2002, and \$1,338,106 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, 2002, resulted from the following:

Year	Liability Beginning of Year	Current Year Claims and Changes In Estimates	Claims and Payments	Liability End of Year
2001	\$ 1,725,252	\$ 1,624,730	\$ (714,563)	\$ 2,635,419
2002	\$ 2,635,419	\$ 2,004,546	\$ (969,445)	\$ 3,670,520

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

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 judgements 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, 2002, 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, 2002, was 23.1 percent.

Summarized audited financial information for SBRPCA at June 30, 2002.

Balance Sheet

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

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

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>

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, 2001*, is presented below:

Balance Sheet

Assets	<u>\$ 7,534,319</u>
Liabilities to Member Cities (All Current)	\$ 2,154,678
Fund Equity	4,554,073
General Fixed Assets	<u>825,568</u>
Total Liabilities, Fund Equity, and Other Credits	<u><u>\$ 7,534,319</u></u>

* Most current information available.

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

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

Revenues and Expenditures

Revenues	\$ 4,087,015
Expenditures	<u>(4,088,480)</u>
Excess of Revenues Over Expenditures	(1,465)
Fund Equity - July 1, 2000 (as restated)	<u>4,555,538</u>
Fund Equity - June 30, 2001	<u>\$ 4,554,073</u>

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, 2002, was \$475,935.

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

	<u>Market Value 401(a) Plan</u>
Total Assets	<u>\$ 475,935</u>
Liability to Plan Participants	<u>\$ 475,935</u>

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #14 – SEGMENT INFORMATION – ENTERPRISE FUNDS

The following schedule presents segment information for Enterprise Funds maintained by the City:

	Water Utility	Storm Water	Waste Water	Refuse	Parking	County Parking Lot	State Parking Lot	Total
Operating revenues	\$ 7,026,935	\$ 312,619	\$ 985,573	\$ 3,048,569	\$ 730,443	\$ 353,786	\$ 367,378	\$ 12,825,303
Depreciation	269,977	94,920	101,998		49,582			516,477
Operating income	1,961,104	136,823	423,489	32,792	349,864	101,125	166,096	3,171,293
Operating transfers						(75,000)		(75,000)
Net income	2,281,011	179,560	492,406	60,260	561,042	26,125	220,702	3,821,106
Fixed assets	9,429,353	3,481,393	4,442,597		1,992,707			19,346,050
Additions to fixed assets	298,169	609,063	612,797		176,351			1,696,380
Net working capital	9,324,497	720,828	2,139,802	639,568	3,825,361	101,092	966,112	17,717,260
Total assets	19,574,593	4,392,507	6,736,241	875,538	6,109,831	203,923	996,552	38,889,185
Bonds payable	2,861,955		1,408,045					4,270,000
Total equity	15,994,091	4,202,221	5,246,371	639,568	5,927,558	101,092	966,112	33,077,013

NOTE #15 – RELATED PARTY TRANSACTIONS

On 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, 2002, was \$383,705 and is recorded in the General Fund as a note receivable and deferred revenue.

On 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, 2002, was \$421,385 and is recorded in the General Fund as a note receivable and deferred revenue.

NOTE #16 – 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 general purpose financial statements as of June 30, 2002, however, City management expects such amounts, if any, to be immaterial.

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #16 – COMMITMENTS AND CONTINGENCIES (Continued)

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, 2002 the remaining balance on the contract was \$1,550,743.

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, 2002 the remaining balance on the contract was \$1,712,951.

NOTE #17 – 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,	
2003	\$ 149,307
2004	151,797
2005	148,544
2006	145,699
2007	147,636
Thereafter	<u>2,546,541</u>
Total	<u>\$ 3,289,524</u>

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CITY OF MANHATTAN BEACH

GENERAL FUND

The General Fund is used to account for resources traditionally associated with general government which are not required to be accounted for in a separate fund including: sales tax, property tax, transient occupancy tax, licenses and permits, fines and forfeitures. This fund is used to finance most of the basic municipal functions, such as general administration, public safety, parks and recreation, and community development.

CITY OF MANHATTAN BEACH

**COMPARATIVE BALANCE SHEET
GENERAL FUND
JUNE 30, 2002 AND 2001**

ASSETS	2002	2001
Cash and investments	\$ 15,478,770	\$ 16,571,107
Interest receivable	849,156	1,080,896
Taxes receivable	1,682,353	1,742,842
Accounts receivable	234,578	201,755
Note receivable	805,090	818,378
Due from other governments	79,592	142,466
Due from other funds	5,000	210,554
Prepaid items	36,599	31,809
Other receivables	22,652	28,032
	\$ 19,193,790	\$ 20,827,839
Total Assets	\$ 19,193,790	\$ 20,827,839
LIABILITIES		
Accounts payable	\$ 725,961	\$ 598,025
Accrued payroll	878,685	815,507
Accrued leave payable	120,658	145,192
Deposits	369,830	391,728
Deferred revenue	1,377,119	1,335,884
	3,472,253	3,286,336
Total Liabilities	3,472,253	3,286,336
FUND BALANCE		
Fund balances		
Reserved		
Encumbrances	642,458	711,762
Prepays	36,599	31,809
Debt service	279,585	368,294
Unreserved		
Designated		
Financial policy requirement	8,441,740	6,760,541
Employee leave benefits	1,499,788	1,475,748
Undesignated	4,821,367	8,193,349
	15,721,537	17,541,503
Total Fund Balance	15,721,537	17,541,503
Total Liabilities and Fund Balance	\$ 19,193,790	\$ 20,827,839

