

City of Manhattan Beach, California



Comprehensive Annual Financial Report

Year Ended June 30, 2010

CITY OF MANHATTAN BEACH, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010



Prepared by the Finance Department

Bruce Moe, Finance Director



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 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2010

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Introduction



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

February 1, 2011

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Manhattan Beach for the Fiscal Year ended June 30, 2010. This report has been prepared in accordance with generally accepted accounting principles (GAAP) as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB).

The City's financial policies require an independent audit be performed annually, and that the auditor's opinions be included in the Comprehensive Annual Financial Report. Further, it states that the results be reviewed with the Finance Subcommittee, and presented to the City Council no later than February 1st of the following year. The Finance Subcommittee met with the auditor and discussed the results in December 2010.

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

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

The City's financial statements have been audited by Lance, Soll & Lunghard, CPAs, an accounting firm selected by the City Council, based on a recommendation from the Finance Subcommittee. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent audit involved examining, on a test basis,

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Police Department Temporary Facility Address: 1501 N. Peck Ave., Manhattan Beach, CA 90266 FAX (310) 802-5101
Public Works Department Address: 3621 Bell Avenue, Manhattan Beach, CA 90266 FAX (310) 802-5301
Visit the City of Manhattan Beach Web Site at www.citymb.info

evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Manhattan Beach's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP.

The independent auditor's report is presented as the first component of the financial section of this report. Additionally, due to the amount of Federal grant funds the City received in FY 2009-2010, the City is required to conduct a "single audit." As a result, a separate "single audit" opinion and report will be issued in the coming weeks, and submitted to the City Council.

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

Profile of the Government

The City of Manhattan Beach is located in South Bay region of Los Angeles county. The current population¹ is 36,773. The City encompasses approximately four square miles.

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

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

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

Planning Commission	Parking and Public Improvements Commission
Parks & Recreation Commission	Cultural Arts Commission
Library Commission	Board of Building Appeals
Environmental Task Force	

¹ State of California Department of Finance, January 2010

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

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

Budget Process

The City's budget process begins in January of each year. Line-item budget development is accomplished through the City's financial system, which allows each department to build its budget using computerized worksheets. The departments are responsible for developing the Materials & Supplies line items and part-time employees' salaries. The remaining Salary & Benefit information is calculated and entered by the Finance Department. All supplemental budget requests (new personnel, service or equipment) are subject to City Manager review and approval before becoming part of the operating budget. This process applies to all governmental and enterprise funds.

The Finance Director provides the City Manager with proposed revenue projections. These revenue estimates are then reviewed with the department budget requests to determine available funding levels for the fiscal year. The City Manager and Finance Director then hold meetings with the departments to review the operating and supplemental budget requests.

After final review and approval by the City Manager, the proposed budget document is presented to the City Council in May. At least one study session and public hearing are held by the City Council, and then the budget is adopted by resolution prior to June 30.

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

Economic Condition

Local Economy

The South Bay region is home to a number of industries including aerospace, entertainment, leisure and tourism, and manufacturing. Economists report that the South Bay area has strong fundamentals including high levels of education, high incomes and competitive industries. Further, the area has fared better during the economic crisis than some other areas of the state. Case in point, the most recently available figures indicate that Manhattan Beach has a 4.7% unemployment rate, while the county and state are in excess of 12%.

Long Term Planning

Each year during the budget process, the City develops a five year forecast of General Fund revenues and expenditures. During the most recent budget cycle (FY 2010-2011), the forecast concluded that expenditures will exceed revenues for the next four years, gradually improving from a \$1.8 million deficit in FY 11-12 to nearly breakeven (\$80,600 deficit) by FY 2014-2015. If accurate, this would result in a use of Economic Uncertainty reserves of approximately \$3.1 million over the next four years. However, the City's Financial Policy reserve (designation) of 20% of General Fund expenditures will remain within policy. The complete five year forecast can be found in the FY 2010-2011 budget document, available on line at www.citymb.info. It will be updated for the FY 2011-2012 budget to reflect FY 09-10 results as presented in this audit report.

Financial Policies

In 1997-1998, the City Council approved the City's first set of financial policies, designed to promote sound financial management and ensure that the City's fiscal integrity remains intact as staff and Councilmembers change. This Comprehensive Annual Financial Report reflects these financial guidelines and presents all fund reserves and designations in an effort to define fund balance commitments and obligations as of the financial report date.

It is the City's policy to maintain a AAA/Aaa rating from all three rating agencies: Standard & Poor's, Fitch and Moody's. This rating, the highest possible, indicates the City's low debt, healthy reserve levels and conservative budgeting and fiscal policies.

Major Initiatives

Library Improvements: During the year, the City continued discussions with the County regarding remodeling and expanding the library in its existing location. This project will be largely funded with the surplus property tax currently paid by Manhattan Beach property owners to the County Library District. The project will include expanding the library from its current 12,500 square feet to approximately 22,000 square feet. Pre-design work is expected to be completed by Spring 2011.

School District Support: Given the on-going State budget crisis, and its affects on the City's school district (a separate entity), the City Council took the initiative to provide a second cash contribution to the district to help support its programs. For FY 2009-2010, that contribution totaled \$1.3 million. This was in addition to the \$520,000 contribution from FY 2008-2009. This support was provided in recognition of the value the schools have to the community and the resulting boost to home values that the public education system in Manhattan Beach brings.

Water and Waste Water Systems: During FY 2009-2010, the City Council acted on the prior year's infrastructure and rate studies of the City's water and waste water (sewer) utilities. The studies were ordered to ensure funding for the timely maintenance and repair of these mission critical systems. Additionally, with the cost of imported water rising in response to drought conditions, adjustments in rates were necessary in order to maintain the financial integrity of the utilities. A Proposition 218 protest vote was held in Fall 2009 which authorized the implementation of a five year tiered rate plan for these utilities. The first increase took effect in January 2010. Annual increases in water and sewer rates are scheduled until 2014, which will encourage conservation, and allow for cash funding

of the majority of maintenance costs going forward, as well as the funding of increased reserves for the enterprises.

Centennial Celebration: The City will celebrate its 100th birthday in 2012. The City Council approved the formation of a 10-member resident Centennial Committee to guide the planning effort for the year of celebration. They will focus on establishing a theme/logo, the overall event calendar and budget.

Executive Financial Overview

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

General Fund

The General Fund is the primary operating fund of the City of Manhattan Beach. In comparing year end 2010 to 2009, the total fund balance decreased by \$83,936. This change was the result of General Fund expenditures exceeded revenues by \$32,044, and Other Financing Sources (transfers-in, transfers-out and sale of capital assets) netting out to a negative \$51,892. At the end of fiscal year 2010, the total General Fund balance equaled \$18.3 million. The unreserved fund balance is \$16.9 million. Within the unreserved fund balance, City Council has established designations for financial policy and economic uncertainties of \$14.2 million leaving an unreserved and undesignated fund balance of \$2.7 million, which is available for use at City Council's discretion.

General Fund transfers included:

- \$173,993 to the Street Lighting Fund to relieve a deficit fund balance.
- \$158,753 of excess reserves from the County Lot Fund in line with the contract with the County of Los Angeles.
- \$24,000 to the Parking Fund for parking structure signs
- \$24,886 to the Grants Fund for the General Fund's share of grant expenditures
- \$8,850 in net transfers to the Capital Improvement Fund for park improvements and maintenance

The City's General Fund revenues showed continuing signs of the recession, particularly in Transient Occupancy Tax, Sales Tax, and Interest and Rents. This can be noted by the trends below:

Revenue Category	2009 Actual	2010 Actual	Increase (Decrease)	%
Property Tax	\$ 19,930,492	\$ 20,006,557	\$ 76,065	0.4%
Other Taxes (Sales, Hotel, Business License)	\$ 15,044,017	\$ 14,648,932	\$ (395,085)	-2.6%
Licenses and Permits (Building, Construction, Film Permits)	\$ 1,136,934	\$ 1,196,714	\$ 59,780	5.3%
Fines (Parking Citations, Vehicle Code Fines)	\$ 2,472,306	\$ 2,871,972	\$ 399,666	16.2%
Interest and Rents (Including Ground Leases)	\$ 3,214,403	\$ 2,250,729	\$ (963,674)	-30.0%
Received From Other Agencies (Vehicle License Fees, Grants)	\$ 415,905	\$ 430,453	\$ 14,548	3.5%
Service Charges (Plan Check Fees, P&R Class, Ambulance Fees)	\$ 4,590,854	\$ 4,799,259	\$ 208,405	4.5%
Interfund Charges (Admin. Svc. Charges)	\$ 2,928,910	\$ 3,035,600	\$ 106,690	3.6%
Miscellaneous	\$ 276,106	\$ 164,104	\$ (112,002)	-40.6%
Totals	<u>\$ 50,009,927</u>	<u>\$ 49,404,320</u>	<u>\$ (605,607)</u>	<u>-1.2%</u>

Sales tax was down approximately 2.4% from the prior year's actual receipts, and came in below budgetary estimates by 2%. Transient Occupancy Tax also showed declines compared to 2009 (down 9.6%), and fell below our budget projections by 8.1%. Building permits performed 13.4% above the prior year and 18.4% ahead of budgetary estimates, while plan check fees were 1.5% above budget and 7.8% above prior fiscal year levels. On an overall basis, General Fund revenues (\$49.4 million) were within \$147,000 of original budget estimates.

As expected, Property Tax revenues are now reflecting the real estate down turn. While FY 2008-2009 property tax collections grew by 7.3%, FY 2009-2010 revenues leveled off, and grew at an anemic .4%. We have projected a decline in property tax for FY 2010-2011 of 2.4% from FY 09-10 levels.

Despite the year-over-year General Fund revenue drop of \$605,607 (1.2%), fund balance decreased by only \$83,936 due to the efforts in reducing expenditures during the year. Those efforts allowed us to realize \$2.2 million in expenditure savings compared to the final budget. Overall, expenditures came in 4.2% below final budget appropriations, and decreased from the prior year by 1.3%. Staff vacancies and a selective hiring freeze, as well as aggressive cost controls contributed to these savings.

Other Funds

Capital Improvement Fund

The Capital Improvement Projects Fund (CIP) is designed to manage general governmental capital projects. In FY 2010, the CIP Fund had total revenues of \$1.07 million, and expenditures of \$905,111. At June 30, 2010 the total balance in the CIP Fund was \$5.5 million. Of this balance, \$2.9 million is reserved for planned infrastructure projects, and \$817,075 is reserved for debt service for the Police & Fire facility. \$115,638 has also been designated for the City's Underground Assessment District Loan Program. Unreserved fund balance totals \$1.5 million, with \$1.4 million of that amount remaining unreserved and undesignated. Project reserves at year end include:

- \$1 million for energy efficiency improvements
- \$817,414 for the Safe Routes to School Program
- \$320,000 for the Strand Stairs Project
- \$280,000 for fencing at Live Oak Park and Manhattan Heights Park
- \$115,000 for the Public Works Facility Yard Cover
- \$100,000 for Artesia Blvd. improvements
- \$99,715 for the Strand slope erosion control project
- \$85,050 for the energy retrofit audit
- \$75,000 for Live Oak Park retaining wall and landscaping
- \$13,991 for the remainder of the fuel island cover project

Special Revenue, Internal, and Enterprise Funds

This group includes the City's enterprises such as Water, Waste Water and Storm Water funds; internal service funds such as fleet, insurance, building maintenance and information systems; and Special Revenue funds including Proposition A & C, Grants, Measure R, Asset Forfeiture, etc. Among this group, several under-performing funds deserve our attention.

The Water Fund had net income from operations of negative \$186,809. This was an improvement over the \$318,590 loss in FY 2009, and the net operating loss of \$489,873 in FY 2008. Revenue from sales increased by 7%, while operating expenses (labor, materials, services, etc.) rose by 4.6%. The new water rates, which became effective half way through the fiscal year have improved revenues, and are expected to result in positive net operating income in the coming year.

The Waste Water fund net operating income for FY 2009-2010 was \$209,160, an improvement from the prior year loss of \$548,446. This recovery was primarily due to the new wastewater rates implemented along with the water rates in January 2010, as well as a reduction in expenses of \$254,561 (the prior year costs included infrastructure and rate studies in preparation for future capital improvements, as well as on-going operations).

The Refuse Fund net operating income in FY 2010 was a negative \$169,725. Operating expenses increased by \$67,891 while revenues rose by only \$28,050.

The Street Lighting Fund, continues to run deficits each year. For FY 2009-2010, expenditures exceeded revenues by \$173,993. Because there is no fund balance to draw upon, the General Fund contributed the entire amount needed for continued operations. These contributions will be

necessary until a Proposition 218 assessment vote is successful in raising the assessment rates and revenues.

The Proposition A Fund also continues to run deficits. For FY 2010, expenditures exceeded revenues by \$228,188. The deficit exhausted the remaining fund balance, and required a contribution of \$44,029 from Measure R funds to sustain operations. The combination of lower sales tax revenues due to the weak economy, and expanded Dial-A-Ride services has resulted in the imbalance.

Trust and Agency Funds

In several cases, the City acts as a custodian of funds held for the benefit of others which mostly relates to the administration of employee pension and 401(a) deferred compensation plans. All such plans funding requirements have been maintained. City Plans include the supplemental retirement and single highest year programs - dormant plans which were previously offered by the City. It is significant to note that this financial report does not include the value of trust holdings in the employees' 457 deferred compensation plan totaling \$15.85 million at June 30, 2010. This recognizes enacted legislation establishing the City as a plan trustee and protecting these employee-owned assets from external creditors.

The trust and agency fund group also includes debt service funds held in trust on behalf of the under-grounding assessment districts. This fund accounts for assessment collections and the related debt service payments. The cash held as of June 30, 2010, will be used to pay bondholders in FY 2010-2011.

Please refer to Management Discussion and Analysis (MD&A) in the Financial Section that follows.

CURRENT TRENDS AND EVENTS

There is little doubt that the last two years have presented challenges for the City of Manhattan Beach. A number of those hurdles continue to be present.

The City's biggest General Fund revenue source, property tax, which had grown rapidly over recent years, is now in a low-to-no-growth pattern, rising .4% in FY 2009-2010. As home values have declined, many properties sold in the last 4-5 years are being reassessed as taxable values now exceed market value. Additionally, we can expect FY 2011-2012 property tax revenues to remain flat since the housing market is expected to remain muted.


Revenues tied to retail sales activity declined over the past three years, however, it appears as though the worst is over, and we may expect some stability in these revenues. Transient Occupancy Tax revenues have also suffered these past two years but are projected to be flat or up slightly as tourism and travel rebound. Building related fees such as building permits and plan check fees, showed marked improvements in FY 2009-2010 from the prior year's performance, but are expected to return to be flat due to fewer large dollar projects. These revenues are also impacted by the real estate slump.

Couple these revenue challenges with an expenditure structure that is 70% labor based and it is evident that we face significant fiscal challenges in the coming years. However, all three labor agreements are set to expire in late FY 2010-2011 and early FY 2011-2012, which provides an opportunity to realign our cost structure.

The good news is that Manhattan Beach has the ability to weather times like these. We have reserves established and funded, and we run a lean operation. And yet, we continue to provide outstanding services for our community.

OTHER INFORMATION

Acknowledgments: Preparation of this report could not have been accomplished without the dedicated service of the Finance Department staff. We would like to express our appreciation to all members of the department, particularly Henry Mitzner, Jeanne O'Brien, Eugene Wee and Eden Serina. A special thanks to Lance, Soll & Lunghard, LLP our independent auditors, for their professionalism and diligence in preparing this year end financial report. We would also like to thank the Mayor, members of the City Council, and the City Treasurer for their leadership and support, without which the preparation of this report would not have been possible.



David N. Carmany, City Manager



Bruce Moe, Finance Director

ELECTED OFFICIALS & EXECUTIVE STAFF

ELECTED OFFICIALS		TERM ENDS
• <i>Mayor</i>	Mitch Ward	March 2011
• <i>Mayor Pro-Tem</i>	Richard Montgomery	March 2013
• <i>City Councilmembers</i>	Nicholas W. Tell, Jr. Wayne Powell Portia P. Cohen	March 2013 March 2013 March 2011
• <i>City Treasurer</i>	Tim Lilligren	March 2013

EXECUTIVE STAFF

• <i>Interim City Manager</i>	Richard Thompson
• <i>City Clerk</i>	Liza Tamura
• <i>City Attorney</i>	Robert V. Wadden, Jr.
• <i>Director of Finance</i>	Bruce Moe
• <i>Director of Human Resources</i>	Cathy Hanson
• <i>Director of Parks & Recreation</i>	Richard Gill
• <i>Chief of Police</i>	Rod Uyeda
• <i>Acting Fire Chief</i>	Ken Shuck
• <i>Acting Director of Community Development</i>	Laurie Jester
• <i>Director of Public Works</i>	Jim Arndt

CITIZENS OF MANHATTAN BEACH

City Council

City Treasurer

Parking &
Public Improvements
Commission

Board of Building
Appeals

Planning
Commission

Parks &
Recreation
Commission

Cultural Arts
Commission

Library
Commission

City Attorney

City Manager

City Clerk

Finance

**Human
Resources**

**Parks &
Recreation**

Police

Fire

**Community
Development**

Public Works

- Administration
-
- Accounting
-
- Revenue Services
-
- General Services
-
- Information Systems

- Administration
-
- Risk Management

- Administration
-
- Recreation Services
-
- Cultural Arts
-
- Sports & Aquatics
-
- Volunteers
-
- Transportation

- Administration
-
- Patrol
-
- Investigations
-
- Technical Support Services
-
- Crime Prevention
-
- Traffic Safety
-
- Jail Operations
-
- Parking Enforcement
-
- Animal Control
-
- Asset Forfeiture

- Administration
-
- Prevention
-
- Suppression
-
- Paramedics
-
- Emergency Preparedness

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

- Administration
-
- Civil Engineering
-
- Street Maint.
-
- Bldg. & Grounds Maintenance
-
- Electrical Maint.
-
- Transportation
-
- Street Lighting & Landscaping
-
- Streetscape Maint.
-
- Water Programs
-
- Storm Drain Maint.
-
- Sewer Maint.
-
- Solid Waste Maint.
-
- Parking Facilities
-
- Fleet Management

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Manhattan Beach
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



Financial Section

- Brandon W. Burrows, CPA
- David E. Hale, CPA, CFP
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Manhattan Beach, California, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Manhattan Beach's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Manhattan Beach as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Gas Tax Special Revenue Fund 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 December 22, 2010, on our consideration of the City of Manhattan Beach's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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



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

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

Lance, Soll & Loughard, LLP

December 22, 2010

CITY OF MANHATTAN BEACH

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Manhattan Beach, we offer our readers of these financial statements this narrative overview and analysis of the financial activities of the City of Manhattan Beach for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i to ix of this report.

FINANCIAL HIGHLIGHTS

Government Wide Financial Basis

- As of June 30, 2010, the City's total net assets citywide (including all governmental and business type activities) totaled \$172,842,329. This is an increase from the prior fiscal year of \$1,760,002, or 1%.
 - Governmental net assets increased by \$1,599,615 (1.2%) to \$133,242,003.
 - Business type activity net assets increased by \$160,387 (.4%).
- Unrestricted net assets, which may be used to meet the government's on-going obligations within certain parameters and requirements, totaled \$42,300,511. This is an increase of \$1,667,338 (4.1%) from FY 2008-2009 levels, primarily due to the decrease in the reserves for workers compensation and liability.
- Citywide capital assets, net of depreciation, decreased by \$1,508,222 from the prior year. Governmental net capital assets decreased by \$1,630,409; capital additions of \$2,174,998 were offset by accumulated depreciation and loss on disposal of \$3,805,407. Business type net assets increased by \$122,187; additions were \$1,027,142 and accumulated depreciation was \$904,955.
- The City's debt decreased by \$1.9 million during FY 2009-2010. This decrease is attributable to the scheduled principal pay down of issued bonds and leases by both governmental activities (\$1.5 million) and business type activities (\$400,000).
- Long term insurance claim reserves were decreased by \$699,521 primarily attributable to liquidation of reserves for prior year cases.