CITY OF MANHATTAN BEACH

**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
REVENUES		
Taxes and assessments	\$21,394,584	\$21,166,022
Licenses and permits	1,350,574	1,394,038
Intergovernmental	2,276,473	2,494,895
Charges for services	4,718,062	4,342,170
Fines and forfeitures	1,787,793	2,024,792
Use of money and property	3,378,252	3,647,584
Net increase (decrease) in the fair value of investments	205,406	801,035
Other	735,732	369,261
	<u>35,846,876</u>	<u>36,239,797</u>
EXPENDITURES		
Current:		
General government	6,453,362	6,112,802
Public safety	16,844,852	16,099,439
Public works	4,205,353	3,958,950
Culture and recreation	3,478,171	2,827,758
Capital outlay		2,338,887
Debt service:		
Interest and fiscal charges	907,269	
	<u>31,889,007</u>	<u>31,337,836</u>
REVENUES OVER EXPENDITURES	<u>3,957,869</u>	<u>4,901,961</u>
OTHER FINANCING SOURCES		
Operating transfers in	75,000	110,000
Other financing sources	9,443,752	2,338,887
Other financing uses	(8,838,158)	
Operating transfers out	(6,458,429)	(4,671,506)
	<u>(5,777,835)</u>	<u>(2,222,619)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(1,819,966)	2,679,342
Fund Balances, Beginning of Year	<u>17,541,503</u>	<u>14,862,161</u>
Fund Balances, End of Year	<u>\$15,721,537</u>	<u>\$17,541,503</u>

CITY OF MANHATTAN BEACH

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes and assessments	\$20,454,000	\$21,394,584	\$ 940,584
Licenses and permits	1,151,700	1,350,574	198,874
Intergovernmental	1,968,850	2,276,473	307,623
Charges for services	3,991,200	4,718,062	726,862
Fines and forfeitures	1,845,000	1,787,793	(57,207)
Use of money and property	3,577,960	3,378,252	(199,708)
Net increase (decrease) in the fair value of investments		205,406	205,406
Other	387,096	735,732	348,636
Total Revenues	<u>33,375,806</u>	<u>35,846,876</u>	<u>2,471,070</u>
EXPENDITURES			
Current:			
General government	7,568,740	6,453,362	1,115,378
Public safety	17,152,711	16,844,852	307,859
Public works	4,515,446	4,205,353	310,093
Culture and recreation	3,489,867	3,478,171	11,696
Debt service:			
Interest and fiscal charges	991,751	907,269	84,482
Total Expenditures	<u>33,718,515</u>	<u>31,889,007</u>	<u>1,829,508</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(342,709)</u>	<u>3,957,869</u>	<u>4,300,578</u>
OTHER FINANCING SOURCES			
Operating transfers in	75,000	75,000	
Other financing sources	9,443,752	9,443,752	
Other financing uses	(8,838,158)	(8,838,158)	
Operating transfers out	(6,523,065)	(6,458,429)	64,636
Total Other Financing Sources (Uses)	<u>(5,842,471)</u>	<u>(5,777,835)</u>	<u>64,636</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(6,185,180)</u>	<u>(1,819,966)</u>	<u>4,365,214</u>
Fund Balances, Beginning of Year	<u>17,541,503</u>	<u>17,541,503</u>	
Fund Balances, End of Year	<u>\$11,356,323</u>	<u>\$15,721,537</u>	<u>\$ 4,365,214</u>

CITY OF MANHATTAN BEACH

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable and nonexpendable trusts) that are restricted by law to expenditures for specified purposes.

Street Lighting and Landscape Fund provides the power, maintenance, and capital improvements for the lighting system within the City of Manhattan Beach. Money is received from a special assessment placed on each tax bill in the City, the amount of which is determined by the benefit received by the owner of each property. 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

**COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS**

JUNE 30, 2002

(With Comparative Totals for June 30, 2001)

	<u>Street Lighting</u>	<u>Gas Tax</u>	<u>Asset Forfeiture</u>	<u>Police Safety Grants</u>
ASSETS				
Cash and investments	\$ 601,054	\$ 2,611,105	\$ 772,288	\$ 160,675
Taxes receivable	12,017			
Due from other governments		65,948		
	<u>613,071</u>	<u>2,677,053</u>	<u>772,288</u>	<u>160,675</u>
Total Assets	<u>\$ 613,071</u>	<u>\$ 2,677,053</u>	<u>\$ 772,288</u>	<u>\$ 160,675</u>
LIABILITIES				
Accounts payable	\$ 29,320	\$ 59,048	\$ 231	\$ 4,361
Accrued payroll				
Due to other funds				
	<u>29,320</u>	<u>59,048</u>	<u>231</u>	<u>4,361</u>
Total Liabilities	<u>29,320</u>	<u>59,048</u>	<u>231</u>	<u>4,361</u>
FUND BALANCES				
Fund balances				
Reserved				
Reserved for encumbrances				95,167
Unreserved				
Designated				
Continuing capital improvements	268,302	1,453,070	280,000	
Undesignated	315,449	1,164,935	492,057	61,147
	<u>583,751</u>	<u>2,618,005</u>	<u>772,057</u>	<u>156,314</u>
Total Fund Balances	<u>583,751</u>	<u>2,618,005</u>	<u>772,057</u>	<u>156,314</u>
Total Liabilities and Fund Balances	<u>\$ 613,071</u>	<u>\$ 2,677,053</u>	<u>\$ 772,288</u>	<u>\$ 160,675</u>

Federal and State Grants	Proposition A	Proposition C	Air Quality	TOTALS	
				2002	2001
	\$ 389,885	\$ 1,279,994	\$ 113,391	\$ 5,928,392	\$ 5,310,364
				12,017	8,350
	39,269	35,471	10,643	151,331	352,665
<u>\$ -</u>	<u>\$ 429,154</u>	<u>\$ 1,315,465</u>	<u>\$ 124,034</u>	<u>\$ 6,091,740</u>	<u>\$ 5,671,379</u>
	\$ 5,788	\$ 16,463		\$ 115,211	\$ 114,883
					331
					205,554
	5,788	16,463		115,211	320,768
				95,167	27,581
		449,828	\$ 53,000	2,504,200	2,178,359
	423,366	849,174	71,034	3,377,162	3,144,671
	423,366	1,299,002	124,034	5,976,529	5,350,611
<u>\$ -</u>	<u>\$ 429,154</u>	<u>\$ 1,315,465</u>	<u>\$ 124,034</u>	<u>\$ 6,091,740</u>	<u>\$ 5,671,379</u>

CITY OF MANHATTAN BEACH

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(With Comparative Totals for the Fiscal Year Ended June 30, 2001)**

	<u>Street Lighting</u>	<u>Gas Tax</u>	<u>Asset Forfeiture</u>	<u>Police Safety Grants</u>
REVENUES				
Taxes and assessments	\$ 381,397			
Intergovernmental	9,453	\$ 932,985	\$ 44,559	\$ 122,832
Charges for services				
Use of money and property	30,425	119,653	38,813	8,251
Net increase (decrease) in the fair value of investments	372	1,150	560	279
Other				
Total Revenues	<u>421,647</u>	<u>1,053,788</u>	<u>83,932</u>	<u>131,362</u>
EXPENDITURES				
Current:				
Public safety			53,580	75,778
Public works	440,500	42,561		
Culture and recreation				
Capital outlay		558,000		
Total Expenditures	<u>440,500</u>	<u>600,561</u>	<u>53,580</u>	<u>75,778</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(18,853)</u>	<u>453,227</u>	<u>30,352</u>	<u>55,584</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in				
Operating transfers out				
Total Other Financing Sources (Uses)				
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(18,853)</u>	<u>453,227</u>	<u>30,352</u>	<u>55,584</u>
Fund Balances, Beginning of Year	<u>602,604</u>	<u>2,164,778</u>	<u>741,705</u>	<u>100,730</u>
Fund Balances, End of Year	<u>\$ 583,751</u>	<u>\$ 2,618,005</u>	<u>\$ 772,057</u>	<u>\$ 156,314</u>

Federal and State Grants	Proposition A	Proposition C	Air Quality	Totals	
				2002	2001
				\$ 381,397	\$ 378,813
\$ 11,769	\$ 443,058	\$ 367,483	\$ 39,424	1,971,563	2,724,725
	6,098			6,098	22,749
	35,860	61,346	5,386	299,734	325,703
	4,525	7,964	717	15,567	163,286
		8,733		8,733	45,124
<u>11,769</u>	<u>489,541</u>	<u>445,526</u>	<u>45,527</u>	<u>2,683,092</u>	<u>3,660,400</u>
				129,358	271,003
	16,800	163,650	22,254	685,765	499,772
	672,282			672,282	259,210
<u>11,769</u>				<u>569,769</u>	<u>2,107,711</u>
<u>11,769</u>	<u>689,082</u>	<u>163,650</u>	<u>22,254</u>	<u>2,057,174</u>	<u>3,137,696</u>
	(199,541)	281,876	23,273	625,918	522,704
	15,311			15,311	219,075
		(15,311)		(15,311)	(541,422)
	15,311	(15,311)			(322,347)
	(184,230)	266,565	23,273	625,918	200,357
	607,596	1,032,437	100,761	5,350,611	5,150,254
<u>\$ -</u>	<u>\$ 423,366</u>	<u>\$ 1,299,002</u>	<u>\$ 124,034</u>	<u>\$ 5,976,529</u>	<u>\$ 5,350,611</u>

CITY OF MANHATTAN BEACH

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Street Lighting		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Taxes and assessments	\$ 384,750	\$ 381,397	\$ (3,353)
Intergovernmental	9,450	9,453	3
Charges for services			
Use of money and property	21,240	30,425	9,185
Net increase (decrease) in the fair value of investments		372	372
Other			
Total Revenues	415,440	421,647	6,207
EXPENDITURES			
Current:			
Public safety			
Public works	784,639	440,500	344,139
Culture and recreation			
Capital outlay			
Total Expenditures	784,639	440,500	344,139
REVENUES OVER (UNDER) EXPENDITURES	(369,199)	(18,853)	350,346
OTHER FINANCING SOURCES (USES)			
Operating transfers in			
Operating transfers out			
Total Other Financing Sources (Uses)			
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(369,199)	(18,853)	350,346
Fund Balances, Beginning of Year	602,604	602,604	
Fund Balances, End of Year	<u>\$ 233,405</u>	<u>\$ 583,751</u>	<u>\$ 350,346</u>

Gas Tax			Asset Forfeiture		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 688,988	\$ 932,985	\$ 243,997		\$ 44,559	\$ 44,559
47,860	119,653	71,793	\$ 35,060	38,813	3,753
	1,150	1,150		560	560
<u>736,848</u>	<u>1,053,788</u>	<u>316,940</u>	<u>35,060</u>	<u>83,932</u>	<u>48,872</u>
41,520	42,561	(1,041)	327,317	53,580	273,737
<u>2,409,503</u>	<u>558,000</u>	<u>1,851,503</u>			
<u>2,451,023</u>	<u>600,561</u>	<u>1,850,462</u>	<u>327,317</u>	<u>53,580</u>	<u>273,737</u>
<u>(1,714,175)</u>	<u>453,227</u>	<u>2,167,402</u>	<u>(292,257)</u>	<u>30,352</u>	<u>322,609</u>
(1,714,175)	453,227	2,167,402	(292,257)	30,352	322,609
<u>2,164,778</u>	<u>2,164,778</u>		<u>741,705</u>	<u>741,705</u>	
<u>\$ 450,603</u>	<u>\$ 2,618,005</u>	<u>\$ 2,167,402</u>	<u>\$ 449,448</u>	<u>\$ 772,057</u>	<u>\$ 322,609</u>

CITY OF MANHATTAN BEACH

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

		Police Safety Grants	
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes and assessments			
Intergovernmental	\$ 122,832	\$ 122,832	
Charges for services			
Use of money and property		8,251	\$ 8,251
Net increase (decrease) in the fair value of investments		279	279
Other			
Total Revenues	<u>122,832</u>	<u>131,362</u>	<u>8,530</u>
EXPENDITURES			
Current:			
Public safety	150,413	75,778	74,635
Public works			
Culture and recreation			
Capital outlay			
Total Expenditures	<u>150,413</u>	<u>75,778</u>	<u>74,635</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(27,581)</u>	<u>55,584</u>	<u>83,165</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in			
Operating transfers out			
Total Other Financing Sources (Uses)			
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(27,581)</u>	<u>55,584</u>	<u>83,165</u>
Fund Balances, Beginning of Year	<u>100,730</u>	<u>100,730</u>	
Fund Balances, End of Year	<u>\$ 73,149</u>	<u>\$ 156,314</u>	<u>\$ 83,165</u>