Fund Financial Basis – Governmental Funds

- As of June 30, 2010, the General Fund balance was \$18,245,833. Fund expenditures exceeded revenues by \$32,044. The imbalance was primarily caused by the planned contribution of \$1.3 million in support of Manhattan Beach schools.
- Total Governmental Fund revenue totaled \$54,292,096, a decrease of .8% (\$464,569) from the prior year. The poor interest rate environment caused a decline in interest income of \$1.6 million from the prior year.
- Governmental Fund expenditures totaled \$53,712,118, down \$1,590,241 (2.9%) from FY 2008-2009. An increase in personnel services of \$818,230 was offset by decreases in operating expenses of \$1,267,609, capital outlay of \$879,435 and interfund transfers of \$169,436.
- General Fund transfers out totaled \$229,729. This included a transfer to the Street Lighting Fund of \$173,993, \$24,000 to the Parking Fund, \$24,886 to the Grants Fund and \$6,850 to the Capital Improvements Fund. General Fund transfers in equaled \$174,453, primarily from the County Parking Fund (\$158,753) and \$15,700 from the Capital Improvements Fund.

USING THIS ANNUAL REPORT

Overview of the Financial Statements

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

Reporting on the City as a Whole

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs on a full-accrual basis, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government wide statement of activities has two components:

Governmental Activities

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

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

Business Type Activities

This includes all enterprise funds (Water, Waste Water, Storm Water, Refuse and Parking Funds). These activities have been traditionally presented as enterprise funds and tie directly to the *Statement of Revenues, Expenses, and Change in Net Assets – Proprietary Funds*, as shown in the Funds section of this report.

The government-wide financial statements can be found on pages 17 to 19 of this report.

Reporting on the City's Most Significant Funds

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

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

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

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

The City of Manhattan Beach adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison statement has been provided for each governmental fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 22 to 41 of this report.

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

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

funds, Storm Water, County and State parking lots, are presented individually in the combining statements.

The combining statements referred to earlier in connection with non-major governmental funds, proprietary and internal service funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 88 to 116 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43 to 86 of this report.

The City as Trustee

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

All of the City's fiduciary activities are reporting distinctly in a separate Statement of Fiduciary Assets and Liabilities. These figures are not combined with other financial statements because the City cannot use these assets to finance present or future operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net assets (assets in excess of liabilities) may serve over time as a useful indicator of a government's financial position. In the case of the City of Manhattan Beach, net assets totaled \$172,842,329 at June 30, 2010.

By far, the largest portion of the City's net assets (68%) reflects its investment in capital assets (e.g., land, infrastructure, buildings and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

City of Manhattan Beach Net Assets

	Governmental Activities		Business Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current Assets	\$ 45,731,703	\$ 43,050,732	\$ 14,358,255	\$ 14,118,700	\$ 60,089,958	\$ 57,169,432
Non-Current Assets	<u>128,323,532</u>	<u>131,223,352</u>	<u>42,731,876</u>	<u>42,655,030</u>	<u>171,055,407</u>	<u>173,878,382</u>
Total Assets	174,055,234	174,274,084	57,090,131	56,773,730	231,145,365	231,047,814
Current Liabilities	\$ 11,186,202	\$ 11,537,164	\$ 2,600,991	\$ 2,029,199	13,787,193	13,566,363
Non-Current Liabilities	<u>29,377,033</u>	<u>31,094,528</u>	<u>14,888,813</u>	<u>15,304,592</u>	<u>44,265,846</u>	<u>46,399,120</u>
Total Liabilities	40,563,235	42,631,692	17,489,804	17,333,791	58,053,038	59,965,483
Invested in Capital Assets Net of Related Debt	\$ 94,713,695	\$ 95,603,960	\$ 25,489,790	\$ 24,967,604	120,203,485	120,571,564
Restricted	8,611,955	8,065,815	1,730,380	1,811,777	10,342,335	9,877,592
Unrestricted	<u>29,916,350</u>	<u>27,972,616</u>	<u>12,380,157</u>	<u>12,660,558</u>	<u>42,296,508</u>	<u>40,633,174</u>
Total Net Assets	\$ 133,242,000	\$ 131,642,391	\$ 39,600,328	\$ 39,439,939	\$ 172,842,328	\$ 171,082,330

Net assets of the City's *Governmental* activities amounted to \$133.24 million, an increase over the prior year of \$1.6 million. Of the \$133.24 million, \$94.7 million is invested in capital assets net of related debt such as land, buildings, machinery, infrastructure, equipment and other improvements; \$8.61 million is restricted for debt service or for Special Revenue Fund resources that are subject to external restrictions on use. The balance of unrestricted net assets (\$29.9 million) is investment in economic resources available to the City. A significant portion of this remaining balance is subject to capital project designations and policy reserves displayed in financial Note 8.

Net assets of the City's *Business-type* activities totaled \$39.6 million. This represents a increase from FY 2008-2009 of \$160,387. \$25.5 million is invested in capital assets (land, buildings, machinery, equipment, etc.) net of related debt, while \$1.72 million is reserved for debt service and for business improvement district use. \$12.38 million is investment in economic resources available to the City.

The City's total change in net assets amounts to an increase of \$1,760,002. The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ending June 30, 2009 and June 30, 2010:

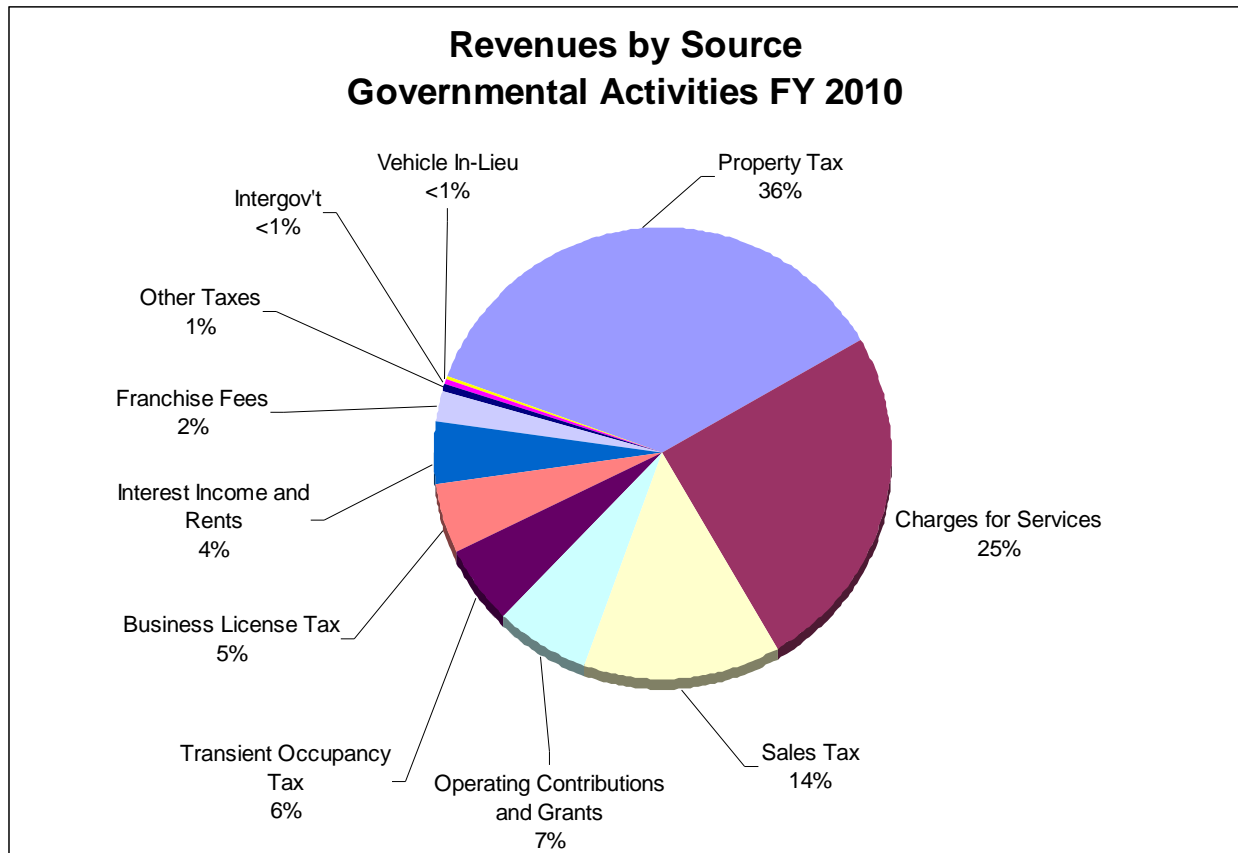
City of Manhattan Beach Changes in Net Assets

	Governmental Activities		Business -Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Program Revenues:						
Charges for Services	\$ 13,751,699	\$ 13,122,543	\$ 16,724,758	\$ 15,680,170	\$ 30,476,457	\$ 28,802,713
Operating Contributions and Grants	2,224,949	2,078,062	-	-	2,224,949	2,078,062
Capital Contributions and Grants	1,399,366	1,105,439	57,398	-	1,456,764	1,105,439
General Revenues:						
Property Taxes	20,006,558	19,930,492	-	-	20,006,558	19,930,492
Other Taxes	15,180,607	15,222,164	-	-	15,180,607	15,222,164
Motor Vehicle in Lieu	108,815	105,883	-	-	108,815	105,883
Other	2,552,587	3,551,880	260,234	439,576	2,812,821	3,991,456
Total Revenues	55,224,581	55,116,463	17,042,390	16,119,746	72,266,971	71,236,209
Expenses:						
General Government	10,308,925	9,528,102	-	-	10,308,925	9,528,102
Public Safety	28,879,836	29,889,347	-	-	28,879,836	29,889,347
Public Works	7,906,172	8,460,078	-	-	7,906,172	8,460,078
Culture & Recreation	5,853,076	5,811,982	-	-	5,853,076	5,811,982
Interest on Long-Term debt	811,710	954,861	-	-	811,710	954,861
Water, Waste, Storm	-	-	10,274,644	10,333,273	10,274,644	10,333,273
Refuse	-	-	4,282,026	4,212,176	4,282,026	4,212,176
Parking	-	-	2,190,580	2,082,830	2,190,580	2,082,830
Total Expenses	53,759,719	54,644,370	16,747,250	16,628,279	70,506,969	71,272,649
Revenues Over Expenses	1,464,862	472,093	295,140	(508,533)	1,760,002	(36,440)
Transfers In (Out)	134,753	110,230	(134,753)	(110,230)	-	0
Increase (Decrease) in Net Assets	1,599,615	582,323	160,387	(618,763)	1,760,002	(36,440)
Net Assets - Beginning	131,642,388	131,060,065	39,439,939	40,058,702	171,082,327	171,118,767
Restatement						
Net Assets - June 30 (Year End)	\$ 133,242,003	\$ 131,642,388	\$ 39,600,326	\$ 39,439,939	\$ 172,842,329	\$ 171,082,327
Total Change from Prior Year (Before restatement)	\$ 1,599,615		\$ 160,387		\$ 1,760,002	

Changes in Net Assets - Governmental Activities

The City's governmental activities in FY 2009-2010 increased net assets by \$1,599,615, which was a 1.2% increase from FY 2008-2009.

Total governmental revenues of \$55,224,581 are broken out as follows:

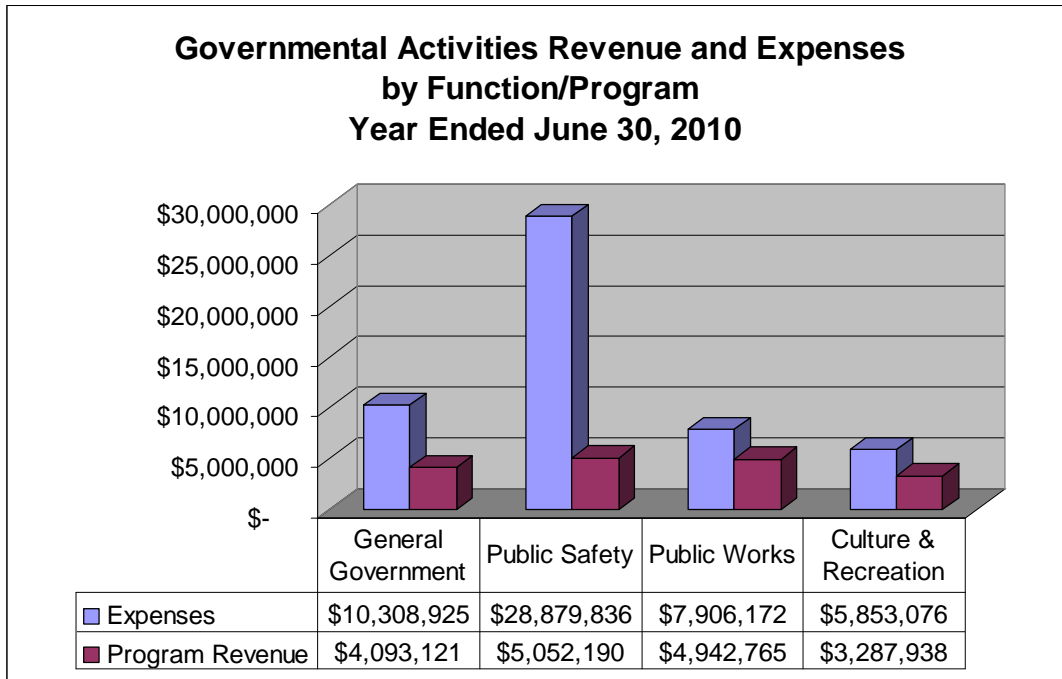


Functional expenses (excluding interest on debt) for the years ending June 30, 2010 and 2009 were as follows:

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
General Government	\$ 10,308,925	\$ 9,528,102	\$ (6,215,804)	\$ (5,643,928)
Public Safety	28,879,836	29,889,347	(23,827,646)	(25,220,890)
Public Works	7,906,172	8,460,078	(2,963,407)	(3,774,528)
Culture and Recreation	5,853,076	5,811,982	(2,565,138)	(2,744,119)
Total	\$ 52,948,009	\$ 53,689,509	\$ (35,571,995)	\$ (37,383,465)

The total cost of services declined from the prior year by \$741,500 (1.4%), while the net cost of services decreased by \$1.81 million, or 4.8% from the prior year. The main reason for the decline was a \$1.3 million reduction in liability and workers compensation claims expense.

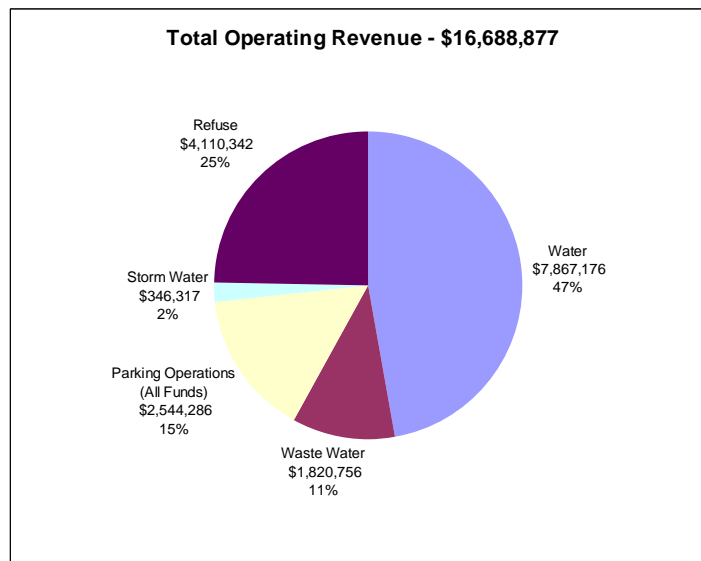
The following chart illustrates governmental revenues and expenses by function for the year ended June 30, 2010.



Change in Net Assets - Business Type Activities

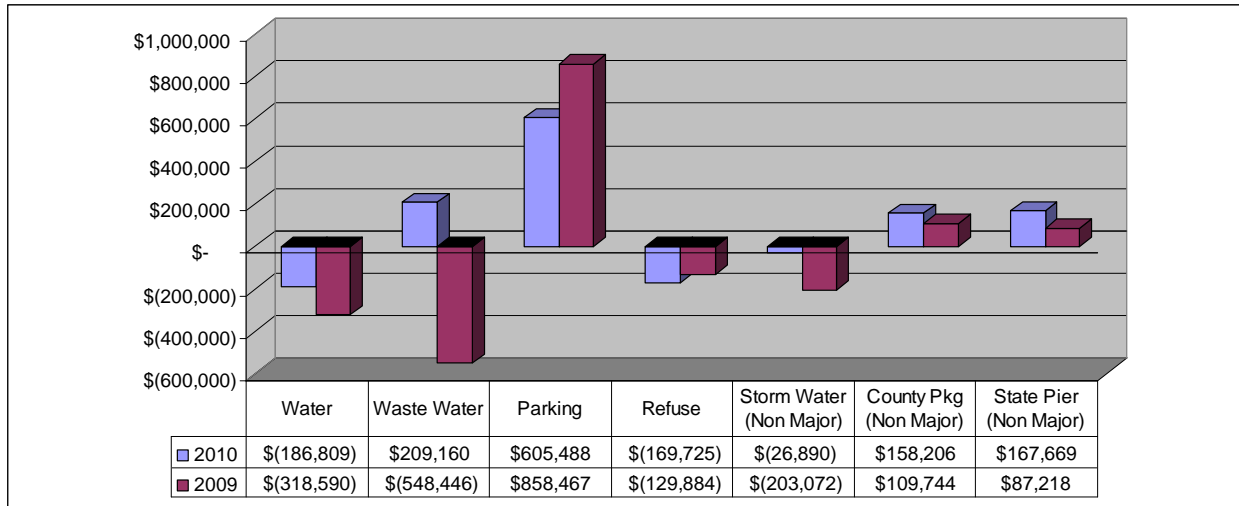
In fiscal year 2009-2010, total revenues for the City's business type activities amounted to \$17,042,390. Operating revenues totaled \$16,688,877, while non-operating revenues (primarily interest income) totaled \$353,513. Expenses totaled \$16,747,250, of which operating expenses equaled \$15,931,778, and non-operating expenses (debt interest expense) totaled \$815,472. Total income from operations was \$757,099, while net income before transfers was \$295,140. After net transfers out totaling \$134,753, net assets increased by \$160,387.

Operating Revenues by Source - Business Type Activities FY 2009



Operating Income varied across the business-type activities in FY 2010. A year-over-year comparison is presented below. Further analysis of the major funds is discussed later in this report.

Net Operating Income/(Loss) for Business-Type Activities for 2009 & 2010



FUND FINANCIAL STATEMENTS

Governmental Funds

As of the end of the 2010 fiscal year, the City’s governmental funds ending fund balances totaled \$30.83 million, an increase of \$718,115 in comparison with the prior year.

Approximately \$21.5 million (70%) of the Governmental Funds total constitutes unreserved fund balance. The remainder of the fund balance (\$9.3 million) is reserved, to indicate that it is not available for new spending because it has already been committed for on-going capital projects, purchase orders of the prior period, and for legally-required debt service reserves.

It is important to note that City Council established fund designations in its financial policy requirements and budgetary capital planning initiatives. Components of fund balances are listed in Note 8 of these financial statements. Of the \$21.5 million unreserved governmental fund balance noted above, \$14.3 million has been designated by City Council actions. Considering these designations, \$7.2 million in governmental fund balances (General, Capital Projects, and Special Revenue Funds) remain unreserved and undesignated.

General Fund

The General Fund is the chief operating fund of the City of Manhattan Beach. At the end of the 2009-2010 fiscal year, unreserved fund balance of the General Fund was \$16.89 million, while total fund balance was \$18.25 million. As a measure of the General Fund’s liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 4.1 months of total General Fund expenditures, while total fund balance represents 4.4 months of General Fund expenditures.

During the year, General Fund expenditures exceeded revenues by \$32,044. This slight imbalance is mainly the result of the planned use of available resources for the \$1.3 million contribution to the School District.

Net transfer activity in this fund totaled negative \$55,276, and included the following transfers:

- The Street Lighting Fund received \$173,993 to relieve a deficit fund balance.
- \$158,753 of excess reserves from the County Lot Fund was transferred to the General Fund in line with the contract with the County of Los Angeles.
- \$24,000 was transferred to the Parking Fund for parking structure signs.
- \$24,886 was transferred to the Grants Fund for the General Fund's share of grant expenditures.
- \$8,850 in net transfers was made to the General Fund from the Capital Improvement Fund for park improvements and maintenance.

Please see Note #4 for more information.