(CONTINUED)

Federal and State Grants			Proposition A		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 430,000	\$ 11,769	\$ (418,231)	\$ 427,000	\$ 443,058	\$ 16,058
			7,200	6,098	(1,102)
			25,340	35,860	10,520
				4,525	4,525
<u>430,000</u>	<u>11,769</u>	<u>(418,231)</u>	<u>459,540</u>	<u>489,541</u>	<u>30,001</u>
			24,000	16,800	7,200
<u>430,000</u>	<u>11,769</u>	<u>418,231</u>	<u>581,587</u>	<u>672,282</u>	<u>(90,695)</u>
<u>430,000</u>	<u>11,769</u>	<u>418,231</u>	<u>605,587</u>	<u>689,082</u>	<u>(83,495)</u>
			<u>(146,047)</u>	<u>(199,541)</u>	<u>(53,494)</u>
				15,311	15,311
				15,311	15,311
			(146,047)	(184,230)	(38,183)
			<u>607,596</u>	<u>607,596</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 461,549</u>	<u>\$ 423,366</u>	<u>\$ (38,183)</u>

CITY OF MANHATTAN BEACH

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Proposition C		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes and assessments			
Intergovernmental	\$ 400,000	\$ 367,483	\$ (32,517)
Charges for services			
Use of money and property	36,630	61,346	24,716
Net increase (decrease) in the fair value of investments		7,964	7,964
Other		8,733	8,733
Total Revenues	436,630	445,526	8,896
EXPENDITURES			
Current:			
Public safety			
Public works	583,943	163,650	420,293
Culture and recreation			
Capital outlay			
Total Expenditures	583,943	163,650	420,293
REVENUES OVER (UNDER) EXPENDITURES	(147,313)	281,876	429,189
OTHER FINANCING SOURCES (USES)			
Operating transfers in			
Operating transfers out		(15,311)	(15,311)
Total Other Financing Sources (Uses)		(15,311)	(15,311)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(147,313)	266,565	413,878
Fund Balances, Beginning of Year	1,032,437	1,032,437	
Fund Balances, End of Year	<u>\$ 885,124</u>	<u>\$ 1,299,002</u>	<u>\$ 413,878</u>

(CONTINUED)

Air Quality			TOTALS		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 40,000	\$ 39,424	\$ (576)	\$ 384,750	\$ 381,397	\$ (3,353)
			2,118,270	1,971,563	(146,707)
4,580	5,386	806	7,200	6,098	(1,102)
			170,710	299,734	129,024
	717	717		15,567	15,567
				8,733	8,733
44,580	45,527	947	2,680,930	2,683,092	2,162
			477,730	129,358	348,372
66,664	22,254	44,410	1,500,766	685,765	815,001
			581,587	672,282	(90,695)
			2,839,503	569,769	2,269,734
66,664	22,254	44,410	5,399,586	2,057,174	3,342,412
(22,084)	23,273	45,357	(2,718,656)	625,918	3,344,574
				15,311	(15,311)
				(15,311)	15,311
(22,084)	23,273	45,357	(2,718,656)	625,918	3,344,574
100,761	100,761		5,350,611	5,350,611	
\$ 78,677	\$ 124,034	\$ 45,357	\$ 2,631,955	\$ 5,976,529	\$ 3,344,574

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CITY OF MANHATTAN BEACH

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.

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 will not be 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.

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 BALANCE SHEET
ENTERPRISE FUNDS**

JUNE 30, 2002

(With Comparative Totals for June 30, 2001)

ASSETS	Water	Stormwater	Wastewater
Current Assets			
Cash and investments	\$ 9,516,779	\$ 907,626	\$ 2,187,477
Accounts receivable	471,148	3,488	60,525
Inventory	64,538		
Total Current Assets	<u>10,052,465</u>	<u>911,114</u>	<u>2,248,002</u>
Noncurrent Assets			
Fixed assets - net book value	9,429,353	3,481,393	4,442,597
Note receivable			
Unamortized bond issuance cost - net	92,775		45,642
Total Noncurrent Assets	<u>9,522,128</u>	<u>3,481,393</u>	<u>4,488,239</u>
Total Assets	<u>\$ 19,574,593</u>	<u>\$ 4,392,507</u>	<u>\$ 6,736,241</u>
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable	\$ 243,539	\$ 20,286	\$ 55,237
Accrued leave-short term	3,957		
Deposits	1,206	170,000	
Accrued interest	54,030		26,588
Accrued payables	371,611		
Current portion of bonds payable	53,625		26,375
Total Current Liabilities	<u>727,968</u>	<u>190,286</u>	<u>108,200</u>
Noncurrent Liabilities			
Bonds payable	2,808,330		1,381,670
Accrued leave-long term	44,204		
Total Noncurrent Liabilities	<u>2,852,534</u>		<u>1,381,670</u>
Total Liabilities	<u>3,580,502</u>	<u>190,286</u>	<u>1,489,870</u>
FUND EQUITY			
Investment in general fixed assets			
Contributed capital			
Retained earnings			
Reserved for capital improvements	2,166,706	453,048	309,807
Reserved for business improvement districts			
Reserved for working capital account	1,875,000	53,000	189,000
Unreserved	11,952,385	3,696,173	4,747,564
Total Fund Equity	<u>15,994,091</u>	<u>4,202,221</u>	<u>5,246,371</u>
Total Liabilities and Fund Equity	<u>\$ 19,574,593</u>	<u>\$ 4,392,507</u>	<u>\$ 6,736,241</u>

Refuse	Parking	County Parking Lot	State Pier and Parking Lot	TOTALS	
				2002	2001
\$ 619,620	\$ 4,005,245	\$ 203,923	\$ 996,552	\$ 18,437,222	\$ 15,598,687
255,918	2,389			793,468	664,319
				64,538	57,859
<u>875,538</u>	<u>4,007,634</u>	<u>203,923</u>	<u>996,552</u>	<u>19,295,228</u>	<u>16,320,865</u>
	1,992,707			19,346,050	18,166,147
	109,490			109,490	126,558
				138,417	144,840
	<u>2,102,197</u>			<u>19,593,957</u>	<u>18,437,545</u>
<u>\$ 875,538</u>	<u>\$ 6,109,831</u>	<u>\$ 203,923</u>	<u>\$ 996,552</u>	<u>\$ 38,889,185</u>	<u>\$ 34,758,410</u>
\$ 235,815	\$ 5,542	\$ 102,283	\$ 30,440	\$ 693,142	\$ 440,710
155	380	548		3,957	3,727
	176,351			172,289	2,323
				80,618	81,935
				547,962	586,222
				80,000	75,000
<u>235,970</u>	<u>182,273</u>	<u>102,831</u>	<u>30,440</u>	<u>1,577,968</u>	<u>1,189,917</u>
				4,190,000	4,270,000
				44,204	42,586
				4,234,204	4,312,586
<u>235,970</u>	<u>182,273</u>	<u>102,831</u>	<u>30,440</u>	<u>5,812,172</u>	<u>5,502,503</u>
			373,600	3,303,161	3,449,821
	1,248,691			1,248,691	1,217,911
	90,000	74,000	54,000	2,335,000	2,257,000
<u>639,568</u>	<u>4,588,867</u>	<u>27,092</u>	<u>538,512</u>	<u>26,190,161</u>	<u>22,331,175</u>
<u>639,568</u>	<u>5,927,558</u>	<u>101,092</u>	<u>966,112</u>	<u>33,077,013</u>	<u>29,255,907</u>
<u>\$ 875,538</u>	<u>\$ 6,109,831</u>	<u>\$ 203,923</u>	<u>\$ 996,552</u>	<u>\$ 38,889,185</u>	<u>\$ 34,758,410</u>

CITY OF MANHATTAN BEACH

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(With Comparative Totals for the Fiscal Year Ended June 30, 2001)**

	Water	Stormwater	Wastewater
OPERATING REVENUES			
Charges for services	\$ 6,429,056	\$ 312,619	\$ 835,712
Connection and installation fees	247,917		149,861
Recycling and replenishment	327,124		
Parking meters and space rentals			
Other	22,838		
Total Operating Revenues	7,026,935	312,619	985,573
OPERATING EXPENSES			
Salaries and wages	435,531	43,622	124,415
Employee benefits	129,242	8,215	19,201
Contract and professional services	2,931,758	8,540	7,831
Materials and services	286,742	6,962	27,018
Utilities	233,235	6,774	22,813
Administrative service charges	779,346	6,763	258,808
Depreciation	269,977	94,920	101,998
Leases and rents			
Total Operating Expenses	5,065,831	175,796	562,084
Operating Income	1,961,104	136,823	423,489
NON OPERATING REVENUES (EXPENSES)			
Interest earnings on investments	419,295	41,865	114,302
Net increase (decrease) in the fair value of investments	41,219	872	8,900
Interest earnings on bond funds	13,977		6,880
Miscellaneous revenues	16,221		22,867
Interest paid on bonds	(162,541)		(79,961)
Bond amortization	(4,305)		(2,118)
Bond administration fees	(3,959)		(1,953)
Total Nonoperating Revenues (Expenses)	319,907	42,737	68,917
Income Before Operating Transfers	2,281,011	179,560	492,406
OPERATING TRANSFERS			
Operating transfers in			
Operating transfers out			
Total Operating Transfers	-	-	-
NET INCOME (LOSS)	2,281,011	179,560	492,406
Retained Earnings, Beginning of Year	13,713,080	4,022,661	4,753,965
Prior period adjustment			
Retained Earnings, End of Year	\$ 15,994,091	\$ 4,202,221	\$ 5,246,371

Refuse	Parking	County Parking Lot	State Pier and Parking Lot	TOTALS	
				2002	2001
\$ 2,526,407				\$ 10,103,794	\$ 9,969,695
				397,778	368,426
399,383				726,507	813,808
	\$ 641,415	\$ 353,786	\$ 266,973	1,262,174	1,268,653
122,779	89,028		100,405	335,050	141,151
<u>3,048,569</u>	<u>730,443</u>	<u>353,786</u>	<u>367,378</u>	<u>12,825,303</u>	<u>12,561,733</u>
	28,474	8,158	8,836	649,036	637,752
	2,658	816	838	160,970	142,759
2,738,794	51,325	28,682	69,715	5,836,645	5,874,388
34,246	143,670	3,397	80,123	582,158	1,084,989
424	23,160	3,455	25,091	314,952	255,180
242,313	81,710	13,571	16,679	1,399,190	1,339,923
	49,582			516,477	467,859
		194,582		194,582	182,317
<u>3,015,777</u>	<u>380,579</u>	<u>252,661</u>	<u>201,282</u>	<u>9,654,010</u>	<u>9,985,167</u>
<u>32,792</u>	<u>349,864</u>	<u>101,125</u>	<u>166,096</u>	<u>3,171,293</u>	<u>2,576,566</u>
28,352	195,531		45,593	844,938	833,055
(884)	15,647		3,667	69,421	389,672
				20,857	28,920
			5,346	44,434	320,194
				(242,502)	(246,426)
				(6,423)	(6,294)
				(5,912)	(3,912)
<u>27,468</u>	<u>211,178</u>		<u>54,606</u>	<u>724,813</u>	<u>1,315,209</u>
60,260	561,042	101,125	220,702	3,896,106	3,891,775
		(75,000)		(75,000)	541,422
		(75,000)		(75,000)	(110,000)
-	-	(75,000)	-	(75,000)	431,422
60,260	561,042	26,125	220,702	3,821,106	4,323,197
579,308	5,366,516	74,967	745,410	29,255,907	24,886,417
					46,293
<u>\$ 639,568</u>	<u>\$ 5,927,558</u>	<u>\$ 101,092</u>	<u>\$ 966,112</u>	<u>\$ 33,077,013</u>	<u>\$ 29,255,907</u>

CITY OF MANHATTAN BEACH

**COMBINING STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(With Comparative Totals for the Fiscal Year Ended June 30, 2001)**