Capital Improvement Fund

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

At the end of the current fiscal year, the unreserved fund balance of the Capital Improvement Fund was \$1,500,206, while total fund balance was \$5,507,813. A portion of the unreserved balance (\$115,638) has been specifically earmarked for the underground assessment district loan program, leaving \$1,384,568 in undesignated fund balance at June 30, 2010 (please see Note 8 to these financial statements). Project designations, which total \$2,906,170 at year-end include:

- \$1 million for energy efficiency improvements
- \$817,414 for the Safe Routes to School Program
- \$320,000 for the Strand Stairs Project
- \$280,000 for fencing at Live Oak Park and Manhattan Heights Park
- \$115,000 for the Public Works Facility Yard Cover
- \$100,000 for Artesia Blvd. improvements
- \$99,715 for the Strand slope erosion control project
- \$85,050 for the energy retrofit audit
- \$75,000 for Live Oak Park retaining wall and landscaping
- \$13,991 for the remainder of the fuel island cover project

During Fiscal Year 2009-2010, the Capital Improvement Fund balance increased by \$153,995. The increase is the result of revenues exceeding expenditures by \$162,845.

Total revenues to the Capital Improvement Fund totaled \$1,067,956. Certain dedicated revenues described below amounted to \$1,025,687 in FY 2009-2010. These revenues are earmarked for funding general government capital improvement projects in the effort to maintain and enhance City infrastructure. A breakdown of these follows:

Hotel Tax: 15% of the Transient Occupancy Tax has been dedicated to funding CIP's. This has resulted in the generation of \$467,906 in revenue for the year. This is \$49,521 or 9.6% below prior year levels as the previous significant decreases in general local tourism and patronage continue.

Parking Meter Rates: A twenty-five cent per hour increment of on-street parking meter rates, dedicated to capital improvements, generated revenue of \$444,885 this fiscal year. This was down 6.8% from the prior year levels.

Parking Citation Rates: Four dollars of most parking citations is dedicated to the CIP fund. For FY 2009-2010, revenue of \$112,896 was realized; a decrease of \$12,352 (9.9%) from the prior year.

This fund realized \$42,269 in permits, interest and other revenue.

Capital Improvement Fund expenditures equaled \$905,111 which included:

- \$815,142 for Police & Fire facility debt service
- \$64,950 for an energy retrofit audit
- \$16,009 contribution towards the fuel island cover at the Public Works facility (capitalized)

Gas Tax Fund

Gas Tax expenditures totaled \$831,027, and primarily included sidewalk repair and street resurfacing projects. When balanced against the revenues received (\$1,503,601), the Gas Tax Fund balance increased by \$672,574. Changes in fund balances for this group can be expected to fluctuate as capital projects are expended over time.

Other Governmental Funds

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

The Street Lighting Fund, continues to run deficits each year. For FY 2009-2010, expenditures exceeded revenues by \$173,993. Because there is no fund balance to draw upon, the General Fund contributed \$173,993 to make up for the deficit in the Street Lighting Fund. These contributions will be necessary until a Proposition 218 assessment vote is successful in raising the assessment rates and revenues.

The Proposition A Fund also continues to run deficits. For FY 2010, expenditures exceeded revenues by \$228,188. The deficit exhausted the remaining fund balance, and required a contribution of \$44,029 from Measure R funds to sustain operations. The combination of lower sales tax revenues due to the weak economy, and expanded Dial-A-Ride services has resulted in the imbalance.

Proprietary Funds

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

Enterprise Funds

At year-end, total net assets of all enterprise funds amounted to \$39,600,326, of which \$12.4 million is unrestricted. Within the working capital of that amount, Council, by policy, has established certain designations for continuing CIP's and financial policy goals, which total \$6.5 million. The remaining restricted balance has been classified as such given the existence of legal reserve requirements for ongoing bonded capital projects, business improvement district funds and debt service requirements.

Overall, enterprise funds combined net income was \$295,140 before transfers. Net assets increased for all funds by \$160,387. This includes an operating transfer of \$158,753 from the County Lots enterprise fund to the General Fund.

Several enterprise funds are worth noting this year:

- Water Fund net income from operations was a negative \$186,809 – an improvement over the \$318,590 loss in FY 2009, and the net operating loss of \$489,873 in FY 2008. Revenue from sales increased by 7%, while operating expenses (labor, materials, services, etc.) rose by 4.6%. The new water rates, which became effective half way through the fiscal year have improved revenues, and are expected to result in positive net operating income in the coming year.
- The Wastewater fund net operating income for FY 2009-2010 was \$209,160, an improvement from the prior year loss of \$548,446. This recovery was primarily due to the new wastewater rates implemented along with the water rates in January 2010, as well as a reduction in expenses of \$254,561 (the prior year expenses included infrastructure and rate studies in preparation for future capital improvements, as well as on-going operations).
- Refuse Fund net operating income in FY 2010 was a negative \$169,725. Operating expenses increased by \$67,891 while revenues rose by only \$28,050. While the hauler contract rose by 2.55% for Residential and 2.92% for Commercial in 2009-2010, there was no rate increase to the users.

During FY 2010, the City Council approved increased water and waste water rates to support system infrastructure needs as well as to bolster the fiscal integrity of those funds (the new rate structure became effective in January 2010 and provides for annual increases each January through 2014). A new refuse hauler contract will be awarded in FY 2010-2011 with a corresponding rate adjustment planned.

Internal Service Funds

Unrestricted net assets of the internal service funds at the end of the year amounted to \$4.54 million with a net assets total of \$7.19 million. Net assets increased by \$1,477,798 due to an improvement in claims cost in the Insurance Reserve Fund. FY 2009-2010 workers compensation and liability claims totaled \$1.69 million, down from \$2.98 million in FY 2009, and \$3.5 million in 2008. Because of the unpredictable nature of workers compensation and liability there may be significant fluctuations in claims expense from year to year. The City continually looks for ways to proactively manage risk and reduce these costs.

General Fund Budgetary Highlights

Estimated Revenues

Actual revenues, which totaled \$49,404,320, underperformed the final budget by \$146,730. Taxes and Assessments were \$87,510 under budget. Licenses and permits came in \$107,563 over estimates, while Fines exceeded budget estimates by \$222,517. Interest and Rents under performed the budget by \$334,219. Finally, Miscellaneous revenue came in \$144,782 below estimates, however, the majority of

that shortfall was due to a reduction in reimbursement revenue from the Insurance Fund since the City experienced better than expected workers compensation claims activity.

Appropriations

The final amended budget reflects a net increase of \$698,091 over the adopted appropriations.

Significant budget adjustments included:

- \$353,367 in re-appropriations for open purchase orders from fiscal 2008-2009
- \$138,575 for post employment benefit funding as a result of an updated actuarial study
- \$117,530 for a law enforcement robot
- \$78,174 for design costs for underground assessment district #15
- \$50,000 for Chamber of Commerce funding

Capital Asset and Debt Administration

Capital Assets: Government wide, the City's investment in capital assets (net of accumulated depreciation) as of June 30, 2010 is \$156,984,293. This is a decrease from the prior year of \$1,508,222 or 1%. This investment in capital assets includes land, buildings, park improvements, roadways, sewer, storm drains, vehicles, computer equipment, furniture and other equipment.

City of Manhattan Beach Capital Assets
(Net of depreciation)

	Governmental Activities		Business -Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 33,634,566	\$ 33,634,566	\$ 1,757,434	\$ 1,757,434	\$ 35,392,000	\$ 35,392,000
Buildings	38,009,707	38,871,767	15,983,766	16,159,177	53,993,473	55,030,944
Machinery & Equipment	1,884,788	2,256,865	295,321	324,964	2,180,109	2,581,829
Vehicles	2,685,860	3,299,067	-	-	2,685,860	3,299,067
Infrastructure	36,781,320	36,078,912	21,974,883	21,972,595	58,756,203	58,051,507
Invested in Joint Venture (RCC)	1,796,951	1,827,358	-	-	1,796,951	1,827,358
Work In Progress	1,476,310	1,931,376	703,387	378,434	2,179,697	2,309,810
Total	<u>\$ 116,269,502</u>	<u>\$ 117,899,911</u>	<u>\$ 40,714,791</u>	<u>\$ 40,592,604</u>	<u>\$ 156,984,293</u>	<u>\$ 158,492,515</u>

Governmental

During Fiscal Year 2009-2010, governmental capital expenditures totaled \$1.7 million, including:

- \$1.52 million in street improvements
- \$170,000 for Rosecrans underground utility work
- A \$16,000 contribution towards the construction of a fuel island cover at the Public Works facility

Business Type

During the current fiscal year, Business Type capitalized expenses totaled \$1,027,142. These included \$681,627 in water system improvements and \$345,514 in Waste Water infrastructure improvements. These were offset by scheduled depreciation, resulting in a net decrease in assets of \$122,187.

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

Long-Term Liabilities: Total long-term liabilities citywide equal \$50,862,723, a decrease of \$2,535,169 from fiscal 2008-2009. Governmental liabilities decreased by \$2,143,229 (5.7%) while business type liabilities decreased by \$391,940 (2.5%). The following table is a condensation of footnote 6.

City of Manhattan Beach Outstanding Liabilities

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Marine Avenue COP's	\$ 7,945,000	\$ 8,165,000	\$ -	\$ -	\$ 7,945,000	\$ 8,165,000
Capital Equipment Lease	35,807	215,949	-	-	35,807	215,949
Police & Fire Facility COP's	11,990,000	12,245,000	-	-	11,990,000	12,245,000
Accrued Employee Leave & Benefits	2,533,778	2,472,748	107,896	99,836	2,641,674	2,572,584
Supplemental Leave	16,283	15,879	-	-	16,283	15,879
Water and Wastewater COP's	-	-	3,490,000	3,605,000	3,490,000	3,605,000
Metlox Parking COP's	-	-	11,735,000	12,020,000	11,735,000	12,020,000
Pension Obligation Bonds	4,635,000	5,400,000	-	-	4,635,000	5,400,000
So. Bay Communications (RCC)	1,585,000	1,670,000	-	-	1,585,000	1,670,000
Insurance Claim Reserves	6,788,959	7,488,480	-	-	6,788,959	7,488,480
Total Liabilities	\$ 35,529,827	\$ 37,673,056	\$ 15,332,896	\$ 15,724,836	\$ 50,862,723	53,397,892
Current (due within one year)	\$ 6,300,228	\$ 6,733,213	\$ 444,083	\$ 420,244	6,744,311	7,153,457
Long Term Liabilities	\$ 29,229,599	\$ 30,939,843	\$ 14,888,813	\$ 15,304,592	\$ 44,118,412	\$ 46,244,435

* Excludes unamortized bond premium of \$147,434 in 2010.

Governmental

Principal obligations for existing debt were reduced in accordance with existing debt service schedules. The total decrease in debt was \$1,505,142. No new debt was issued in FY 2009-2010.

Business Type

Liabilities decreased as a result of the reduction in bond principal of \$400,000 (\$115,000 in Water/Waste Water bonds and \$285,000 in Metlox Public Improvement bonds). No new debt was issued in FY 2009-2010.

For the details regarding components of long term liabilities refer to Note 6.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3.75% of its total assessed valuation. The current debt limitation for the City of Manhattan Beach is \$445,187,892.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council adopted the FY 2010-2011 General Fund operating budget in June 2010. The budget estimates General Fund revenues at \$49,274,023 and expenditures of \$49,254,226, resulting in a slight surplus of \$19,797.

The City's major General Fund revenue sources continue to show the affects of the recession, which officially began in December 2007. Property tax, the single biggest General Fund revenue source, which dramatically slowed with the housing market the past few years, is expected to decline in FY 10-11 by 2.4% compared to FY 09-10 results. However, we expect this decline to be short-lived, with modest growth rates in the 1% to 2% range in the near term.

By way of other revenues in the General Fund, sales tax is projected to be up slightly from FY 2009-2010 results by 1%, while the transient occupancy tax, which was been greatly affected the past two years by the decline in business travel and tourism, is projected to be level with last year's receipts. After better than expected results in FY 2009-2010 for both building permits and plan check fees due to commercial activity, we are expecting a return to lower valued projects such as home remodeling activity. As a result, building permit and plan check fees were budgeted below FY 2009-2010 actual levels by 19% and 16% respectively. Finally, business license tax revenue is expected to come in 8% below FY 2009-2010 results, further reflecting the economic slowdown.

The City reduced General Fund expenditures in the FY 2009-2010 budget by approximately \$1.66 million compared to the prior year's budget. However, this was largely achieved through temporarily suspending internal service fund charge-outs where feasible. Reductions were also achieved by recognizing and budgeting expected personnel vacancies throughout the year, and pre-paying a portion of annual pension contributions, along with other belt-tightening actions.

The long term labor agreements in place with the three bargaining units (Police, Fire and Miscellaneous) are all set to expire in mid 2011. These agreements gave us a measure of predictability in our labor costs, which equal nearly 70% of the General Fund expenditures. On a related note, the City is experiencing increased retiree medical liabilities with the passage in 2006 of State Assembly bill AB 2544 (the bill took effect January 2008). This legislation requires the City, as a subscriber to the CalPERS medical plans, to provide certain minimum cash contributions towards retirees' medical premiums. Those liabilities, as well as other negotiated retiree medical benefits (valued at \$6.4 million as of July 1, 2009) have been recognized as required by GASB 45. Initially, in FY 2007-2008, the City pre-funded the entire OPEB liability at that time (\$5.7 million) with the CalPERS' trust program. However, the dramatic losses in the equity markets, as well as other investment instruments, resulted in an unfunded accrued liability as of July 1, 2009 of \$979,000. This has been amortized over a thirty year period beginning in FY 2010-2011. Positive financial market performance over the past 18 months may reduce the unfunded liability in future years. The City's next GASB 45 valuation is scheduled for July 1, 2011.

Clearly, the recession and economic events of the past two years have had material impacts on the City's finances. Lower interest rates will continue to affect future investment income, the housing slowdown will continue to affect property taxes and construction-related revenues, and retail and tourism based revenues such as sales tax, business license tax and transient occupancy tax will be continue to be flat.

Overall, the General Fund budget anticipates revenues and expenditures to decrease .26% and 3.25% respectively over the prior year's budget.

Requests for Information

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



Government-Wide Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 40,019,622	\$ 13,383,717	\$ 53,403,339
Receivables:			
Accounts	459,848	1,046,989	1,506,837
Taxes	3,120,531	-	3,120,531
Accrued interest	206,594	-	206,594
Internal balances	250,000	(250,000)	-
Prepaid costs	14,530	21,000	35,530
Prepaid other post-employment benefits	468,625	30,259	498,884
Due from other governments	1,082,343	-	1,082,343
Inventories	109,610	126,290	235,900
Total Current Assets	45,731,703	14,358,255	60,089,958
Restricted assets:			
Cash with fiscal agent	2,742,815	1,499,667	4,242,482
Notes and loans receivable	34,362	-	34,362
Prepaid other post-employment benefits	3,680,939	237,686	3,918,625
Prepaid pension obligation	5,016,460	-	5,016,460
Unamortized debt issuance costs	329,455	279,732	609,187
Capital assets not being depreciated	35,110,876	2,460,821	37,571,697
Capital assets, net of depreciation	81,158,626	38,253,970	119,412,596
Total Noncurrent Assets	128,073,533	42,731,876	170,805,409
Total Assets	173,805,236	57,090,131	230,895,367
Liabilities:			
Accounts payable	1,501,666	1,699,242	3,200,908
Accrued liabilities	1,303,917	-	1,303,917
Accrued interest	391,274	344,627	735,901
Unearned revenue	933,975	-	933,975
Deposits payable	755,140	113,040	868,180
Long-term liabilities due within one year	6,300,228	444,083	6,744,311
Total Current Liabilities	11,186,200	2,600,992	13,787,192
Noncurrent liabilities:			
Long-term liabilities due in more than one year	29,377,033	14,888,813	44,265,846
Total Liabilities	40,563,233	17,489,805	58,053,038
Net Assets:			
Invested in capital assets, net of related debt	94,713,693	25,485,791	120,199,484
Restricted for:			
Business improvement districts	-	508,617	508,617
Debt service	1,960,662	1,221,763	3,182,425
Public works	5,454,066	-	5,454,066
Public safety	1,197,226	-	1,197,226
Unrestricted	29,916,356	12,384,155	42,300,511
Total Net Assets	\$ 133,242,003	\$ 39,600,326	\$ 172,842,329

CITY OF MANHATTAN BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 10,308,925	\$ 4,085,381	\$ 7,740	\$ -
Public safety	28,879,836	4,576,210	475,980	-
Culture and recreation	5,853,076	2,577,883	710,055	-
Public works	7,906,172	2,512,225	1,031,174	1,399,366
Interest on long-term debt	811,710	-	-	-
Total Governmental Activities	53,759,719	13,751,699	2,224,949	1,399,366
Business-Type Activities:				
Water	8,214,250	7,887,900	-	57,398
Stormwater	374,513	360,926	-	-
Wastewater	1,685,881	1,820,756	-	-
Refuse	4,282,026	4,110,342	-	-
Parking	1,581,469	1,610,344	-	-
County Parking Lot	352,308	510,540	-	-
State Pier and Parking Lot	256,803	423,950	-	-
Total Business-Type Activities	16,747,250	16,724,758	-	57,398
Total Primary Government	\$ 70,506,969	\$ 30,476,457	\$ 2,224,949	\$ 1,456,764

General Revenues:

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Business license taxes

Other taxes

Intergovernmental, unrestricted:

Motor vehicle in lieu

Homeowner property tax

Investment earnings and rent

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (6,215,804)	\$ -	\$ (6,215,804)
(23,827,646)	-	(23,827,646)
(2,565,138)	-	(2,565,138)
(2,963,407)	-	(2,963,407)
(811,710)	-	(811,710)
(36,383,705)	-	(36,383,705)
-	(268,952)	(268,952)
-	(13,587)	(13,587)
-	134,875	134,875
-	(171,684)	(171,684)
-	28,875	28,875
-	158,232	158,232
-	167,147	167,147
-	34,906	34,906
(36,383,705)	34,906	(36,348,799)
20,006,558	-	20,006,558
3,174,319	-	3,174,319
7,646,109	-	7,646,109
1,220,171	-	1,220,171
2,783,641	-	2,783,641
356,367	-	356,367
108,815	-	108,815
150,229	-	150,229
2,402,358	260,234	2,662,592
134,753	(134,753)	-
37,983,320	125,481	38,108,801
1,599,615	160,387	1,760,002
131,642,388	39,439,939	171,082,327
\$ 133,242,003	\$ 39,600,326	\$ 172,842,329



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Fund Financial Statements



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CITY OF MANHATTAN BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>General</u>	<u>Special Revenue Funds Gas Tax</u>	<u>Capital Projects Funds Improvement</u>
Assets:			
Pooled cash and investments	\$ 17,309,391	\$ 2,528,802	\$ 4,369,207
Receivables:			
Accounts	448,723	-	-
Taxes	3,076,895	-	43,636
Notes and loans	-	-	34,362
Accrued interest	206,594	-	-
Prepaid costs	14,230	-	-
Due from other governments	331,289	149,553	-
Due from other funds	554,969	-	-
Advances to other funds	-	-	250,000
Restricted assets:			
Cash and investments with fiscal agents	1,259,718	-	1,092,219
Total Assets	<u>\$ 23,201,809</u>	<u>\$ 2,678,355</u>	<u>\$ 5,789,424</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 747,827	\$ 62,255	\$ 6,467
Accrued liabilities	1,303,917	-	-
Deferred revenues	1,100,728	-	-
Unearned revenues	933,975	-	-
Deposits payable	753,399	-	-
Due to other funds	-	-	-
Interest payable	116,130	-	275,144
Total Liabilities	<u>4,955,976</u>	<u>62,255</u>	<u>281,611</u>
Fund Balances:			
Reserved:			
Reserved for encumbrances	199,708	-	-
Reserved for prepaid costs	14,230	-	-
Reserved for notes and loans	-	-	34,362
Reserved for advances to other funds	-	-	250,000
Continuing projects	-	1,352,030	2,906,170
Debt service	1,143,587	-	817,075
Unreserved:			
Unreserved, reported in:			
General Fund	16,888,308	-	-
Special revenue funds	-	1,264,070	-
Capital projects funds	-	-	1,500,206
Total Fund Balances	<u>18,245,833</u>	<u>2,616,100</u>	<u>5,507,813</u>
Total Liabilities and Fund Balances	<u>\$ 23,201,809</u>	<u>\$ 2,678,355</u>	<u>\$ 5,789,424</u>