	<u>Water</u>	<u>Stormwater</u>	<u>Wastewater</u>	<u>Refuse</u>
Cash Flows from Operating Activities:				
Operating income (loss)	\$ 1,961,104	\$ 136,823	\$ 423,489	\$ 32,792
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	269,977	94,920	101,998	
Miscellaneous revenue	16,221		22,867	
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(112,758)	2,228	(10,437)	(11,017)
Prepays				
Inventory	(6,679)			
Increase (decrease) in:				
Accounts payable	(459)	(15,259)	28,039	(10,788)
Accrued leave	1,848			
Customer deposits	(34)	170,000		
Bonds payable	(50,271)		(24,729)	
Accrued interest payable	(883)		(434)	
Net Cash Provided By (Used In) Operating Activities	<u>2,078,066</u>	<u>388,712</u>	<u>540,793</u>	<u>10,987</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(298,169)	(609,063)	(612,797)	
Interest paid on bonds	(162,541)		(79,961)	
Bond admin fee	(3,959)		(1,953)	
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(464,669)</u>	<u>(609,063)</u>	<u>(694,711)</u>	
Cash Flows from Noncapital Financing Activities				
Operating transfers in				
Operating transfers (out)				
Net Cash Provided By (Used In) Noncapital Financing Activities				
Cash Flows from Investing Activities:				
Interest on investments	474,491	42,737	130,082	27,468
Net Cash Provided By (Used In) Investing Activities	<u>474,491</u>	<u>42,737</u>	<u>130,082</u>	<u>27,468</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,087,888	(177,614)	(23,836)	38,455
Cash and Cash Equivalents at Beginning of Year	<u>7,428,891</u>	<u>1,085,240</u>	<u>2,211,313</u>	<u>581,165</u>
Cash and Cash Equivalents at End of Year	<u>\$ 9,516,779</u>	<u>\$ 907,626</u>	<u>\$ 2,187,477</u>	<u>\$ 619,620</u>

Parking	County Parking Lot	State Pier and Parking Lot	TOTALS	
			2002	2001
\$ 349,864	\$ 101,125	\$ 166,096	\$ 3,171,293	\$ 2,576,566
49,582		5,346	516,477	467,859
			44,434	320,194
16,903	3,000		(112,081)	254,287
			(6,679)	64,305
				(7,287)
179,464	9,856	23,319	214,172	(385,984)
			1,848	(2,907)
			169,966	(225)
			(75,000)	(70,000)
			(1,317)	(1,237)
<u>595,813</u>	<u>113,981</u>	<u>194,761</u>	<u>3,923,113</u>	<u>3,215,571</u>
(176,351)			(1,696,380)	(2,108,945)
			(242,502)	(246,426)
			(5,912)	(3,912)
<u>(176,351)</u>			<u>(1,944,794)</u>	<u>(2,359,283)</u>
				541,422
	(75,000)		(75,000)	(110,000)
	(75,000)		(75,000)	431,422
<u>211,178</u>		<u>49,260</u>	<u>935,216</u>	<u>1,251,647</u>
<u>211,178</u>		<u>49,260</u>	<u>935,216</u>	<u>1,251,647</u>
630,640	38,981	244,021	2,838,535	2,539,357
<u>3,374,605</u>	<u>164,942</u>	<u>752,531</u>	<u>15,598,687</u>	<u>13,059,330</u>
<u>\$ 4,005,245</u>	<u>\$ 203,923</u>	<u>\$ 996,552</u>	<u>\$ 18,437,222</u>	<u>\$ 15,598,687</u>

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CITY OF MANHATTAN BEACH

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 BALANCE SHEET
INTERNAL SERVICE FUNDS
JUNE 30, 2002**

	<u>Insurance Reserve</u>	<u>Information Systems</u>	<u>Fleet Management</u>	<u>Building Maintenance</u>
ASSETS				
Current Assets				
Cash and investments	\$ 4,656,271	\$ 860,769	\$ 1,032,581	\$ 60,547
Inventory				92,322
Total Current Assets	<u>4,656,271</u>	<u>860,769</u>	<u>1,032,581</u>	<u>152,869</u>
Noncurrent Assets				
Fixed assets - net book value			1,986,014	
Total Assets	<u>\$ 4,656,271</u>	<u>\$ 860,769</u>	<u>\$ 3,018,595</u>	<u>\$ 152,869</u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 160	\$ 71,197	\$ 46,702	\$ 43,034
Deposits	2,807			
Workers' compensation claims	1,991,071			
Liability claims	341,343			
Total Current Liabilities	<u>2,335,381</u>	<u>71,197</u>	<u>46,702</u>	<u>43,034</u>
Noncurrent Liabilities				
Workers' compensation claims	1,147,631			
Liability claims	190,475			
Total Noncurrent Liabilities	<u>1,338,106</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>3,673,487</u>	<u>71,197</u>	<u>46,702</u>	<u>43,034</u>
FUND EQUITY				
Retained Earnings				
Unreserved	982,784	789,572	2,971,893	109,835
Total Fund Equity	<u>982,784</u>	<u>789,572</u>	<u>2,971,893</u>	<u>109,835</u>
Total Liabilities and Fund Equity	<u>\$ 4,656,271</u>	<u>\$ 860,769</u>	<u>\$ 3,018,595</u>	<u>\$ 152,869</u>

TOTALS

2002	2001
\$ 6,610,168	\$ 5,023,046
92,322	86,205
6,702,490	5,109,251
1,986,014	1,963,681
\$ 8,688,504	\$ 7,072,932
\$ 161,093	\$ 101,924
2,807	3,014
1,991,071	1,342,283
341,343	252,282
2,496,314	1,699,503
1,147,631	857,350
190,475	183,504
1,338,106	1,040,854
3,834,420	2,740,357
4,854,084	4,332,575
4,854,084	4,332,575
\$ 8,688,504	\$ 7,072,932

CITY OF MANHATTAN BEACH

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(With Comparative Totals for the Fiscal Year Ended June 30, 2001)**