CITY OF MANHATTAN BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:		
Pooled cash and investments	\$ 4,619,278	\$ 28,826,678
Receivables:		
Accounts	11,125	459,848
Taxes	-	3,120,531
Notes and loans	-	34,362
Accrued interest	-	206,594
Prepaid costs	-	14,230
Due from other governments	601,501	1,082,343
Due from other funds	-	554,969
Advances to other funds	-	250,000
Restricted assets:		
Cash and investments with fiscal agents	390,878	2,742,815
Total Assets	<u>\$ 5,622,782</u>	<u>\$ 37,292,370</u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable	\$ 536,402	\$ 1,352,951
Accrued liabilities	-	1,303,917
Deferred revenues	68,980	1,169,708
Unearned revenues	-	933,975
Deposits payable	1,741	755,140
Due to other funds	554,969	554,969
Interest payable	-	391,274
Total Liabilities	<u>1,162,092</u>	<u>6,461,934</u>
Fund Balances:		
Reserved:		
Reserved for encumbrances	109,490	309,198
Reserved for prepaid costs	-	14,230
Reserved for notes and loans	-	34,362
Reserved for advances to other funds	-	250,000
Continuing projects	2,497,197	6,755,397
Debt service	-	1,960,662
Unreserved:		
Unreserved, reported in:		
General Fund	-	16,888,308
Special revenue funds	1,428,505	2,692,575
Capital projects funds	425,498	1,925,704
Total Fund Balances	<u>4,460,690</u>	<u>30,830,436</u>
Total Liabilities and Fund Balances	<u>\$ 5,622,782</u>	<u>\$ 37,292,370</u>

CITY OF MANHATTAN BEACH

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Fund balances of governmental funds	\$ 30,830,436
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	113,583,641
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(28,523,040)
Revenues are reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	1,169,708
Prepaid pension benefit obligation is not reported in the governmental funds; however, it is reported in the government-wide statements.	5,016,460
Prepaid other post-retirement benefit obligation is not reported in the governmental funds; however, it is reported in the government-wide statements.	3,975,092
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.	<u>7,189,706</u>
Net assets of governmental activities	<u><u>\$ 133,242,003</u></u>



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CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>
		<u>Gas Tax</u>	<u>Capital Improvement</u>
Revenues:			
Taxes and assessments	\$ 34,655,490	\$ -	\$ 467,906
Licenses and permits	1,196,713	-	3,634
Intergovernmental	430,454	1,472,713	-
Charges for services	7,834,860	-	444,885
Use of money and property	2,250,729	30,888	38,635
Fines and forfeitures	2,871,972	-	112,896
Miscellaneous	160,718	-	-
Total Revenues	49,400,936	1,503,601	1,067,956
Expenditures:			
Current:			
General government	9,785,663	-	-
Public safety	28,406,182	-	6,029
Culture and recreation	4,989,305	-	-
Public works	4,924,232	342,069	73,960
Capital outlay	-	488,958	16,009
Debt service:			
Principal retirement	1,070,000	-	255,000
Interest	257,598	-	554,113
Total Expenditures	49,432,980	831,027	905,111
Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,044)	672,574	162,845
Other Financing Sources (Uses):			
Transfers in	174,453	-	6,850
Transfers out	(229,729)	-	(15,700)
Proceeds from sale of capital asset	3,384	-	-
Total Other Financing Sources (Uses)	(51,892)	-	(8,850)
Net Change in Fund Balances	(83,936)	672,574	153,995
Fund Balances, Beginning of Year, as previously reported	18,329,769	1,950,115	5,353,818
Restatements	-	(6,589)	-
Fund Balances, Beginning of Year	18,329,769	1,943,526	5,353,818
Fund Balances, End of Year	\$ 18,245,833	\$ 2,616,100	\$ 5,507,813

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	Other Governmental Funds	Total Governmental Funds
Revenues:		
Taxes and assessments	\$ 1,458,843	\$ 36,582,239
Licenses and permits	-	1,200,347
Intergovernmental	734,877	2,638,044
Charges for services	11,530	8,291,275
Use of money and property	82,106	2,402,358
Fines and forfeitures	-	2,984,868
Miscellaneous	32,247	192,965
Total Revenues	2,319,603	54,292,096
Expenditures:		
Current:		
General government	-	9,785,663
Public safety	48,964	28,461,175
Culture and recreation	709,923	5,699,228
Public works	583,567	5,923,828
Capital outlay	1,200,546	1,705,513
Debt service:		
Principal retirement	-	1,325,000
Interest	-	811,711
Total Expenditures	2,543,000	53,712,118
Excess (Deficiency) of Revenues Over (Under) Expenditures	(223,397)	579,978
Other Financing Sources (Uses):		
Transfers in	242,908	424,211
Transfers out	(44,029)	(289,458)
Proceeds from sale of capital asset	-	3,384
Total Other Financing Sources (Uses)	198,879	138,137
Net Change in Fund Balances	(24,518)	718,115
Fund Balances, Beginning of Year, as previously reported	4,478,619	30,112,321
Restatements	6,589	-
Fund Balances, Beginning of Year	4,485,208	30,112,321
Fund Balances, End of Year	\$ 4,460,690	\$ 30,830,436

CITY OF MANHATTAN BEACH

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

Net change in fund balances - total governmental funds \$ 718,115

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

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

Cost of assets capitalized	2,061,234
Depreciation expense and loss on disposal	(3,078,436)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,325,000
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Unamortized premium or discounts on bonds issued are revenue or expenditures in the governmental funds, but these are spread to future periods over the life of the new bonds:	
Amortization for the current fiscal year	(35,487)

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(61,433)
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Certain revenues are reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	494,716
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Amortization of long-term assets is reported only at the government-wide level:	
Prepaid PERS	(148,242)
Prepaid police/fire side fund payoff	(737,017)
Prepaid other post-employment benefits	(416,633)

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.	1,477,798
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Change in net assets of governmental activities	<u>\$ 1,599,615</u>
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CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2010**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 18,329,769	\$ 18,329,769	\$ 18,329,769	\$ -
Resources (Inflows):				
Estimated Revenues:				
Taxes and assessments	34,743,000	34,743,000	34,655,490	(87,510)
Licenses and permits	1,089,150	1,089,150	1,196,713	107,563
Intergovernmental	371,700	520,230	430,454	(89,776)
Charges for services	7,657,767	7,657,767	7,834,860	177,093
Use of money and property	2,584,948	2,584,948	2,250,729	(334,219)
Fines and forfeitures	2,649,455	2,649,455	2,871,972	222,517
Proceeds from sale of capital asset	1,000	1,000	3,384	2,384
Miscellaneous	305,500	305,500	160,718	(144,782)
Transfers in	98,339	114,039	174,453	60,414
Amounts Available for Appropriation	67,830,628	67,994,858	67,908,542	(86,316)
Charges to Appropriation (Outflow):				
Departmental Appropriations:				
General government	9,977,556	10,192,777	9,785,663	407,114
Public safety	28,868,901	29,211,609	28,406,182	805,427
Culture and recreation	5,124,343	5,171,017	4,989,305	181,712
Public works	5,288,074	5,381,562	4,924,232	457,330
Debt service:				
Principal retirement	1,070,000	1,070,000	1,070,000	-
Interest and fiscal charges	582,321	582,321	257,598	324,723
Transfers out	170,896	201,746	229,729	(27,983)
Total Charges to Appropriations	51,082,091	51,811,032	49,662,709	2,148,323
Budgetary Fund Balance, June 30	\$ 16,748,537	\$ 16,183,826	\$ 18,245,833	\$ 2,062,007

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON STATEMENT
GAS TAX
YEAR ENDED JUNE 30, 2010**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ 1,943,526	\$ 1,943,526	\$ 1,943,526	\$ -
Resources (Inflows):				
Intergovernmental	1,634,000	1,634,000	1,472,713	(161,287)
Use of money and property	6,086	6,086	30,888	24,802
Amounts Available for Appropriation	3,583,612	3,583,612	3,447,127	(136,485)
Charges to Appropriation (Outflow):				
Public works	488,120	908,045	342,069	565,976
Capital outlay	863,706	1,759,719	488,958	1,270,761
Total Charges to Appropriations	1,351,826	2,667,764	831,027	1,836,737
Budgetary Fund Balance, June 30	\$ 2,231,786	\$ 915,848	\$ 2,616,100	\$ 1,700,252



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CITY OF MANHATTAN BEACH

STATEMENT OF FUND NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2010

	Business-Type Activities Enterprise Funds			
	Water	Wastewater	Refuse	Parking
Assets:				
Current:				
Cash and investments	\$ 6,173,335	\$ 885,507	\$ 767,043	\$ 1,640,787
Receivables:				
Accounts	574,464	162,410	299,860	495
Prepaid costs	21,000	-	-	-
Inventories	126,290	-	-	-
Prepaid OPEB - short-term	19,352	4,574	2,111	1,689
Total Current Assets	6,914,441	1,052,491	1,069,014	1,642,971
Noncurrent:				
Prepaid other post-employment benefits	152,008	35,928	16,584	13,266
Restricted:				
Cash with fiscal agent	229,906	112,840	-	1,156,921
Unamortized debt issuance costs	56,184	27,635	-	195,913
Capital assets - net of accumulated depreciation	13,713,388	5,480,800	-	17,720,903
Total Noncurrent Assets	14,151,486	5,657,203	16,584	19,087,003
Total Assets	\$ 21,065,927	\$ 6,709,694	\$ 1,085,598	\$ 20,729,974
Liabilities and Net Assets:				
Liabilities:				
Current:				
Accounts payable	\$ 862,311	\$ 106,846	\$ 322,081	\$ 171,615
Accrued interest	44,718	22,005	-	277,904
Deposits payable	2,315	-	-	110,725
Workers' compensation claims	-	-	-	-
Lease payable - current	-	-	-	-
Accrued compensated absences	24,083	-	-	-
Accrued claims and judgments	-	-	-	-
Bonds, notes, and capital leases	80,438	39,562	-	300,000
Total Current Liabilities	1,013,865	168,413	322,081	860,244
Noncurrent:				
Advances from other funds	-	-	-	250,000
Accrued leave long-term	83,813	-	-	-
Workers' compensation claims	-	-	-	-
General liability claims	-	-	-	-
Bonds, notes, and capital leases	2,258,731	1,111,269	-	11,435,000
Total Noncurrent Liabilities	2,342,544	1,111,269	-	11,685,000
Total Liabilities	3,356,409	1,279,682	322,081	12,545,244
Net Assets:				
Invested in capital assets, net of related debt	11,374,219	4,329,969	-	5,985,903
Restricted for debt service	229,906	112,840	-	879,017
Restricted for business improvement district	-	-	-	508,617
Unrestricted	6,105,393	987,203	763,517	811,193
Total Net Assets	17,709,518	5,430,012	763,517	8,184,730
Total Liabilities and Net Assets	\$ 21,065,927	\$ 6,709,694	\$ 1,085,598	\$ 20,729,974

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF FUND NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2010

	Business-Type Activities Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
Assets:			
Current:			
Cash and investments	\$ 3,917,045	\$ 13,383,717	\$ 11,192,944
Receivables:			
Accounts	9,760	1,046,989	-
Prepaid costs	-	21,000	300
Inventories	-	126,290	109,610
Prepaid OPEB - short-term	2,533	30,259	19,705
Total Current Assets	3,929,338	14,608,255	11,322,559
Noncurrent:			
Prepaid other post-employment benefits	19,900	237,686	154,767
Restricted:			
Cash with fiscal agent	-	1,499,667	-
Unamortized debt issuance costs	-	279,732	-
Capital assets - net of accumulated depreciation	3,799,700	40,714,791	2,685,861
Total Noncurrent Assets	3,819,600	42,731,876	2,840,628
Total Assets	\$ 7,748,938	\$ 57,340,131	\$ 14,163,187
Liabilities and Net Assets:			
Liabilities:			
Current:			
Accounts payable	\$ 236,389	\$ 1,699,242	\$ 148,715
Accrued interest	-	344,627	-
Deposits payable	-	113,040	-
Workers' compensation claims	-	-	4,104,067
Lease payable - current	-	-	35,807
Accrued compensated absences	-	24,083	-
Accrued claims and judgments	-	-	261,711
Bonds, notes, and capital leases	-	420,000	-
Total Current Liabilities	236,389	2,600,992	4,550,300
Noncurrent:			
Advances from other funds	-	250,000	-
Accrued leave long-term	-	83,813	-
Workers' compensation claims	-	-	2,194,913
General liability claims	-	-	228,268
Bonds, notes, and capital leases	-	14,805,000	-
Total Noncurrent Liabilities	-	15,138,813	2,423,181
Total Liabilities	236,389	17,739,805	6,973,481
Net Assets:			
Invested in capital assets, net of related debt	3,799,700	25,489,791	2,650,054
Restricted for debt service	-	1,221,763	-
Restricted for business improvement district	-	508,617	-
Unrestricted	3,712,849	12,380,155	4,539,652
Total Net Assets	7,512,549	39,600,326	7,189,706
Total Liabilities and Net Assets	\$ 7,748,938	\$ 57,340,131	\$ 14,163,187

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Business-Type Activities			
	Enterprise Funds			
	Water	Wastewater	Refuse	Parking
Operating Revenues:				
Sales and service charges	\$ 7,867,176	\$ 1,801,790	\$ 4,105,845	\$ 1,591,919
Intergovernmental	-	-	4,497	-
Miscellaneous	-	18,966	-	18,425
Total Operating Revenues	7,867,176	1,820,756	4,110,342	1,610,344
Operating Expenses:				
Administration and general	838,498	203,640	87,361	39,262
Employee benefits	320,408	64,617	31,978	18,264
Contract and professional services	3,583,828	59,179	3,626,047	380,849
Materials and services	1,180,421	391,699	123,780	167,888
Utilities	342,103	22,189	321	82,430
Administrative service charges	1,403,640	718,980	410,580	101,224
Leases and rents	-	-	-	-
Claims expense	-	-	-	-
Depreciation expense	385,087	151,292	-	214,939
Total Operating Expenses	8,053,985	1,611,596	4,280,067	1,004,856
Operating Income (Loss)	(186,809)	209,160	(169,725)	605,488
Nonoperating Revenues (Expenses):				
Interest revenue	121,596	17,577	15,975	39,328
Interest expense	(142,305)	(70,040)	-	(575,046)
Miscellaneous	61,260	-	-	-
OPEB amortization	(17,960)	(4,245)	(1,959)	(1,567)
Gain (loss) on disposal of capital assets	16,862	-	-	-
Total Nonoperating Revenues (Expenses)	39,453	(56,708)	14,016	(537,285)
Income (Loss) Before Transfers	(147,356)	152,452	(155,709)	68,203
Transfers in	-	-	-	24,000
Transfers out	-	-	-	-
Changes in Net Assets	(147,356)	152,452	(155,709)	92,203
Net Assets:				
Beginning of Year	17,856,874	5,277,560	919,226	8,092,527
End of Fiscal Year	\$ 17,709,518	\$ 5,430,012	\$ 763,517	\$ 8,184,730

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Enterprise Funds		
	Other Enterprise Funds	Totals	
Operating Revenues:			
Sales and service charges	\$ 1,262,415	\$ 16,629,145	\$ 7,703,453
Intergovernmental	-	4,497	-
Miscellaneous	17,844	55,235	204,765
Total Operating Revenues	1,280,259	16,688,877	7,908,218
Operating Expenses:			
Administration and general	89,474	1,258,235	1,018,598
Employee benefits	34,266	469,533	310,822
Contract and professional services	276,831	7,926,734	814,301
Materials and services	75,584	1,939,372	1,596,534
Utilities	43,341	490,384	102,946
Administrative service charges	27,645	2,662,069	162,015
Leases and rents	280,496	280,496	4,357
Claims expense	-	-	1,690,680
Depreciation expense	153,637	904,955	722,528
Total Operating Expenses	981,274	15,931,778	6,422,781
Operating Income (Loss)	298,985	757,099	1,485,437
Nonoperating Revenues (Expenses):			
Interest revenue	65,758	260,234	-
Interest expense	-	(787,391)	(4,606)
Miscellaneous	15,157	76,417	6
OPEB amortization	(2,350)	(28,081)	(18,287)
Gain (loss) on disposal of capital assets	-	16,862	15,248
Total Nonoperating Revenues (Expenses)	78,565	(461,959)	(7,639)
Income (Loss) Before Transfers	377,550	295,140	1,477,798
Transfers in	-	24,000	-
Transfers out	(158,753)	(158,753)	-
Changes in Net Assets	218,797	160,387	1,477,798
Net Assets:			
Beginning of Year	7,293,752	39,439,939	5,711,908
End of Fiscal Year	\$ 7,512,549	\$ 39,600,326	\$ 7,189,706

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED YEAR ENDED JUNE 30, 2010

	Business-Type Activities - Enterprise Funds			
	<u>Water</u>	<u>Wastewater</u>	<u>Refuse</u>	<u>Parking</u>
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 7,707,361	\$ 1,747,505	\$ 4,244,460	\$ 1,739,330
Cash received from/(paid to) interfund service provided	(1,808,256)	(790,741)	(581,351)	(216,306)
Cash paid to suppliers for goods and services	(4,358,111)	(367,222)	(3,643,372)	(477,140)
Cash paid to employees for services	(1,049,495)	(251,662)	(110,005)	(51,447)
Cash received from (payments to) others	-	-	-	-
Net Cash Provided (Used) by Operating Activities	491,499	337,880	(90,268)	994,437
Cash Flows from Non-Capital Financing Activities:				
Cash transfers out	-	-	-	-
Cash transfers in	-	-	-	274,000
Miscellaneous	-	-	-	-
Grant receipt (accounts receivable)	-	-	-	90,000
Nonoperating revenue	20,724	-	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	20,724	-	-	364,000
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(681,627)	(345,514)	-	-
Principal paid on capital debt	(77,078)	(37,922)	-	(285,000)
Interest paid on capital debt	(136,235)	(67,026)	-	(565,784)
Bond administration fee	(2,755)	(1,384)	-	(2,850)
Proceeds from sales of capital assets	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(897,695)	(451,846)	-	(853,634)
Cash Flows from Investing Activities:				
Interest received	121,596	17,578	15,975	39,328
Net Cash Provided (Used) by Investing Activities	121,596	17,578	15,975	39,328
Net Increase (Decrease) in Cash and Cash Equivalents	(263,876)	(96,388)	(74,293)	544,131
Cash and Cash Equivalents at Beginning of Year	6,667,117	1,094,735	841,336	2,253,577
Cash and Cash Equivalents at End of Year	\$ 6,403,241	\$ 998,347	\$ 767,043	\$ 2,797,708

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED YEAR ENDED JUNE 30, 2010

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Wastewater</u>	<u>Refuse</u>	<u>Parking</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (186,809)	\$ 209,160	\$ (169,725)	\$ 605,488
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	385,087	151,292	-	214,939
(Increase) decrease in accounts receivable	(154,491)	(73,276)	54,517	-
(Increase) decrease in deposits receivable	57,398	-	-	-
(Increase) decrease in due from other governments	(21,000)	-	-	-
(Increase) decrease in prepaid expense	-	-	-	-
(Increase) decrease in inventory	(31,121)	-	-	-
Increase (decrease) in accounts payable	433,835	50,704	24,940	146,618
Increase (decrease) in due to other governments	-	-	-	27,392
Increase (decrease) in deposits payable	540	-	-	-
Increase (decrease) in claims and judgments	-	-	-	-
Increase (decrease) in compensated absences	8,060	-	-	-
Total Adjustments	678,308	128,720	79,457	388,949
Net Cash Provided (Used) by Operating Activities	\$ 491,499	\$ 337,880	\$ (90,268)	\$ 994,437
Non-Cash Investing, Capital, and Financing Activities:				
During fiscal year 2009-2010, there was no noncash investing, capital or financing activities.				

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED YEAR ENDED JUNE 30, 2010

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 1,263,909	\$ 16,702,565	\$ 205,580
Cash received from/(paid to) interfund service provided	(54,203)	(3,450,857)	7,216,620
Cash paid to suppliers for goods and services	(772,592)	(9,618,437)	(4,913,044)
Cash paid to employees for services	(114,699)	(1,577,308)	(1,242,394)
Cash received from (payments to) others		-	-
Net Cash Provided (Used) by Operating Activities	322,415	2,055,963	1,266,762
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	(158,753)	(158,753)	-
Cash transfers in	-	274,000	-
Miscellaneous	15,156	15,156	-
Grant receipt (accounts receivable)	-	90,000	-
Nonoperating revenue	-	20,724	-
Net Cash Provided (Used) by Non-Capital Financing Activities	(143,597)	241,127	-
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	-	(1,027,141)	(113,764)
Principal paid on capital debt	-	(400,000)	(180,140)
Interest paid on capital debt	-	(769,045)	(4,605)
Bond administration fee	-	(6,989)	-
Proceeds from sales of capital assets	-	-	19,688
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(2,203,175)	(278,821)
Cash Flows from Investing Activities:			
Interest received	65,758	260,235	-
Net Cash Provided (Used) by Investing Activities	65,758	260,235	-
Net Increase (Decrease) in Cash and Cash Equivalents	244,576	354,150	987,941
Cash and Cash Equivalents at Beginning of Year	3,672,469	14,529,234	10,205,003
Cash and Cash Equivalents at End of Year	\$ 3,917,045	\$ 14,883,384	\$ 11,192,944

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED YEAR ENDED JUNE 30, 2010

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 298,985	\$ 757,099	\$ 1,485,437
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	153,637	904,955	722,528
(Increase) decrease in accounts receivable	(1,180)	(174,430)	-
(Increase) decrease in deposits receivable	-	57,398	-
(Increase) decrease in due from other governments	-	(21,000)	-
(Increase) decrease in prepaid expense	-	-	(300)
(Increase) decrease in inventory	-	(31,121)	610
Increase (decrease) in accounts payable	(113,870)	542,227	(241,992)
Increase (decrease) in due to other governments	-	27,392	-
Increase (decrease) in deposits payable	(15,157)	(14,617)	-
Increase (decrease) in claims and judgments	-	-	(699,521)
Increase (decrease) in compensated absences	-	8,060	-
Total Adjustments	23,430	1,298,864	(218,675)
Net Cash Provided (Used) by Operating Activities	\$ 322,415	\$ 2,055,963	\$ 1,266,762

Non-Cash Investing, Capital, and Financing Activities

During fiscal year 2009-2010, there was no noncash investing, capital or financing activities.

CITY OF MANHATTAN BEACH

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2010

	<u>Agency Funds</u>	<u>Pension Trust Fund</u>
Assets:		
Pooled cash and investments	\$ 1,203,016	\$ 517,159
Receivables:		
Accounts	48,286	57,976
Restricted assets:		
Cash and investments with fiscal agents	<u>2,512,547</u>	<u>-</u>
Total Assets	<u>\$ 3,763,849</u>	<u>\$ 575,135</u>
Liabilities:		
Accounts payable	\$ 10,090	\$ -
401 (a) plan deposits	1,519,356	-
Other deposits	103,546	-
Art development fees	290,625	-
Due to bondholders	<u>1,840,232</u>	<u>-</u>
Total Liabilities	<u>\$ 3,763,849</u>	<u>-</u>
Net Assets:		
Held in trust for pension benefits		<u>\$ 575,135</u>

CITY OF MANHATTAN BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Pension Trust Fund
Additions:	
Refunds of contributions	\$ 57,976
Investment earnings	42,892
Total Additions	<u>100,868</u>
Deductions	
Benefits	125,433
Total Deductions	<u>125,433</u>
Change in Net Assets	(24,565)
Net Assets - Beginning of the Year	<u>599,700</u>
Net Assets - End of the Year	<u>\$ 575,135</u>



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Notes to Financial Statements

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

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

Blended Component Unit

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

b. Accounting and Reporting Policies

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments

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

also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

c. Description of Funds

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

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

Governmental Fund Types

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

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

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

Proprietary Fund Types

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

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

Fiduciary Fund Types

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

Agency Funds:

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

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

- Special Deposits Fund – to account for 401(a) plan deposits, utility development deposits, art development fees and other miscellaneous items.

d. Basis of Accounting/Measurement Funds

Government-Wide Financial Statements

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

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

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

Financial Statement Classification

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

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

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

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

Unrestricted Net Assets

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

Governmental Fund Financial Statements

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

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

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

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

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

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

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

Proprietary Funds Financial Statements

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

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

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

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

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

Fiduciary Funds

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

Major Funds

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

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

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

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

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

The following funds are classified as major proprietary funds:

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

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

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

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

e. Property Tax Calculator

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

The County of Los Angeles collects property taxes for the City. Tax liens attach annually as of 12:01 AM on the first day in January prior to the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property, as it exists on that date. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, by December 10 and April 10, respectively. Unsecured personal property taxes become due on March 1 each year and are delinquent, if unpaid, on August 31.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

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

f. Capital Assets

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

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

In 2002-2003, the City contracted with an independent firm to obtain a valuation of its capital assets. This was done to specifically comply with the reporting requirements of GASB Statement No. 34. For purposes of this study, capital assets were defined to include land, buildings and improvements, City owned utilities, streets and roadways, and parks and recreation facilities and improvements. This significant valuation project entailed many steps covering several months of work. Key steps to the project included: obtaining an inventory of all material City owned assets, establishing acquisition dates, deriving historical costs, developing and recommending useful lives, and constructing a basis for depreciation in arriving at a June 30, 2006, net book value. The completion of this valuation, along with the other reporting requirements of GASB Statement No. 34, presented a material change in accounting principle and the value of capital assets reported in the prior fiscal year.

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

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

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

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

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

g. Other Accounting Policies

Cash and Cash Equivalents - For purpose of the Statement of Cash Flows, the City considers cash and cash equivalents as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The City follows the practice of pooling cash and investments of all funds except for funds in its 401(a) plan; 125 medical flex plan; outstanding Water and Wastewater; Marine Avenue Sports Field; and Metlox, Police & Fire Facility bonded debt, which are held by outside trustees. City employees individually direct their investments in the 401(a) plan. Investments - Investments are shown at fair value, in accordance with GASB Statement No. 31. Fair value is based upon quoted market prices.

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

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

h. Interfund Transfers

As a general rule, interfund transactions have been eliminated from the government-wide financial statements. Exceptions to this rule are payments in lieu or charges for current service between the City's enterprise activity and the City's General Fund. Elimination of these transactions would distort the direct costs and program revenues for the various functions. Certain eliminations have been made regarding interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

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

i. Long-Term Obligations

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

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

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

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

The recorded liability is based upon an estimate of reported claims as provided by an analysis of a third party administrator. Reported short-term and long-term estimated losses and reserves of \$4,365,778 and \$2,423,181 respectively, are recorded in the Insurance Reserve Fund.

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

j. Vacation and Sick Leave

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

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

k. Supplemental Leave Allowance

In December 1994, an emergency leave bank was established for active management/confidential employees. At June 30, 2010, the total accrued liability for this benefit amounted to \$16,823, based on accumulated hours for months in service during the time period from January 1, 1990 to December 4, 1994, as specified in the parameters of the plan. Upon termination, the employee will be paid for any unused leave and as such the total amount of the liability is accrued as a long-term item (see Note 6).

This balance decreased from prior year levels reflecting cash payouts to benefiting employees to be used in funding a newly established and optional employee funded retirement health savings plan.

l. Allocation of Interest Income Among Funds

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

m. Cash Flow Statements

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

n. Estimates

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

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

o. Use of Restricted Resources

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

p. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between fund balance – governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds." The detail of the \$(28,523,040) long-term debt difference is as follows:

Long-term debt:	
COPS payable	\$ (19,935,000)
Pension obligation bonds payable	(4,635,000)
Revenue bonds	(1,585,000)
Supplemental leave allowance	(16,283)
Compensated absences	(2,533,778)
Unamortized bond premium	(147,434)
Unamortized bond issuance costs	<u>329,455</u>
Net adjustment to reduce fund balance of total governmental funds to arrive at net assets of governmental activities	<u><u>\$ (28,523,040)</u></u>

Note 2: Budgets and Budgetary Accounting

a. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device. No budget was adopted for the Underground Assessment District Capital Projects Fund, Street Lighting & Landscape and Measure R.

b. Excess Expenditures

For the year ended June 30, 2010, the following funds had expenditures in excess of budget:

Fund	Expenditures	Appropriations	Excess
Asset Forfeiture			
Public Safety	\$ 47,872	\$ 47,661	\$ 211
Proposition A			
Culture and Recreation	709,923	663,707	46,216

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 2 Budgets and Budgetary Accounting (Continued)

c. Deficit

The Federal and State Grants Fund has a deficit of \$68,980. This deficit is due to Accounts Receivable (Due from Other Governments) offset by a deferred revenue liability. Revenues under modified accrual are recognized when "available" i.e. within 60 days of the end of the fiscal year.

Note 3: Cash and Investments

As of June 30, 2010, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 42,762,437
Business-type activities	14,883,384
Fiduciary funds	<u>4,232,722</u>
Total Cash and Investments	<u>\$ 61,878,543</u>

The City of Manhattan Beach maintains a cash and investment pool that is available for use for all funds, including fiduciary funds. Each fund type's position in the pool is reported on the Combined Balance Sheet as cash and investments. The City has adopted an investment policy, which authorizes it to invest in various investments.

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

a. Deposits

At June 30, 2010, the carrying amount of the City's deposits was \$704,866 and the bank balance was \$1,463,533. The \$758,667 difference represents outstanding checks and other reconciling items.

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

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

Note 3: Cash and Investments (Continued)

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

b. Authorized Investments

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

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

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

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

c. Investments Authorized by Debt Agreements

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

d. Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

Note 3: Cash and Investments (Continued)

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 \$27,550,000 whose pro-rata share of fair value was estimated by the State Treasurer to be \$27,595,286.

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

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

f. Cash and Investments - 401 (a) Plan

The City contributes to a 401(a) plan for its management confidential employees into which these employees can make voluntary contributions. The fair value of the plan assets at June 30, 2010, was \$1,519,356.

g. GASB Statement No. 31

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

All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Methods and assumptions used to estimate fair value - The City maintains investment accounting records and adjusts those records to "fair value" on an annual basis for material amounts. The City's investment custodian provides market values on each investment instrument on a monthly basis for material amounts. The investments held by the City are widely traded in the financial markets and trading values are readily available from numerous published sources. Material unrealized gains and losses are recorded on an annual basis and the carrying value of its investments is considered fair value. For the year ended June 30, 2010, the fair value of investments exceeded the book value by \$277,757.

h. Credit Risk

The City's investment policy limits investments in medium-term notes (MTN's) to those rated in the top three rating categories by two of the three largest nationally recognized rating services at time of purchase. As of June 30, 2010, the City's investment in medium-term notes consisted of investments with Bank of America, Citibank, General Electric Capital, and Wells Fargo. All MTN's were rated "A" or higher by Moody's at time of purchase. All securities were investment grade and were legal under state and city policies. Investments in U.S. government securities are not considered to have credit risk; therefore, their credit quality is not disclosed.

Note 3: Cash and Investments (Continued)

i. Custodial Credit Risk

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

As of June 30, 2010, none of the City's deposits or investments was exposed to custodial credit risk.

j. Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer for the following types of investments. With respect to concentration of credit risk, as of June 30, 2010, the City is in compliance with its investment policy's restrictions.

In accordance with GASB Statement No. 40, if the city has invested more than 5% of its total investments in any one issuer then it is exposed to credit risk. With respect to concentration risk, as of June 30, 2010, one issuer, General Electric, was above the 5% percentage limit. Investment in General Electric consists of two separate securities, one of which is secured by the Temporary Liquidity Guarantee Program, a program adopted and guaranteed by the Federal Deposit Insurance Corporation. Separately, these issues are within the 5% limit. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

k. Interest Rate Risk

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

As of June 30, 2010, the City had the following investments and original maturities:

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 3: Cash and Investments (Continued)

	Remaining Investment Maturities				Fair Value
	6 months or less	6 months to 1 year	1 to 3 years	More than 3 years	
Pooled Investments:					
Local Government Fund	\$ 27,595,286	\$ -	\$ -	\$ -	\$ 27,595,286
US Treasury and agency notes	1,000,590	-	8,055,460	9,519,090	18,575,140
Medium-term notes	-	3,027,315	5,218,910	-	8,246,225
	<u>\$ 28,595,876</u>	<u>\$ 3,027,315</u>	<u>\$ 13,274,370</u>	<u>\$ 9,519,090</u>	<u>54,416,651</u>
Investment with Fiscal Agents:					
Police & Fire Certificates of Participation					\$ 1,092,219
Utility Undergrounding					1,376,547
Metlox certificates of participation					1,156,921
Marine certificates of participation					40,148
Police & Fire pension bonds					168,355
Water/wastewater revenue bonds					1,051,214
SBRPCA revenue bonds					342,746
					<u>5,228,150</u>
Demand deposits					704,866
Other deposits					7,522
Petty cash					1,998
					<u>714,386</u>
Other Funds and Deposits:					
401(a) employee plan					<u>1,519,356</u>
					<u>1,519,356</u>
Grand Total					<u>\$ 61,878,543</u>

Note 4: Interfund Transactions

Interfund Transfers

With City Council approval, resources may be transferred from one fund to another. Transfers between individual funds during the fiscal year ended June 30, 2010, are presented below:

Transfers Out	Transfers In				Transfers In Totals
	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Parking Fund	
General Fund	\$ -	\$ 6,850	\$ 198,879	\$ 24,000	\$ 229,729
Capital Improvement Fund	15,700	-	-	-	15,700
Nonmajor Governmental Funds	-	-	44,029	-	44,029
Nonmajor Proprietary Funds	158,753	-	-	-	158,753
Transfers Out Totals	<u>\$ 174,453</u>	<u>\$ 6,850</u>	<u>\$ 242,908</u>	<u>\$ 24,000</u>	<u>\$ 448,211</u>

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 4: Interfund Transactions (Continued)

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

- The County Parking Lot fund transferred \$158,753 to the General Fund for recreation purposes.
- The General Fund transferred \$173,993 to the Street Lighting Fund to relieve a deficit fund balance.
- The General Fund transferred \$24,000 to the Parking Fund for parking structure signs.
- The General Fund transferred \$24,886 to the Grants Fund for the General Fund share of grant expenditures.
- The Measure R Fund transferred 44,029 to the Prop A Fund to relieve a deficit.
- The Capital Improvement Fund transferred \$15,700 to the General Fund for park maintenance.
- The General Fund transferred \$6,850 to Capital Improvement Fund for park improvements.

Due To/From Other Funds

	Due To Other Funds
	Federal and State Grants Fund
<u>Due From Other Funds</u>	
General Fund	\$ 554,969

The amount due to the General Fund consists of the elimination of a cash deficit in the Federal and State Grants Fund for grant funds not yet received.

Advances to Other Funds

	Advance to Other Funds
	Capital Improvement Fund
<u>Advances From Other Funds</u>	
Parking Fund	\$ 250,000

The advance is a loan from the Capital Improvement Fund to the Parking Fund for the purchase of parking meters.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 5: Capital Assets and Depreciation

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Assets. The City elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructure reporting, whereby depreciation expense and accumulated depreciation have been recorded. The following table presents the capital assets activity for the year ended June 30, 2010:

	Beginning Balance July 1, 2009	Increases additions	Decreases (deletions)	Transfers	Ending Balance June 30, 2010
Governmental Activities:					
Land	\$ 33,634,566	\$ -	\$ -	\$ -	\$ 33,634,566
Construction-in-progress					
Street / Roadways	1,931,376	1,811,705	-	(2,360,637)	1,382,444
Buildings	-	93,866	-	-	93,866
Total Capital Assets, Not Being Depreciated	35,565,942	1,905,571	-	(2,360,637)	35,110,876
Buildings and Structures	43,215,780	-	-	-	43,215,780
Machinery and Equipment	6,174,653	70,611	(14,486)	-	6,230,778
Vehicles	7,364,816	113,763	(142,061)	-	7,336,518
Infrastructure	-	-	-	-	-
Street / Roadways	46,815,041	-	-	2,360,637	49,175,678
Parks and Recreation	13,397,369	-	-	-	13,397,369
Investment in Joint Venture (RCC)	2,458,510	85,053	(31,841)	-	2,511,722
Total Capital Assets, Being Depreciated	119,426,169	269,427	(188,388)	2,360,637	121,867,845
Buildings and Structures	(4,344,013)	(862,060)	-	-	(5,206,073)
Machinery & equipment	(3,917,788)	(440,755)	12,553	-	(4,345,990)
Vehicles	(4,065,749)	(722,528)	137,619	-	(4,650,658)
Infrastructure					
Street / Roadways	(20,182,656)	(1,419,285)	-	-	(21,601,941)
Parks and Recreation	(3,950,842)	(238,944)	-	-	(4,189,786)
Investment in Joint Venture	(631,152)	(115,262)	31,643	-	(714,771)
Total Accumulated Depreciation	(37,092,200)	(3,798,834)	181,815	-	(40,709,219)
Total Capital Assets, Being Depreciated, Net	82,333,969	(3,529,407)	(6,573)	2,360,637	81,158,626
Governmental Activities Capital Assets, Net	\$ 117,899,911	\$ (1,623,836)	\$ (6,573)	\$ -	\$ 116,269,502

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 5: Capital Assets and Depreciation (Continued)

	Beginning Balance July 1, 2009	Increases additions	Decreases (deletions)	Transfers	Ending Balance June 30, 2010
Business-Type Activities:					
Capital assets, not being depreciated:					
Land - water	\$ 307,967	\$ -	\$ -	\$ -	\$ 307,967
Land - storm water	7,650	-	-	-	7,650
Land - parking	1,441,817	-	-	-	1,441,817
Construction-in-progress	378,434	1,027,142	-	(702,189)	703,387
Total Capital Assets, Not Being Depreciated	2,135,868	1,027,142	-	(702,189)	2,460,821
Capital assets, being depreciated:					
Buildings and structures - parking	16,966,508	-	-	9,885	16,976,393
Machinery and equipment - parking	805,530	-	-	-	805,530
Water	22,016,394	-	-	42,012	22,058,406
Storm water	6,871,403	-	-	-	6,871,403
Wastewater	10,011,738	-	-	650,292	10,662,030
Total Capital Assets, Being Depreciated	56,671,573	-	-	702,189	57,373,762
Less Accumulated Depreciation:					
Buildings and structures - parking	(807,331)	(185,296)	-	-	(992,627)
Machinery and equipment - parking	(480,566)	(29,643)	-	-	(510,209)
Water	(8,971,284)	(385,087)	-	-	(9,356,371)
Storm water	(2,925,718)	(153,637)	-	-	(3,079,355)
Wastewater	(5,029,938)	(151,292)	-	-	(5,181,230)
Total Accumulated Depreciation	(18,214,837)	(904,955)	-	-	(19,119,792)
Total Capital Assets, Being Depreciated, Net	38,456,736	(904,955)	-	702,189	38,253,970
Business-Type Activities Capital Assets, Net	\$ 40,592,604	\$ 122,187	\$ -	\$ -	\$ 40,714,791

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

Governmental Activities:	
General government	\$ 176,817
Public safety	1,596,806
Public works	1,746,280
Culture and recreation	278,931
Total Depreciation Expense - Governmental Activities	\$ 3,798,834
Business-Type Activities:	
Water	\$ 385,087
Storm water	153,637
Wastewater	151,292
Parking	214,939
Total Depreciation Expense - Business-Type Activities	\$ 904,955

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Note 6: Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2010:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010	Due in One Year
Governmental Activities:					
Long-term Debt:					
Capital Lease	\$ 215,949	\$ -	\$ (180,142)	\$ 35,807	\$ 35,807
Marine Ave Park COP	8,165,000	-	(220,000)	7,945,000	230,000
Police Fire COP	12,245,000	-	(255,000)	11,990,000	265,000
2001 South Bay Revenue Bond	1,670,000	-	(85,000)	1,585,000	90,000
Pension Obligation Bonds	5,400,000	-	(765,000)	4,635,000	840,000
Other:					
Supplemental Leave Allowance	15,879	404	-	16,283	-
Compensated Absences	2,472,748	2,149,005	(2,087,975)	2,533,778	473,643
Workers Compensation Claims	6,143,650	2,050,147	(1,894,817)	6,298,980	4,104,067
General Liability Claims	1,344,830	458,715	(1,313,566)	489,979	261,711
Total Governmental	\$ 37,673,056	\$ 4,658,271	\$ (6,801,500)	35,529,827	\$ 6,300,228
		Unamortized premium		147,434	
				\$ 35,677,261	
Business-Type Activities:					
Long-term Debt:					
Water Fund COP	\$ 2,416,246	\$ -	\$ (77,086)	\$ 2,339,160	\$ 80,430
Wastewater Fund COP	1,188,754	-	(37,914)	1,150,840	39,570
Metlox Parking COP	12,020,000	-	(285,000)	11,735,000	300,000
Other long term liabilities:					
Compensated Absences	99,836	8,060	-	107,896	24,083
Total Business Type	\$ 15,724,836	\$ 8,060	\$ (400,000)	\$ 15,332,896	\$ 444,083

a. Capital Lease: Fire & Sewer Vacuum Truck

During the 2005-2006 fiscal year, the City entered into two capital leases to procure a new Fire Truck and Sewer Vacuum Truck. Both leases are for a five year term and carry a rate of 3.5%. The Fire Truck was capitalized at a value of \$563,815 and services the City's safety function. The Sewer Vacuum Truck was valued at \$286,666 and services the City's Wastewater enterprise operation. Both vehicles were authorized for purchase in the FY 2005-2006 budget.