	<u>Insurance Reserve</u>	<u>Information Systems</u>	<u>Fleet Management</u>	<u>Building Maintenance</u>
OPERATING REVENUES				
Charges for services	\$ 1,483,380	\$ 725,483	\$ 1,275,504	\$ 661,105
Warehouse sales				140,348
Other	61,662		12,714	
Total Operating Revenues	<u>1,545,042</u>	<u>725,483</u>	<u>1,288,218</u>	<u>801,453</u>
OPERATING EXPENSES				
Salaries and wages	138,120	216,125	190,812	137,003
Employee benefits	23,370	25,306	112,051	18,717
Contract and professional services	18,394	76,891	31,493	175,521
Materials and services	2,643,123	355,899	264,766	175,068
Utilities	12,995	10,746	1,671	99,259
Administrative service charges	57,082	15,307	77,691	56,138
Depreciation			378,536	
Leases and rents			5,751	110,333
Total Operating Expenses	<u>2,893,084</u>	<u>700,274</u>	<u>1,062,771</u>	<u>772,039</u>
OPERATING INCOME (LOSS)	<u>(1,348,042)</u>	<u>25,209</u>	<u>225,447</u>	<u>29,414</u>
NON OPERATING REVENUES (EXPENSES)				
Miscellaneous			20,170	
Total Nonoperating Revenues			<u>20,170</u>	
Income (Loss) Before Operating Transfers	(1,348,042)	25,209	245,617	29,414
Operating transfers in	1,569,311			
Operating transfers (out)				
NET INCOME (LOSS)	<u>221,269</u>	<u>25,209</u>	<u>245,617</u>	<u>29,414</u>
Retained Earnings, Beginning of Year	761,515	764,363	2,726,276	80,421
Prior period adjustment				
Retained Earnings, End of Year	<u>\$ 982,784</u>	<u>\$ 789,572</u>	<u>\$ 2,971,893</u>	<u>\$ 109,835</u>

TOTALS

2002	2001
\$ 4,145,472	\$ 3,713,245
140,348	144,325
74,376	126,287
<u>4,360,196</u>	<u>3,983,857</u>
682,060	682,836
179,444	178,003
302,299	306,684
3,438,856	2,866,123
124,671	111,430
206,218	186,185
378,536	316,530
116,084	111,084
<u>5,428,168</u>	<u>4,758,875</u>
<u>(1,067,972)</u>	<u>(775,018)</u>
<u>20,170</u>	<u>16,981</u>
<u>20,170</u>	<u>16,981</u>
(1,047,802)	(758,037)
1,569,311	483,100
	<u>(53,873)</u>
<u>521,509</u>	<u>(328,810)</u>
4,332,575	4,740,023
	<u>(78,638)</u>
<u>\$ 4,854,084</u>	<u>\$ 4,332,575</u>

CITY OF MANHATTAN BEACH

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(With Comparative Totals for the Fiscal Year Ended June 30, 2001)**

	<u>Insurance Reserve</u>	<u>Information Systems</u>	<u>Fleet Management</u>	<u>Building Maintenance</u>
Cash Flows from Operating Activities:				
Operating income (loss)	\$ (1,348,042)	\$ 25,209	\$ 225,447	\$ 29,414
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation			378,536	
Miscellaneous			20,170	
Change in assets and liabilities:				
(Increase) decrease in:				
Inventory				
Prepaid expenses				(6,117)
Increase (decrease) in:				
Accounts payable	(2,881)	63,873	(18,822)	16,998
Customer deposits	(207)			
Worker's compensation claims	939,069			
Liability claims	96,033			
Net Cash Provided By (Used In) Operating Activities	<u>(316,028)</u>	<u>89,082</u>	<u>605,331</u>	<u>40,295</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets			(400,869)	
Net Cash Provided By (Used In) Capital and Related Financing Activities			<u>(400,869)</u>	
Cash Flows from Non-Capital Financing Activities:				
Transfers in	1,569,311			
Transfers out				
Net Cash Provided By (Used In) Non-Capital Financing Activities	<u>1,569,311</u>			
Net Increase (Decrease) in Cash and Cash Equivalents	1,253,283	89,082	204,462	40,295
Cash and Cash Equivalents at Beginning of Year	<u>3,402,988</u>	<u>771,687</u>	<u>828,119</u>	<u>20,252</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,656,271</u>	<u>\$ 860,769</u>	<u>\$ 1,032,581</u>	<u>\$ 60,547</u>

<u>TOTALS</u>	
<u>2002</u>	<u>2001</u>
\$(1,067,972)	\$ (775,018)
378,536	316,530
20,170	16,981
	73
(6,117)	
59,168	(60,951)
(207)	1,906
939,069	707,160
96,033	203,007
<u>418,680</u>	<u>409,688</u>
<u>(400,869)</u>	<u>(693,930)</u>
<u>(400,869)</u>	<u>(693,930)</u>
1,569,311	483,100
	<u>(53,873)</u>
<u>1,569,311</u>	<u>429,227</u>
1,587,122	144,985
<u>5,023,046</u>	<u>4,878,061</u>
<u>\$ 6,610,168</u>	<u>\$ 5,023,046</u>

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CITY OF MANHATTAN BEACH

TRUST AND AGENCY FUNDS

Trust and Agency funds have been established to account for assets held by the City as trustee or agent for individuals, private organizations, other governmental units and/or other funds.

Pension Trust Fund is used to account for the supplemental retirement, single highest year programs and safety post-retirement health programs provided by the City. Although both the supplemental and single highest year retirement programs are dormant, this fund accounts for the former employees still receiving these benefits.

Special Deposits Fund is used to account for deposits and assets held by the City on a custodial and fiduciary basis. This fund is primarily used to record, account for and control employee deferred compensation and 125 plan funds. This fund is also used to account for restricted cash deposits related to safety operations.

Special Assessment Redemption Fund is used to account for underground utility bond district debt, which was issued during fiscal year 1989-90. These bonds will be repaid in 1999 from assessments levied on property owners who have benefited from the project.