Annual debt service requirements to maturity for both capital leases are as follows:

Fiscal Year Ending June 30,	Fire Truck			Sewer Truck		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 20,319	\$ 87	\$ 20,406	\$ 15,488	\$ 89	\$ 15,577
Total	<u>\$ 20,319</u>	<u>\$ 87</u>	<u>\$ 20,406</u>	<u>\$ 15,488</u>	<u>\$ 89</u>	<u>\$ 15,577</u>

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 6: Long-Term Liabilities (Continued)

b. Marine Avenue Certificates of Participation

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 230,000	\$ 318,255	\$ 548,255
2012	235,000	309,226	544,226
2013	245,000	298,384	543,384
2014	255,000	288,484	543,484
2015	265,000	277,758	542,758
2016-2020	1,460,000	1,216,406	2,676,406
2021-2025	1,745,000	885,885	2,630,885
2026-2030	2,075,000	493,672	2,568,672
2031-2033	1,435,000	76,915	1,511,915
Total	<u>\$ 7,945,000</u>	<u>\$ 4,164,985</u>	<u>\$ 12,109,985</u>

c. Police and Fire Facility Certificates of Participation

The City of Manhattan Beach issued \$12,980,000 of fixed rate Certificates of Participation (COP) to fund the construction of a new integrated Police and Fire safety facility, fund reserve requirements, and pay related issuance costs. The facility is located on the Civic Center campus, includes approximately 350 subterranean parking spaces, and was substantially completed in fiscal year 2005-2006. The COP's were issued on November 4, 2004. The certificates bear interest at 2% to 5% and mature through 2036. The COP's final series mature on January 1, 2036.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 6: Long-Term Liabilities (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 265,000	\$ 550,288	\$ 815,288
2012	275,000	541,675	816,675
2013	285,000	532,050	817,050
2014	295,000	522,075	817,075
2015	305,000	511,381	816,381
2016-2020	1,705,000	2,368,919	4,073,919
2021-2025	2,090,000	1,985,650	4,075,650
2026-2030	2,630,000	1,442,500	4,072,500
2031--2035	3,365,000	714,750	4,079,750
2036-2036	775,000	38,750	813,750
Total	<u>\$ 11,990,000</u>	<u>\$ 9,208,038</u>	<u>\$ 21,198,038</u>

d. 2001 South Bay Regional Public Communications Authority Revenue Bonds

On January 16, 2001, the City issued \$2,180,000 in South Bay Regional Public Communications Authority Variable Rate Demand Revenue Bonds, 2001 Series C, for the purpose of financing a portion of the costs of the project for use, in part, by the City, pay capitalized interest on the Series C Bonds through May 1, 2002, fund a reserve account for the Series C Bonds, and pay certain costs of issuance of the Series C Bonds. The bonds mature annually each January 1, 2003 to 2031.

The annual requirements to amortize the 2001 South Bay Regional Public Communications Authority Revenue Bonds outstanding at June 30, 2010, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 90,000	\$ 63,403	\$ 153,403
2012	50,000	60,392	110,392
2013	50,000	58,152	108,152
2014	50,000	56,207	106,207
2015	55,000	54,083	109,083
2016-2020	310,000	234,775	544,775
2021-2025	390,000	163,474	553,474
2026-2030	480,000	75,252	555,252
2031	110,000	2,729	112,729
Total	<u>\$ 1,585,000</u>	<u>\$ 768,467</u>	<u>\$ 2,353,467</u>

e. 2007 Pension Obligation Bonds

On March 14, 2007, the City issued \$6,800,000 in Taxable Pension Obligation Bonds, 2007, for the purpose of liquidating Police and Fire side fund accrued actuarial liabilities due California Public Employees' Retirement System (See Note 9 Mandatory Police and Fire Risk Pooling). The bonds mature annually in amounts ranging from \$695,000 to \$1,095,000, bearing interest at 5.011%.

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Note 6: Long-Term Liabilities (Continued)

The annual requirements to amortize the 2007 Taxable Pension Obligation Bonds outstanding at June 30, 2010, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	840,000	211,214	1,051,214
2012	925,000	166,992	1,091,992
2013	1,010,000	118,510	1,128,510
2014	1,095,000	65,769	1,160,769
2015	765,000	19,168	784,168
Totals	<u>\$ 4,635,000</u>	<u>\$ 581,653</u>	<u>\$ 5,216,653</u>

f. Compensated Absences

At June 30, 2010, the total citywide accrued liability for compensated absences amounted to \$2,641,674 which is comprised of \$2,229,920 and \$411,754 of vested vacation and sick leave, respectively. \$2,533,778 of this compensated leave liability is related to general government services with the remaining \$107,896 related to business type activities. The governmental activities liability is generally liquidated by the General Fund and the business type activities liabilities are liquidated by the corresponding proprietary funds.

g. Workers' Compensation Claims

As of June 30, 2010, reserves for open workers compensation claims have been established in accordance with analysis by a third party claims administrator. The value of these claims is \$4,104,067. In addition, reserves of \$2,194,913 have been set aside for incurred but not reported claims. Total reserves are \$6,298,980.

h. General Liability Claims

As of June 30, 2010, reserves for open general liability claims have been established in accordance with an analysis by a third party claims administrator. The value of these claims is \$261,711. In addition, reserves of \$228,268 have set aside for incurred but not reported claims. Total reserves are \$489,979.

i. Water and Wastewater Certificates of Participation

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

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 6: Long-Term Liabilities (Continued)

The following schedule illustrates the debt service requirements to maturity for bonds outstanding as of June 30, 2010:

Fiscal Year Ending June 30,	Water			Wastewater		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 80,430	\$ 131,992	\$ 212,422	\$ 39,570	\$ 64,938	\$ 104,508
2012	87,131	127,370	214,501	42,868	62,664	105,532
2013	90,483	122,375	212,858	44,516	60,206	104,722
2014	97,186	117,096	214,282	47,815	57,610	105,425
2015	103,887	111,441	215,328	51,112	54,827	105,939
2016-2020	623,329	457,853	1,081,182	306,671	225,256	531,927
2021-2025	841,160	248,662	1,089,822	413,840	122,338	536,178
2026-2027	415,554	24,491	440,045	204,448	12,049	216,497
Total	<u>\$ 2,339,160</u>	<u>\$ 1,341,280</u>	<u>\$ 3,680,440</u>	<u>\$ 1,150,840</u>	<u>\$ 659,888</u>	<u>\$ 1,810,728</u>

j. Metlox Certificate of Participation

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

As of June 30, 2010, annual debt service requirements to maturity for the Metlox Parking Facility (COP) are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 300,000	\$ 555,809	\$ 855,809
2012	310,000	544,559	854,559
2013	325,000	532,159	857,159
2014	335,000	519,159	854,159
2015	350,000	505,759	855,759
2015-2019	1,995,000	2,291,778	4,286,778
2020-2024	2,520,000	1,783,213	4,303,213
2025-2029	3,235,000	1,092,250	4,327,250
2030-2033	2,365,000	240,500	2,605,500
Total	<u>\$ 11,735,000</u>	<u>\$ 8,065,186</u>	<u>\$ 19,800,186</u>

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 7: Non-City Obligation

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

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

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

Note 8: Classification of Fund Balance and Enterprise Fund Net Assets

The City's governmental funds reserves and designations at June 30, 2010, are presented below:

	General Fund	Capital Improvement Fund	Gas Tax Fund	Other Governmental Funds	Total Governmental Funds
Total Fund Equity	\$ 18,245,833	\$ 5,507,813	\$ 2,616,100	\$ 4,460,690	\$ 30,830,436
Reserved:					
Encumbrances	199,708	-	-	109,490	309,198
Prepays	14,230	-	-	-	14,230
Notes & Loans	-	34,362	-	-	34,362
Advances to Other Funds	-	250,000	-	-	250,000
Debt Service	1,143,587	817,075	-	-	1,960,662
Continuing capital projects	-	2,906,170	1,352,030	2,497,197	6,755,397
Total Reserved	1,357,525	4,007,607	1,352,030	2,606,687	9,323,849
Unreserved	16,888,308	1,500,206	1,264,070	1,854,003	21,506,587
Designated:					
Financial policy	10,182,239	-	-	-	10,182,239
Economic uncertainty	4,000,000	-	-	-	4,000,000
Loan Program	-	115,638	-	-	115,638
Total Designated	14,182,239	115,638	-	-	14,297,877
Undesignated	\$ 2,706,069	\$ 1,384,568	\$ 1,264,070	\$ 1,854,003	\$ 7,208,710

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 8: Classification of Fund Balance and Enterprise Fund Net Assets (Continued)

The City's Enterprise Fund restrictions and City Council designations at June 30, 2010, are presented below:

	Water Fund	Waste Water Fund	Parking Fund	Refuse Fund	Nonmajor Enterprise Funds
Total Net Assets	\$ 17,709,518	\$ 5,430,012	\$ 8,184,730	\$ 763,517	\$ 7,512,549
Restricted:					
Debt service	229,906	112,840	879,017	-	-
BID	-	-	508,617	-	-
Total Restricted	229,906	112,840	1,387,634	-	-
Investment in Net Capital Assets	11,374,219	4,329,969	5,985,903	-	3,799,700
Unrestricted	6,105,393	987,203	811,193	763,517	3,712,849
Designations:					
Continuing CIPs	1,452,498	370,998	239,905	-	802,682
Financial policy	3,040,190	439,085	-	-	110,899
Total Designated	4,492,688	810,083	239,905	-	913,581
After Designations	\$ 1,612,705	\$ 177,120	\$ 571,288	\$ 763,517	\$ 2,799,268

Note 9: Retirement Plans and Other Post Employment Benefits

a. California Public Employees Retirement System

CALPERS

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. California Public Employees Retirement System (PERS) acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by state statutes within the Public Employees' Retirement Law. The City of Manhattan Beach selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through local ordinance or resolution. PERS issues a separate comprehensive annual financial report. Copies of the PERS's annual financial report may be obtained from the PERS Executive Office - 400 P Street, Sacramento, California 95814.

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

Miscellaneous Employees Plan

Plan Description

The City of Manhattan Beach Miscellaneous Plan is an agent multiple employer defined benefit plan.

Plan Benefits

Standard Service Retirement

The basic benefit formula is number of years of service times single highest year compensation times 2% @ age 55 increasing to 2.418% @ age 63. The retiree may elect to modify the basic benefit. However all benefits are actuarially equivalent.

Funding Policy

Active plan members in the Miscellaneous Plans are required to contribute 7% of their annual covered salary. The City of Manhattan Beach is required to contribute the actuarially determined additional percentage of payroll 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 miscellaneous employees. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The Annual Valuation Report as of June 30, 2007, determined the required employer contribution rate for fiscal year 2009-2010 to be 7.343% for miscellaneous employees. The contribution requirements of the plan members are established by state statute, and the employer contribution rate is established and adjusted in accordance with actuarial assumptions, investment performance, benefits and demographics.

Assumptions

A summary of principal assumptions and methods used to determine the ARC is as follows for the agent multiple employer plan.

Valuation Date	June 30, 2007
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	32 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective.

The plans' actuarial value (which differs from fair value) and funding progress over the past three years are set forth below at their actuarial valuation date of June 30. The following schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Net Pension Obligation at the beginning of the fiscal year was \$0. Actual contributions were equal to the annual required contributions resulting in a Net Pension Obligation of \$0 at the end of the fiscal year.

Schedule of Funding Progress for PERS
 Miscellaneous Plan
 Most Recent Available

Valuation Date	Entry Age Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio		Annual Covered Payroll	Unfunded Liability as % of Payroll
				(AV/AL)	Market Value		
6/30/2007	\$ 49,949,997	\$ 50,183,704	\$ (233,707)	100.5%	115.9%	\$ 10,769,106	-2.2%
6/30/2008	54,106,445	53,970,770	135,675	99.7%	101.3%	11,537,732	1.2%
6/30/2009	60,196,409	56,968,601	3,227,808	94.6%	69.10%	11,565,779	27.9%

Annual Pension Cost and Net Pension Obligation Miscellaneous Plan

The City of Manhattan Beach annual pension cost and change in net pension obligation in fiscal year ending June 30, 2010, was as follows:

Three-Year Trend Information for PERS Miscellaneous Plan			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	\$ 832,511	100%	\$ -
6/30/2009	865,919	100%	-
6/30/2010	907,739	100%	-

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

Safety Employees Plan – Pooled Participation

Plan Description.

The Safety Plan is a cost sharing multiple employer public employee defined benefit pension plan and consists of respective pools for Sworn Police and Sworn Fire employees

Plan Benefits.

Standard Service Retirement.

Police - The basic benefit formula is number of years of service times single highest year compensation times 3% @ age 50 and up.

Fire - The basic benefit formula is number of years of service times single highest year compensation times 3% @ age 55 and up.

The retiree may elect to modify the basic benefit. However all benefits are actuarially equivalent.

Mandatory Police & Fire Risk Pooling

The City of Manhattan Beach Police and Fire retirement plans participate in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups thereby reducing potential rate fluctuations that are incurred by small populations. Mandated participation in risk pools began in fiscal year 2005-2006 for plans with less than 100 active members based on the active membership of each rate plan as of June 30, 2003. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The difference between the normal cost of each of the safety plans (based on final stand alone evaluation) and that of the pool is phased out over a five year period. The difference is charged in full in the first year, 80% in the second year and so on until the difference is phased out after fiscal 2009-2010. Initially, the final stand alone normal costs for both safety plans were greater than that of the pool, In addition, each group is charged for class 1 benefits. a) one year final compensation and b) post retirement survivor continuance.

At the time that the City joined the risk pool, existing unfunded liabilities for both plans were transferred to the PERS "Side Fund". In March 2007, the City issued taxable pension bonds to pay off the side fund. The City will realize cost savings since the effective interest rate of the bonds is substantially lower than the amortization at an imputed interest rate of 7.75%. Debt service requirements for these pension bonds are presented in footnote 6e.

Funding Policy

Active plan members in the Safety Plan are required to contribute 9% of their annual covered salary. The City of Manhattan Beach is required to contribute the actuarially

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

determined additional percentage 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 employees. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The Annual Valuation Report as of June 30, 2007, determined the required employer contribution rate for fiscal year 2009-2010 was, 20.662%, and 18.268% for police and fire sworn employees, respectively. These rates are comparable to those of fiscal 2008-2009 (21.189% and 18.215%) which initially were 33.511% and 28.554% respectively. There was a substantial reduction in rates in fiscal 2007-2008 is due to the payoff, in March 2007, of the then existing side funds. The side funds were the remaining unamortized accrued liabilities that existed prior to transfer into a pool. (See following Mandatory Police & Fire Risk Pooling) The contribution requirements of the plan members are established by state statute, and the employer contribution rate is established and adjusted in accordance with actuarial assumptions, investment performance, benefits and demographics

Pool assumptions (Both Police and Fire Safety)

A summary of principal assumptions and methods used to determine the ARC is shown below for cost-sharing multiple-employer defined benefit plan

Valuation Date	June 30, 2007
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	16 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases and type of employment	3.25% to 14.45% depending on Age, Service,
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

Changes in the liability due to plan amendments, actuarial assumptions or methods are amortized separately as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the pool's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

The methods and assumptions of the pooled plan and the miscellaneous plan are identical except for the average remaining period of the pool which includes amortization of the side fund noted above.

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

Annual Pension Cost and Net Pension Obligation Police Plan

The City of Manhattan Beach police plan annual pension cost and change in net pension obligation in fiscal year ending June 30, 2010, was as follows:

<u>Fiscal Year</u>	<u>Annual pension cost</u>	<u>Percent of APC contributed</u>	<u>Net Pension Obligation</u>
6/30/2008	\$ 1,702,272	74.79%	\$ (2,138,524)
6/30/2009	1,936,777	74.59%	(4,048,899)
6/30/2010	2,088,028	73.16%	(3,488,507)

	<u>Police</u>
Annual required contributions (ARC)	\$ 1,527,636
Interest on net pension obligation	(285,337)
Amortization of net pension obligation	845,729
Annual pension cost	2,088,028
Actual contributions made in fiscal year	<u>1,527,636</u>
Increase (Decrease) in NPO	560,392
NPO at Beginning of Year	<u>(4,048,899)</u>
NPO at End of Year	<u>\$ (3,488,507)</u>

Annual Pension Cost and Net Pension Obligation Fire Plan

The City of Manhattan Beach fire plan annual pension cost and change in net pension obligation in fiscal year ending June 30, 2010, was as follows:

<u>Fiscal Year</u>	<u>Annual pension cost</u>	<u>Percent of APC contributed</u>	<u>Net Pension Obligation</u>
6/30/2008	\$ 987,941	74.79%	\$ (2,138,524)
6/30/2009	1,012,810	71.79%	(1,852,820)
6/30/2010	1,087,895	70.18%	(1,527,953)

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

	<u>Fire</u>
Annual required contributions (ARC)	\$ 764,528
Interest on net pension obligation (NPO)	(128,489)
Amortization of net pension obligation	<u>453,356</u>
Annual pension cost	1,089,395
Actual contributions made in fiscal year	<u>764,528</u>
Increase (Decrease) in NPO	324,867
NPO at Beginning of Year	<u>(1,852,820)</u>
NPO at End of Year	<u>\$ (1,527,953)</u>

The net pension obligation relates to the plan specific to the Sworn Safety employees of the City of Manhattan Beach. The status of the risk pool is a separate matter.

Summary of Annual Pension Payments and Cost

For fiscal year 2009-2010, the City of Manhattan Beach's annual pension payment was \$3,199,903 for the Police, Fire and Miscellaneous Plans combined, and was equal to the City's required contribution. The payments by group are as follows: Miscellaneous - \$907,739 Fire - \$764,528, Police - \$1,527,636. The City also contributed \$1,864,443 for the 2009-2010 fiscal year on behalf of the employees. Employee payments by group are as follows: Miscellaneous - \$827,366, Fire - \$378,583, Police - \$658,464 The City's payroll for employees covered by the plans for the year ended June 30, 2010, was \$23,342,259 The total payroll for the year was \$27,082,251.

b. City Funded Pension Plans

1. Supplemental Retirement Plan

The Supplemental Retirement Plan is a single-employer defined benefit pension plan that covers Police, Fire and Management/Confidential employees who retired prior to January 1995. The plan provides the employee the difference between the benefit provided by the California Public Employees Retirement System (PERS) calculated under the life annuity option and the PERS benefit had the City adopted the Police Officers' Standards and Training (POST) widows and orphans salary continuation plan. The plan states, "The City shall pay each retiring officer, sergeant, lieutenant, firefighter and management employee upon retirement, a monthly amount which would make up the difference for that option of which the officer will receive from PERS under Government Code Section 21330 through 21335 and what only the officer would have received while alive had the City adopted the Police Officers' Standards and Training (POST) widows and orphans salary continuation plan. The payment shall be made to the officer only while the officer is alive and will cease upon death. Upon retirement, the right to their payment shall be regarded as a vested pension benefit to the same extent as the individual's retirement allowance." The

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

benefit is payable for the life of the employee. The benefit is subject to a 2% annual cost-of-living increase. This plan is currently dormant as discussed in the next paragraph. The Supplemental Retirement Plan does not have a separate annual financial report.

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

The number of participants covered under the plan as of June 30, 2010, was as follows:

Retirees and beneficiaries receiving benefits	
Management/Confidential	<u>\$ 5</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. The city does not charge an administrative fee to the benefit plan.

Schedules of Funding Progress for Supplemental Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Overfunded) Accrued Liability	Covered Payroll	UAAL as a % of Payroll
6/30/2002	\$ 234,488	\$ 200,915	\$ (33,573)	N/A	N/A
6/30/2003	224,064	200,915	(23,149)	N/A	N/A
6/30/2004	196,711	196,289	(422)	N/A	N/A
6/30/2005	183,066	196,289	13,223	N/A	N/A
6/30/2006	192,805	192,805	-	N/A	N/A
6/30/2007	183,185	192,805	9,620	N/A	N/A
6/30/2008	193,627	189,506	(4,121)	N/A	N/A
6/30/2009	175,571	189,506	13,935	N/A	N/A

Year Ended	Annual Actual Contribution	Percentage Contribution
6/30/2002	N/A	N/A
6/30/2003	N/A	N/A
6/30/2004	N/A	N/A
6/30/2005	N/A	N/A
6/30/2006	N/A	N/A
6/30/2007	N/A	N/A
6/30/2008	N/A	N/A
6/30/2009	N/A	N/A
6/30/2010	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:

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

Valuation Date	June 30, 2010
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	5.0%
Projected salary increases	N/A plan is dormant
Includes inflation at	N/A plan is dormant
Cost-of-living adjustments	2%

2. Single Highest Year Plan

The Single Highest Year Plan is a single-employer defined benefit pension plan of the City of Manhattan Beach. This plan was adopted effective January 1, 1990, covering Management/Confidential Employees and Non-management/Confidential Sworn Police Employees on July 1, 1990, and is for employees who retired prior to May 1993. The plan is known as the City Funded Single Highest Year Plan. The plan pays a retiring employee the difference between the pension payable from PERS and what the PERS pension would be if it were based on the single highest year only. "The payment shall be made to the member only while the member is alive and will cease upon death." Upon retirement, the right to their payment shall be regarded as a vested pension benefit to the same extent as the individual's PERS retirement.

This plan is being accounted for in the Pension Fund. Benefits vest after five years of service. Retirees must qualify for PERS retirement to qualify for the Single Highest Year Plan. The benefit is payable for the life of the employee and is subject to a 2% annual cost of living increase. This plan is currently dormant as discussed in the next paragraph. The Single Highest Year Plan does not issue a separate annual financial report.

The City has ceded the liabilities of active participants in the plan to PERS as of July 1, 1993. The City's remaining obligation is to fund the benefits for those participants who are currently retired. The number of participants covered under the plan as of June 30, 2009, was as follows:

Retirees receiving benefits:	
Management Confidential	\$ 3
Police	4
	<u>\$ 7</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. The city does not charge an administrative fee to the benefit plan.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

Schedules of Funding Progress for Single Highest Year					
(Amounts in Thousands)					
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Overfunded) Accrued Liability	Covered Payroll	UAAL as a % of Payroll
6/30/2002	\$ 602,569	\$ 516,298	\$ (86,271)	N/A	N/A
6/30/2003	582,400	516,298	(66,102)	N/A	N/A
6/30/2004	499,227	498,155	(1,072)	N/A	N/A
6/30/2005	472,367	498,155	25,788	N/A	N/A
6/30/2006	444,497	444,497	-	N/A	N/A
6/30/2007	428,561	444,497	15,936	N/A	N/A
6/30/2008	461,030	432,935	(28,095)	N/A	N/A
6/30/2009	424,128	432,935	8,807	N/A	N/A
6/30/2010	405,545	377,004	(28,541)	N/A	N/A

Year Ended	Annual Actual Contribution	Percentage Contribution
6/30/2001	N/A	N/A
6/30/2002	N/A	N/A
6/30/2003	N/A	N/A
6/30/2004	N/A	N/A
6/30/2005	N/A	N/A
6/30/2006	N/A	N/A
6/30/2007	N/A	N/A
6/30/2008	N/A	N/A
6/30/2009	N/A	N/A
6/30/2010	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, 2010
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	5.0%
Projected salary increases	N/A plan is dormant
Includes inflation at	N/A plan is dormant
Cost-of-living adjustments	2%

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

Statement of Fiduciary Net Assets

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

Statement of Fiduciary Net Assets

	<u>Supplemental</u>	<u>Single Highest Year</u>	<u>Total</u>
Assets			
Cash & Investments	\$ 169,590	\$ 405,545	\$ 575,135
Total Assets	<u>\$ 169,590</u>	<u>\$ 405,545</u>	<u>\$ 575,135</u>
Net Assets			
Held in trust for pension benefits	\$ 169,590	\$ 405,545	\$ 575,135

Statement of Changes in Fiduciary Net Assets

Plan Activity	<u>Supplemental</u>	<u>Single Highest Year</u>	<u>Total</u>
Additions:			
Interest	\$ 12,602	\$ 30,290	\$ 42,892
Total Additions	<u>12,602</u>	<u>30,290</u>	<u>42,892</u>
Deductions:			
Benefits	18,582	48,875	67,457
Total Deductions	<u>18,582</u>	<u>48,875</u>	<u>67,457</u>
Changes in net assets	<u>(5,980)</u>	<u>(18,585)</u>	<u>(24,565)</u>
Net Assets Held in Trust for Pension Benefits:			
Opening balance July 1, 2009	175,571	424,129	599,700
Ending balance June 30, 2010	<u>\$ 169,591</u>	<u>\$ 405,544</u>	<u>\$ 575,135</u>

c. Other Post Retirement Benefits

City of Manhattan Beach Retiree Medical Program

Plan Description:

The City of Manhattan Beach Retiree Medical Program is a Single Employer Plan that provides a fixed stipend to qualifying retirees and a contribution to all retirees enrolled in CalPERS.

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

1. City Post Retirement Medical Plan

In accordance with employee memoranda of understanding, the City provides fixed stipends during retirement. Payments cease at age 65. The plan provides a benefit of \$250 to \$400 per month directly to the employee to be used towards the health insurance premiums. Employees who retire from employment with the City and meet service requirements ranging from 15 to 20 years are eligible. The plan and payment amounts are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreement between the City and the bargaining units. In fiscal year 2010, the City paid \$57,976 to retirees.

The plan does not issue a separate report, but is included in the actuarial report that includes other post retirement benefits (OPEB) per MOU agreements and that mandated by the State of California. All activity is reported within the financial statements of the City of Manhattan Beach.

2. State of California Mandated Contribution to Retirees

The City of Manhattan Beach contracts with CALPERS to participate in the Public Employee Medical and Hospital Care Act (PEMHCA). Under this contract, both active employees and retirees are provided access to health insurance. The City makes a contribution to retirees who elect to purchase insurance through CALPERS. This contribution is mandated by Assembly Bill 2544 and is adjusted annually by CALPERS. For fiscal year 2010, the City contribution paid to CALPERS was \$72,517. Plan members receiving benefits paid \$490,290.

These plans are financed via actuarially determined contributions and deposited into a trust fund managed by CALPERS. CALPERS has dual independent capacities – as a provider of medical plans and as a trustee. In its capacity as a trustee, CALPERS will be referred to as CERBT (California Employees' Retirement Benefit Trust). City payments to employees and CALPERS will be reimbursed by payments from CERBT in fiscal 2011. Therefore the City will be reimbursed for $\$57,976 + \$72,517 = \$130,493$.

3. Funding Policy

The policy of the City Council is to annually budget the actuarially required contributions and to amend the budget if necessary. All contributions are made by the City; there is no employee contribution. Allocation of cost is made based on the MOU benefit corresponding to each position and the number of positions within each fund/program. Payment to the trustee is exactly equal to the total budget for this benefit. Payroll does not drive the allocation and is irrelevant.

4. OPEB Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009, actuarial valuation, the unit credit cost method was used (changed from the entry age normal cost method used in July 1, 2007 valuation). The actuarial assumptions included a 7.75% investment rate of return (net of administrative expenses), which is the actuarial rate of return used by CALPERS for assets in all of their plans, an annual healthcare cost trend rate of 11% as of July 1, 2009, reduced by decrements to an ultimate rate of 5% by 2015, and a fixed population of active participants. The assets are valued at fair value. The Net Pension Obligation is being amortized over a closed ten year period. Gains and losses are being amortized over a thirty year period. The actuarial value of assets is equal to the amount reported by CERBT at June 30, 2009. The number of PEMCHA participants are: active - 253, retired participants - 58. The number of City Plan participants are : active – 253, retired participants – 12.

5. Annual OPEB Cost and Net OPEB Obligation

In the fiscal year ending June 30, 2010, the City conducted an updated actuarial analysis of these two plans in order to be in conformance with GASB 45. The valuation date was July 1, 2009.

The City's annual post employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The initial actuarial evaluation of the OPEB programs occurred in fiscal 2008 with an effective date of June 1, 2007. At fiscal year end (June 30, 2008), the unfunded accrued liability as of June 1, 2007, plus interest in addition to the normal cost was paid to CERBT resulting in a negative NPO of \$(5,310,209) as of June 30, 2008. The NPO is being amortized over a ten year period using an interest rate of 7.75% which is the rate used by PERS in their actuarial calculations. In fiscal year 2009 the ARC was equal to the normal cost of \$269,000 and was the actual amount contributed.

In fiscal year ending June 30, 2010, an updated actuarial valuation was performed as of July 1, 2009. The valuation resulted in a revised normal cost of \$339,000 for fiscal 2009-2010 and a normal cost of \$366,000 for fiscal 2010-2011. In addition there exists as of July 1, 2009, an unfunded liability of \$979,000. The City elected to amortize this unfunded liability over 30 years, - an annual contribution of \$85,000. Total annual required contribution (ARC) for fiscal was \$424,000 (\$339,000+\$85,000) and is equal to the actual contribution made to CERBT

The City's annual OPEB cost, the amount of annual OPEB cost contributed to the plan and the net OPEB obligation for 2009-2010 and the two preceding years were as follows:

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Contribution	Net OPEB Obligation	Percent of OPEB Cost Contributed
6/30/2008	\$ 1,110,241	\$ 6,420,450	\$ (5,310,209)	578.29%
6/30/2009	698,699	269,000	(4,880,510)	38.50%
6/30/2010	887,001	424,000	(4,417,509)	47.80%
Annual required Contributions (ARC)			\$ 424,000	
Interest on net pension obligation (NPO)			(378,240)	
Amortization of pension obligation			<u>841,241</u>	
Annual pension cost			887,001	
Less: Annual contributions made			<u>424,000</u>	
Increase (Decrease) in NPO			463,001	
NPO at beginning of year			<u>(4,880,510)</u>	
NPO at end of year			<u><u>\$ (4,417,509)</u></u>	

6. Funded Status and Funding Programs

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Benefits are projected based on benefit levels as of the date of the valuation and do not explicitly reflect the potential effects of legal or contractual funding limitations. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Actuarial valuations take a long-term perspective that involves the use of techniques designed to reduce volatility.

The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The basis for the actuarial accrued liability is a set of fixed payments for a period subsequent to retirement. These amounts are not related to payroll and therefore the unfunded actuarial accrued liability as percent of payroll has no meaning. The total contribution is fixed for each employee group. Since an actuarial evaluation is required every two years, the same actuarial accrued liability is presented for fiscal years June 30, 2008 and June 30, 2009. The accrued liability and normal contribution as of valuation July 1, 2009, were used for the fiscal year beginning July 1, 2009. There will be a new actuarial report as July 1, 2011 for fiscal year 2011-2012.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 9: Retirement Plans and Other Post Employment Benefits (Continued)

Contributions are held and invested by California Employer's Retiree Benefit Trust (CERBT) which has been established by CALPERS. The value of the City of Manhattan Beach's account as June 30, 2009, was \$4,946,560 which reflects a loss of \$1,473,890 for the fiscal year 2008-2009.

Fiscal Year Ending	Type of Valuation	Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Covered Payroll	UAAAL as a Percent of Covered Payroll	Interest Rate
6/30/2008	Actual	7/1/2007	\$ 5,709,000	\$ -	\$ 5,709,000	0.0%	N/A	N/A	7.75%
6/30/2009	Estimated	7/1/2007	5,709,000	6,420,450	(711,450)	112.5%	N/A	N/A	7.75%
6/30/2010	Actual	7/1/2009	5,926,000	4,946,560	979,440	83.5%	N/A	N/A	7.75%

Covered payroll is not shown because the benefit is not related to the payroll. In order for a covered payroll to have meaning there must be a definition of what constitutes a covered payroll and what the relation of the benefit is to the covered payroll. Neither of these elements exists for this benefit and therefore the covered payroll is indicated as N/A.

Retirement Plan for Part-Time, Seasonal and Temporary Employees

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

The PARS plan is a defined contribution pension plan which is administered by PARS. Benefits and funding requirements are determined by PARS' governing board. All members' earnings are subject to contribution from the employee and the employer. The contribution rate for the employee is 3.75% and for the employer is 3.75% of payroll.

Total payroll for employees covered by this plan for the year was \$1,258,000. The amount of employee contribution was \$47,180, and employer contribution was \$47,180.

Note 10: Risk Management

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

The City is a member of the ICRMA, a public entity risk pool currently operating as a common risk management and insurance program for 22 California cities. The City pays an annual premium to the pool for its excess insurance coverage including property (earthquake, flood and all risk), workers compensation and general liability. The City also purchases a separate earthquake policy for the public safety facility.

For workers compensation, the City is self-insured for the first \$750,000 on each claim with excess coverage up to a limit of \$100,000,000. For general liability, the City is self-insured for the first \$500,000 on each claim against with excess coverage up to a limit of \$20,000,000.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 10: Risk Management (Continued)

The City is insured for property losses with a deductible of \$10,000 all risk (fire and theft) and earthquake loss with a deductible of 5% or \$100,000, whichever is greater.

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, 2010, the amount of these liabilities was \$6,788,959. The amount represents an estimate of \$4,365,778 for reported claims through June 30, 2010, and \$2,423,181 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, 2010, resulted from the following:

Year	Liability Beginning of Year	Claims and Increases in Estimates	Payments and Decreases In Estimates	Liability End of Year
2008	\$ 5,963,069	\$ 4,241,863	\$ (2,460,739)	\$ 7,744,193
2009	7,744,193	4,033,841	(4,289,554)	7,488,480
2010	7,488,480	2,508,862	(3,208,383)	6,788,959

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

The ICRMA has published its own financial report for the year ended June 30, 2010, which can be obtained from Independent Cities Risk Management Authority, 3780 Kilroy Airport Way, Suite 470, Long Beach, California 90806.

Note 11: Joint Ventures and Jointly Governed Organizations

a. Joint Venture

South Bay Regional Public Communications Authority

The City is a member of the South Bay Regional Public Communications Authority (SBRPCA), a joint powers authority of the cities of Manhattan Beach, Gardena and Hawthorne. SBRPCA was formed October 14, 1975, for the purpose of financing a public safety communications system for the member cities. The Governing Board is composed of an elected official of each member city. An executive committee is composed of the city managers of each member city. The City's participation percentage at June 30, 2009, was 22.7%.

Summarized audited financial information for SBRPCA at June 30, 2009*, is presented below:

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

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

Statement of Net Assets

Assets	
Current assets	\$ 4,100,916
Capital assets	7,918,882
Total Assets	<u>12,019,798</u>
Liabilities	
Current liabilities	545,801
Noncurrent liabilities	310,085
Total Liabilities	<u>855,886</u>
Total Net Assets	<u>\$ 11,163,912</u>

Statement of Activities

Operating Revenues	\$ 7,946,492
Operating Expenses	<u>(7,523,979)</u>
Excess of Expenditures Over Revenues	<u>422,513</u>
Non operating revenues (expenses)	105,535
Net Assets - June 30, 2008	<u>10,635,864</u>
Net Assets - June 30, 2009	<u>\$ 11,163,912</u>

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

b. Jointly Governed Organization

Los Angeles Interagency Metropolitan Police Apprehension Crime Task Force

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

Summarized audited financial information for L.A. IMPACT at June 30, 2009*, is presented below:

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

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

Statement of Net Assets

Assets

Current assets	\$ 8,294,162
Capital assets	<u>1,804,559</u>
Total Assets	<u>10,098,721</u>

Liabilities

Current liabilities	921,840
Noncurrent liabilities	<u>543,496</u>

Total liabilities	<u>1,465,336</u>
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Total Net Assets	<u><u>\$ 8,633,385</u></u>
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Statement of Activities

Revenues	\$ 9,174,191
Expenditures	<u>(6,885,472)</u>

Excess of Expenditures Over Revenues	2,288,719
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Net Assets - June 30, 2008	<u>6,344,666</u>
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Net Assets - June 30, 2009	<u><u>\$ 8,633,385</u></u>
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*Most current information available. LA Impact has issued its own separate financial statements, which are available at 5700 S. Eastern Avenue, Commerce, California 90040.

Note 12: Employee 401(a) Plan

The City contributes to a 401(a) plan to its management confidential employees into which employees can make voluntary post-tax contributions. The market value of the plan assets at June 30, 2010, was \$1,519,356.

As of June 30, 2010, the following balances of assets and liabilities were present:

Market Value <u>401(a) Plan</u>
<u>\$ 1,519,356</u>
<u><u>\$ 1,519,356</u></u>

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 13: Commitments and Contingencies

Contingencies

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

Note 14: Fund Balance and Net Assets Restatement

Beginning fund equity has been restated as follows:

Governmental Funds - Special Revenue Funds	
Gas Tax Fund - Beginning net assets as originally stated	\$ 1,950,115
Sidewalk component of street project disallowed per separate audit of Proposition C Funds	<u>(6,589)</u>
Gas Tax Fund - Beginning net assets as restated	<u>\$ 1,943,526</u>
 Governmental Funds - Special Revenue Funds	
Proposition C Fund - Beginning net assets as originally stated	\$ 2,609,490
Sidewalk component of street project disallowed per separate audit of Proposition C Funds	<u>6,589</u>
Proposition C - Beginning net assets as restated	<u>\$ 2,616,079</u>

Note 15: Transactions with the State of California

a. Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Manhattan Beach was \$1,772,483.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 15: Transactions with the State of California (Continued)

property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

b. Delay of State Gas Tax Payments

In March 2010, the State Legislature passed legislation delaying a variety of State payments to local agencies in response to anticipated State cash flow problems in fiscal year 2010-2011. AB5 8x contains provisions to delay a portion (approximately 60%) of the payments of State Gas Tax monies for the first nine months of 2010-2011 (July 2010 through March 2011) to be paid no later than April 28, 2011.



Combining Financial Statements & Schedules

CITY OF MANHATTAN BEACH

JUNE 30, 2010

NONMAJOR FUNDS

Special Revenue Fund Description

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law to expenditures for specified purposes.

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

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

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

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

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

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

Measure R Fund is a half cent sales tax approved by Los Angeles voters to be used for new and existing transportation projects, including local bus operations and local city sponsored transportation improvements. Local cities are allocated 15% of collections on a per capita basis.

The City of Manhattan Beach began receiving Measure R funds in fiscal 2009-2010, and established a separate fund to capture revenues and expenditures. Eligible expenditures are streets and signals, bikeways, pedestrian improvements, and transit service improvements. In fiscal 2009-2010 funds were used finance extended Dial-A-Ride service in Manhattan Beach.