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET

TRUST AND AGENCY FUNDS

JUNE 30, 2002

(With Comparative Totals for June 30, 2001)

	TRUST		
	Supplemental Retirement Plan	Single Highest Year Plan	Post retirement Plan for firefighters
ASSETS			
Cash and investments	\$ 234,488	\$ 602,569	\$ 124,731
Total Assets	<u>\$ 234,488</u>	<u>\$ 602,569</u>	<u>\$ 124,731</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Due to other funds			
401(a) plan deposits			
Utility development deposit			
Other deposits			
Total Liabilities			
Fund Balance:			
Reserved	234,488	602,569	124,731
Total Fund Balance	<u>234,488</u>	<u>602,569</u>	<u>124,731</u>
Total Liabilities and Fund Balance	<u>\$ 234,488</u>	<u>\$ 602,569</u>	<u>\$ 124,731</u>

<u>AGENCY</u>	<u>TOTAL</u>	
Special Deposits	<u>2002</u>	<u>2001</u>
<u>\$ 1,191,115</u>	<u>\$ 2,152,903</u>	<u>\$ 1,682,314</u>
<u>\$ 1,191,115</u>	<u>\$ 2,152,903</u>	<u>\$ 1,682,314</u>
5,000	5,000	5,000
475,935	475,935	424,615
619,874	619,874	200,000
90,306	90,306	80,132
<u>1,191,115</u>	<u>1,191,115</u>	<u>709,747</u>
<u> </u>	<u>961,788</u>	<u>972,567</u>
<u> </u>	<u>961,788</u>	<u>972,567</u>
<u>\$ 1,191,115</u>	<u>\$ 2,152,903</u>	<u>\$ 1,682,314</u>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CHANGES IN NET PLAN ASSETS
 PENSION TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002
 (With Comparative Totals for the Fiscal Year Ended June 30, 2001)

	Pension Trust Fund			TOTALS	
	Supplemental Retirement Plan	Single Highest Year Plan	Post Retirement Plan for Firefighters	2002	2001
ADDITIONS					
Interest	\$ 14,552	\$ 36,860	\$ 10,057	\$ 61,469	\$ 61,064
Transfers in	13,652	35,104		48,756	
Net increase (decrease) in the fair value of investments	1,169	2,960	808	4,937	33,040
Total Additions	29,373	74,924	10,865	115,162	94,104
DEDUCTIONS					
Benefits	22,874	52,511	1,800	77,185	75,710
Transfers out			48,756	48,756	
Total Deductions	22,874	52,511	50,556	125,941	75,710
Net Increase (decrease)	6,499	22,413	(39,691)	(10,779)	18,394
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	227,989	580,156	164,422	972,567	954,173
End of Year	\$ 234,488	\$ 602,569	\$ 124,731	\$ 961,788	\$ 972,567

CITY OF MANHATTAN BEACH

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS - SPECIAL DEPOSITS FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Balance June 30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
ASSETS				
Cash and investments	\$ 709,747	\$ 773,040	\$ (291,672)	\$ 1,191,115
Total Assets	<u>\$ 709,747</u>	<u>\$ 773,040</u>	<u>\$ (291,672)</u>	<u>\$ 1,191,115</u>
LIABILITIES				
Due to other funds	\$ 5,000			\$ 5,000
Deferred compensation payable	424,615	\$ 51,320		475,935
Utility development deposit	200,000	500,000	\$ (80,126)	619,874
Other deposits	80,132	221,720	(211,546)	90,306
Total Liabilities	<u>\$ 709,747</u>	<u>\$ 773,040</u>	<u>\$ (291,672)</u>	<u>\$ 1,191,115</u>

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CITY OF MANHATTAN BEACH
GENERAL FIXED ASSETS ACCOUNT GROUP

To account for fixed assets that are used in the performance of general governmental functions and are not accounted for in the enterprise or internal service funds.

CITY OF MANHATTAN BEACH

**STATEMENT OF GENERAL FIXED ASSETS
JUNE 30, 2002**

General Fixed Assets:

Land	\$ 36,982,902
Buildings and structures	6,969,138
Machinery and equipment	<u>3,585,487</u>

Total General Fixed Assets \$ 47,537,527

Investment in General Fixed Assets

General Fund	<u>\$ 47,537,527</u>
--------------	----------------------

Total Investment in General Fixed Assets \$ 47,537,527

CITY OF MANHATAN BEACH

STATEMENT OF GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
JUNE 30, 2002

<u>Function</u>	<u>Land</u>	<u>Buildings and Structures</u>	<u>Machinery and Equipment</u>	<u>Total</u>
General Government:	\$ 7,934,977	\$2,772,242	\$ 1,442,626	\$ 12,149,845
Public Safety	8,929	816,594	1,296,493	2,122,016
Public Works		597,054	683,395	1,280,449
Cultural	<u>29,038,996</u>	<u>2,783,248</u>	<u>162,973</u>	<u>31,985,217</u>
Total General Fixed Assets	<u>\$36,982,902</u>	<u>\$6,969,138</u>	<u>\$3,585,487</u>	<u>\$47,537,527</u>

CITY OF MANHATAN BEACH

**STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

<u>Function and Activity</u>	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
General Government	\$11,795,560	\$ 500,077	\$ 145,792	\$ 12,149,845
Public Safety	2,049,718	83,155	10,857	2,122,016
Public Works	1,226,408	54,041		1,280,449
Cultural	<u>22,683,057</u>	<u>9,302,160</u>	<u></u>	<u>31,985,217</u>
Total General Fixed Assets	<u>\$37,754,743</u>	<u>\$ 9,939,433</u>	<u>\$ 156,649</u>	<u>\$ 47,537,527</u>

CITY OF MANHATTAN BEACH
GENERAL LONG-TERM DEBT ACCOUNT GROUP

Used to account for long-term liabilities expected to be financed from governmental funds.

CITY OF MANHATTAN BEACH

**STATEMENT OF GENERAL LONG-TERM DEBT
GENERAL LONG-TERM DEBT ACCOUNT GROUP
JUNE 30, 2002**

Amount available for retirement of general long-term debt	\$ 1,779,372
Amounts to be provided for retirement of long-term debt	<u>\$ 9,535,000</u>
Supplemental leave allowance	104,638
Marine Ave. COP	9,535,000
Capital lease obligation	279,584
Compensated absences	<u>1,395,150</u>
	<u>\$ 11,314,372</u>

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