Capital Project Fund Description

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

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

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue Funds			
	Street Lighting and Landscape	Asset Forfeiture	Public Safety Grants	Federal and State Grants
Assets:				
Pooled cash and investments	\$ 33,929	\$ 995,569	\$ 195,816	\$ -
Receivables:				
Accounts	11,125	-	-	-
Due from other governments	-	-	7,548	554,969
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 45,054	\$ 995,569	\$ 203,364	\$ 554,969
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 45,054	\$ 617	\$ 1,090	\$ -
Deferred revenues	-	-	-	68,980
Deposits payable	-	-	-	-
Due to other funds	-	-	-	554,969
Total Liabilities	45,054	617	1,090	623,949
Fund Balances:				
Fund balances:				
Reserved for:				
Encumbrances	2,400	4,971	102,119	-
Continuing projects	-	-	-	-
Unreserved:				
Undesignated	(2,400)	989,981	100,155	(68,980)
Total Fund Balances	-	994,952	202,274	(68,980)
Total Liabilities and Fund Balances	\$ 45,054	\$ 995,569	\$ 203,364	\$ 554,969

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

(Continued)

	Special Revenue Funds			
	Prop A	Prop C	AB 2766	Measure R
Assets:				
Pooled cash and investments	\$ 13,508	\$ 2,873,330	\$ 309,345	\$ 161,420
Receivables:				
Accounts	-	-	-	-
Due from other governments	-	-	11,165	27,819
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 13,508	\$ 2,873,330	\$ 320,510	\$ 189,239
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 13,508	\$ 476,133	\$ -	\$ -
Deferred revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	13,508	476,133	-	-
Fund Balances:				
Fund balances:				
Reserved for:				
Encumbrances	-	-	-	-
Continuing projects	-	2,397,197	100,000	-
Unreserved:				
Undesignated	-	-	220,510	189,239
Total Fund Balances	-	2,397,197	320,510	189,239
Total Liabilities and Fund Balances	\$ 13,508	\$ 2,873,330	\$ 320,510	\$ 189,239

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	<u>Capital Projects Fund Underground Assessment District</u>	<u>Total Governmental Funds</u>
Assets:		
Pooled cash and investments	\$ 36,361	\$ 4,619,278
Receivables:		
Accounts	-	11,125
Due from other governments	-	601,501
Restricted assets:		
Cash and investments with fiscal agents	390,878	390,878
Total Assets	<u>\$ 427,239</u>	<u>\$ 5,622,782</u>
 Liabilities and Fund Balances:		
Liabilities:		
Accounts payable	\$ -	\$ 536,402
Deferred revenues	-	68,980
Deposits payable	1,741	1,741
Due to other funds	-	554,969
Total Liabilities	<u>1,741</u>	<u>1,162,092</u>
 Fund Balances:		
Fund balances:		
Reserved for:		
Encumbrances	-	109,490
Continuing projects	-	2,497,197
Unreserved:		
Undesignated	425,498	1,854,003
Total Fund Balances	<u>425,498</u>	<u>4,460,690</u>
 Total Liabilities and Fund Balances	<u>\$ 427,239</u>	<u>\$ 5,622,782</u>



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CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	Special Revenue Funds			
	Street Lighting and Landscape	Asset Forfeiture	Public Safety Grants	Federal and State Grants
Revenues:				
Taxes and assessments	\$ 377,316	\$ -	\$ -	\$ -
Intergovernmental	-	65,873	100,000	527,429
Charges for services	-	-	-	-
Use of money and property	-	18,590	2,441	-
Miscellaneous	18,445	-	-	-
Total Revenues	395,761	84,463	102,441	527,429
Expenditures:				
Current:				
Public safety	-	47,872	1,092	-
Culture and recreation	-	-	-	-
Public works	569,754	-	-	-
Capital outlay	-	-	-	548,363
Total Expenditures	569,754	47,872	1,092	548,363
Excess (Deficiency) of Revenues Over (Under) Expenditures	(173,993)	36,591	101,349	(20,934)
Other Financing Sources (Uses):				
Transfers in	173,993	-	-	24,886
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	173,993	-	-	24,886
Net Change in Fund Balances	-	36,591	101,349	3,952
Fund Balances, Beginning of Year	-	958,361	100,925	(72,932)
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	-	958,361	100,925	(72,932)
Fund Balances, End of Year	\$ -	\$ 994,952	\$ 202,274	\$ (68,980)

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

(Continued)

	Special Revenue Funds			
	Prop A	Prop C	AB 2766	Measure R
Revenues:				
Taxes and assessments	\$ 464,442	\$ 385,275	\$ -	\$ 231,810
Intergovernmental	-	-	41,575	-
Charges for services	11,530	-	-	-
Use of money and property	451	52,959	5,389	1,458
Miscellaneous	13,802	-	-	-
Total Revenues	490,225	438,234	46,964	233,268
Expenditures:				
Current:				
Public safety	-	-	-	-
Culture and recreation	709,923	-	-	-
Public works	8,490	4,933	-	-
Capital outlay	-	652,183	-	-
Total Expenditures	718,413	657,116	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(228,188)	(218,882)	46,964	233,268
Other Financing Sources (Uses):				
Transfers in	44,029	-	-	-
Transfers out	-	-	-	(44,029)
Total Other Financing Sources (Uses)	44,029	-	-	(44,029)
Net Change in Fund Balances	(184,159)	(218,882)	46,964	189,239
Fund Balances, Beginning of Year	184,159	2,609,490	273,546	-
Restatements	-	6,589	-	-
Fund Balances, Beginning of Year, as Restated	184,159	2,616,079	273,546	-
Fund Balances, End of Year	\$ -	\$ 2,397,197	\$ 320,510	\$ 189,239

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Capital Projects Fund</u>	
	<u>Underground Assessment District</u>	<u>Total Governmental Funds</u>
Revenues:		
Taxes and assessments	\$ -	\$ 1,458,843
Intergovernmental	-	734,877
Charges for services	-	11,530
Use of money and property	818	82,106
Miscellaneous	-	32,247
Total Revenues	818	2,319,603
Expenditures:		
Current:		
Public safety	-	48,964
Culture and recreation	-	709,923
Public works	390	583,567
Capital outlay	-	1,200,546
Total Expenditures	390	2,543,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	428	(223,397)
Other Financing Sources (Uses):		
Transfers in	-	242,908
Transfers out	-	(44,029)
Total Other Financing Sources (Uses)	-	198,879
Net Change in Fund Balances	428	(24,518)
Fund Balances, Beginning of Year	425,070	4,478,619
Restatements	-	6,589
Fund Balances, Beginning of Year, as Restated	425,070	4,485,208
Fund Balances, End of Year	\$ 425,498	\$ 4,460,690

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE
STREET LIGHTING AND LANDSCAPE
YEAR ENDED JUNE 30, 2010**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Taxes and assessments	376,000	376,000	377,316	1,316
Miscellaneous	18,445	18,445	18,445	-
Transfers in	170,896	170,896	173,993	3,097
Amounts Available for Appropriation	565,341	565,341	569,754	4,413
Charges to Appropriation (Outflow):				
Public works	565,341	569,973	569,754	219
Total Charges to Appropriations	565,341	569,973	569,754	219
Budgetary Fund Balance, June 30	\$ -	\$ (4,632)	\$ -	\$ 4,632

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE
ASSET FORFEITURE
YEAR ENDED JUNE 30, 2010**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 958,361	\$ 958,361	\$ 958,361	\$ -
Resources (Inflows):				
Intergovernmental	-	-	65,873	65,873
Use of money and property	12,643	12,643	18,590	5,947
Amounts Available for Appropriation	971,004	971,004	1,042,824	71,820
Charges to Appropriation (Outflow):				
Public safety	47,661	47,661	47,872	(211)
Total Charges to Appropriations	47,661	47,661	47,872	(211)
Budgetary Fund Balance, June 30	\$ 923,343	\$ 923,343	\$ 994,952	\$ 71,609

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY GRANTS
YEAR ENDED JUNE 30, 2010**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 100,925	\$ 100,925	\$ 100,925	\$ -
Resources (Inflows):				
Intergovernmental	-	100,000	100,000	-
Use of money and property	1,931	1,931	2,441	510
Amounts Available for Appropriation	102,856	202,856	203,366	510
Charges to Appropriation (Outflow):				
Public safety	-	103,000	1,092	101,908
Total Charges to Appropriations	-	103,000	1,092	101,908
Budgetary Fund Balance, June 30	\$ 102,856	\$ 99,856	\$ 202,274	\$ 102,418

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE
FEDERAL AND STATE GRANTS
YEAR ENDED JUNE 30, 2010**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (72,932)	\$ (72,932)	\$ (72,932)	\$ -
Resources (Inflows):				
Intergovernmental	2,674,000	2,674,000	527,429	(2,146,571)
Transfers in	-	-	24,886	24,886
Amounts Available for Appropriation	2,601,068	2,601,068	479,383	(2,121,685)
Charges to Appropriation (Outflow):				
Capital outlay	2,674,000	3,903,318	548,363	3,354,955
Total Charges to Appropriations	2,674,000	3,903,318	548,363	3,354,955
Budgetary Fund Balance, June 30	\$ (72,932)	\$ (1,302,250)	\$ (68,980)	\$ 1,233,270

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE
PROPOSITION A
YEAR ENDED JUNE 30, 2010**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 184,159	\$ 184,159	\$ 184,159	\$ -
Resources (Inflows):				
Taxes and assessments	520,000	520,000	464,442	(55,558)
Charges for services	8,500	8,500	11,530	3,030
Use of money and property	2,861	2,861	451	(2,410)
Miscellaneous	-	-	13,802	13,802
Transfers in	-	-	44,029	44,029
Amounts Available for Appropriation	715,520	715,520	718,413	2,893
Charges to Appropriation (Outflow):				
Culture and recreation	627,597	663,707	709,923	(46,216)
Public works	25,000	25,000	8,490	16,510
Total Charges to Appropriations	652,597	688,707	718,413	(29,706)
Budgetary Fund Balance, June 30	\$ 62,923	\$ 26,813	\$ -	\$ (26,813)

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION C
 YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$2,616,079	\$ 2,616,079	\$ 2,616,079	\$ -
Resources (Inflows):				
Taxes and assessments	440,000	440,000	385,275	(54,725)
Use of money and property	39,590	39,590	52,959	13,369
Amounts Available for Appropriation	3,095,669	3,095,669	3,054,313	(41,356)
Charges to Appropriation (Outflow):				
Public works	5,340	5,340	4,933	407
Capital outlay	710,000	1,625,785	652,183	973,602
Total Charges to Appropriations	715,340	1,631,125	657,116	974,009
Budgetary Fund Balance, June 30	\$ 2,380,329	\$ 1,464,544	\$ 2,397,197	\$ 932,653

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE

AB 2766

YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 273,546	\$ 273,546	\$ 273,546	\$ -
Resources (Inflows):				
Intergovernmental	44,000	44,000	41,575	(2,425)
Use of money and property	3,827	3,827	5,389	1,562
Amounts Available for Appropriation	321,373	321,373	320,510	(863)
Charges to Appropriation (Outflow):				
Public works	2,000	2,000	-	2,000
Capital outlay	100,000	100,000	-	100,000
Total Charges to Appropriations	102,000	102,000	-	102,000
Budgetary Fund Balance, June 30	\$ 219,373	\$ 219,373	\$ 320,510	\$ 101,137

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT
YEAR ENDED JUNE 30, 2010**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,353,818	\$ 5,353,818	\$ 5,353,818	\$ -
Resources (Inflows):				
Taxes	510,000	510,000	467,906	(42,094)
Licenses and permits	40,000	40,000	3,634	(36,366)
Intergovernmental	-	735,934	-	(735,934)
Charges for services	430,000	430,000	444,885	14,885
Use of money and property	22,200	22,200	38,635	16,435
Fines and forfeitures	137,000	137,000	112,896	(24,104)
Transfers in	-	6,850	6,850	-
Amounts Available for Appropriation	6,493,018	7,235,802	6,428,624	(807,178)
Charges to Appropriation (Outflow):				
Public safety	-	-	6,029	(6,029)
Culture and recreation	-	355,000	-	355,000
Public works	1,215,000	2,578,750	73,960	2,504,790
Capital outlay	30,000	30,000	16,009	13,991
Debt service:				
Principal retirement	255,000	255,000	255,000	-
Interest and fiscal charges	561,938	561,938	554,113	7,825
Transfers out	-	15,700	15,700	-
Total Charges to Appropriations	2,061,938	3,796,388	920,811	2,875,577
Budgetary Fund Balance, June 30	\$ 4,431,080	\$ 3,439,414	\$ 5,507,813	\$ 2,068,399



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CITY OF MANHATTAN BEACH

JUNE 30, 2010

NONMAJOR ENTERPRISE FUNDS

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

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

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

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

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF FUND NET ASSETS
 NON-MAJOR ENTERPRISE FUNDS
 YEAR ENDED JUNE 30, 2010

	<u>Stormwater</u>	<u>County Parking Lot</u>	<u>State Pier and Parking Lot</u>	<u>Totals</u>
Assets:				
Current:				
Cash and investments	\$ 1,485,014	\$ 184,837	\$ 2,247,194	\$ 3,917,045
Receivables:				
Accounts	9,760	-	-	9,760
Prepaid OPEB - short-term	1,407	563	563	2,533
Total Current Assets	1,496,181	185,400	2,247,757	3,929,338
Noncurrent:				
Prepaid other post-employment benefits	11,056	4,422	4,422	19,900
Capital assets - net of accumulated depreciation	3,799,700	-	-	3,799,700
Total Noncurrent Assets	3,810,756	4,422	4,422	3,819,600
Total Assets	\$ 5,306,937	\$ 189,822	\$ 2,252,179	\$ 7,748,938
Liabilities and Net Assets:				
Liabilities:				
Current:				
Accounts payable	\$ 25,694	\$ 184,837	\$ 25,858	\$ 236,389
Total Current Liabilities	25,694	184,837	25,858	236,389
Total Liabilities	25,694	184,837	25,858	236,389
Net Assets:				
Invested in capital assets, net of related debt	3,799,700	-	-	3,799,700
Unrestricted	1,481,543	4,985	2,226,321	3,712,849
Total Net Assets	5,281,243	4,985	2,226,321	7,512,549
Total Liabilities and Net Assets	\$ 5,306,937	\$ 189,822	\$ 2,252,179	\$ 7,748,938

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2010

	Stormwater	County Parking Lot	State Pier and Parking Lot	Totals
Operating Revenues:				
Sales and service charges	\$ 346,317	\$ 509,992	\$ 406,106	\$ 1,262,415
Miscellaneous	-	-	17,844	17,844
Total Operating Revenues	346,317	509,992	423,950	1,280,259
Operating Expenses:				
Salaries and wages	66,728	11,159	11,587	89,474
Employee benefits	23,057	5,557	5,652	34,266
Contract and professional services	99,126	26,215	151,490	276,831
Materials and services	19,703	12,394	43,487	75,584
Utilities	10,956	2,143	30,242	43,341
Administrative service charges	-	13,822	13,823	27,645
Leases and Rents	-	280,496	-	280,496
Depreciation expense	153,637	-	-	153,637
Total Operating Expenses	373,207	351,786	256,281	981,274
Operating Income (Loss)	(26,890)	158,206	167,669	298,985
Nonoperating Revenues (Expenses):				
Interest revenue	25,449	-	40,309	65,758
Miscellaneous	14,609	548	-	15,157
OPEB amortization	(1,306)	(522)	(522)	(2,350)
Total Nonoperating Revenues (Expenses)	38,752	26	39,787	78,565
Income (Loss) Before Transfers	11,862	158,232	207,456	377,550
Transfers out	-	(158,753)	-	(158,753)
Changes in Net Assets	11,862	(521)	207,456	218,797
Net Assets:				
Beginning of Year	5,269,381	5,506	2,018,865	7,293,752
End of Fiscal Year	\$ 5,281,243	\$ 4,985	\$ 2,226,321	\$ 7,512,549

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
YEAR ENDED YEAR ENDED JUNE 30, 2010

	Business-Type Activities - Enterprise Funds			
	Stormwater	County Parking Lot	State Pier and Parking Lot	Totals
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 330,527	\$ 509,446	\$ 423,936	\$ 1,263,909
Cash received from/(paid to) interfund service provided	(11,958)	(16,900)	(25,345)	(54,203)
Cash paid to supplies for goods and services	(270,561)	(292,103)	(209,928)	(772,592)
Cash paid to employees for services	(84,464)	(14,857)	(15,378)	(114,699)
Net Cash Provided (Used) by Operating Activities	(36,456)	185,586	173,285	322,415
Cash Flows from Non-Capital Financing Activities:				
Cash transfers out	-	(158,753)	-	(158,753)
Miscellaneous	14,609	547	-	15,156
Net Cash Provided (Used) by Non-Capital Financing Activities	14,609	(158,206)	-	(143,597)
Cash Flows from Investing Activities:				
Interest received	25,449	-	40,309	65,758
Net Cash Provided (Used) by Investing Activities	25,449	-	40,309	65,758
Net Increase (Decrease) in Cash and Cash Equivalents	3,602	27,380	213,594	244,576
Cash and Cash Equivalents at Beginning of Year	1,481,412	157,457	2,033,600	3,672,469
Cash and Cash Equivalents at End of Year	\$ 1,485,014	\$ 184,837	\$ 2,247,194	\$ 3,917,045
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (26,890)	\$ 158,206	\$ 167,669	\$ 298,985
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	153,637	-	-	153,637
(Increase) decrease in accounts receivable	(1,180)	-	-	(1,180)
Increase (decrease) in accounts payable	(147,414)	27,928	5,616	(113,870)
Increase (decrease) in deposits payable	(14,609)	(548)	-	(15,157)
Total Adjustments	(9,566)	27,380	5,616	23,430
Net Cash Provided (Used) by Operating Activities	\$ (36,456)	\$ 185,586	\$ 173,285	\$ 322,415

Non-Cash Investing, Capital, and Financing Activities:

During fiscal year 2009-2010, there was no noncash investing, capital or financing activities.

CITY OF MANHATTAN BEACH

JUNE 30, 2010

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 City wide network and related hardware and software. Revenues are generated from charges to departments based on the number of PCs in use.

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

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

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF FUND NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2010

	<u>Insurance Reserve</u>	<u>Information Systems</u>	<u>Fleet Management</u>	<u>Building Maintenance and Operations</u>	<u>Totals</u>
Assets:					
Current:					
Cash and investments	\$ 9,510,876	\$ 593,629	\$ 1,039,156	\$ 49,283	\$ 11,192,944
Prepaid costs	-	300	-	-	300
Inventories	-	-	-	109,610	109,610
Prepaid OPEB - short-term	2,815	5,630	5,630	5,630	19,705
Total Current Assets	9,513,691	599,559	1,044,786	164,523	11,322,559
Noncurrent:					
Prepaid other post-employment benefits	22,110	44,219	44,219	44,219	154,767
Capital assets - net of accumulated depreciation	-	-	2,685,861	-	2,685,861
Total Noncurrent Assets	22,110	44,219	2,730,080	44,219	2,840,628
Total Assets	\$ 9,535,801	\$ 643,778	\$ 3,774,866	\$ 208,742	\$ 14,163,187
Liabilities and Net Assets:					
Liabilities:					
Current:					
Accounts payable	\$ 2,721	\$ 40,575	\$ 52,347	\$ 53,072	\$ 148,715
Workers' compensation claims	4,104,067	-	-	-	4,104,067
Lease payable - current	-	-	35,807	-	35,807
Accrued claims and judgments	261,711	-	-	-	261,711
Total Current Liabilities	4,368,499	40,575	88,154	53,072	4,550,300
Noncurrent:					
Workers' compensation claims	2,194,913	-	-	-	2,194,913
Accrued claims and judgments	228,268	-	-	-	228,268
Total Noncurrent Liabilities	2,423,181	-	-	-	2,423,181
Total Liabilities	6,791,680	40,575	88,154	53,072	6,973,481
Net Assets:					
Invested in capital assets, net of related debt	-	-	2,650,054	-	2,650,054
Unrestricted	2,744,121	603,203	1,036,658	155,670	4,539,652
Total Net Assets	2,744,121	603,203	3,686,712	155,670	7,189,706
Total Liabilities and Net Assets	\$ 9,535,801	\$ 643,778	\$ 3,774,866	\$ 208,742	\$ 14,163,187



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CITY OF MANHATTAN BEACH

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2010**

	<u>Insurance Reserve</u>	<u>Information Systems</u>	<u>Fleet Management</u>	<u>Building Maintenance and Operations</u>	<u>Totals</u>
Operating Revenues:					
Sales and service charges	\$ 4,586,340	\$ 1,078,092	\$ 894,384	\$ 1,144,637	\$ 7,703,453
Miscellaneous	191,874	-	12,891	-	204,765
Total Operating Revenues	<u>4,778,214</u>	<u>1,078,092</u>	<u>907,275</u>	<u>1,144,637</u>	<u>7,908,218</u>
Operating Expenses:					
Salaries and wages	81,836	475,350	203,764	257,648	1,018,598
Employee benefits	40,797	117,825	75,861	76,339	310,822
Contract and professional services	20,658	200,839	103,964	488,840	814,301
Materials and services	477,733	387,906	499,445	231,450	1,596,534
Utilities	9,169	2,255	-	91,522	102,946
Administrative service charges	72,452	-	59,303	30,260	162,015
Leases and rents	-	-	4,357	-	4,357
Claims expense	1,690,680	-	-	-	1,690,680
Depreciation expense	-	-	722,528	-	722,528
Total Operating Expenses	<u>2,393,325</u>	<u>1,184,175</u>	<u>1,669,222</u>	<u>1,176,059</u>	<u>6,422,781</u>
Operating Income (Loss)	<u>2,384,889</u>	<u>(106,083)</u>	<u>(761,947)</u>	<u>(31,422)</u>	<u>1,485,437</u>
Nonoperating Revenues (Expenses):					
Interest expense	-	-	(4,606)	-	(4,606)
Miscellaneous	-	-	-	6	6
OPEB amortization	(2,612)	(5,225)	(5,225)	(5,225)	(18,287)
Gain (loss) on disposal of capital assets	-	-	15,248	-	15,248
Total Nonoperating Revenues (Expenses)	<u>(2,612)</u>	<u>(5,225)</u>	<u>5,417</u>	<u>(5,219)</u>	<u>(7,639)</u>
Changes in Net Assets	<u>2,382,277</u>	<u>(111,308)</u>	<u>(756,530)</u>	<u>(36,641)</u>	<u>1,477,798</u>
Net Assets:					
Beginning of Year	<u>361,844</u>	<u>714,511</u>	<u>4,443,242</u>	<u>192,311</u>	<u>5,711,908</u>
End of Fiscal Year	<u>\$ 2,744,121</u>	<u>\$ 603,203</u>	<u>\$ 3,686,712</u>	<u>\$ 155,670</u>	<u>\$ 7,189,706</u>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED YEAR ENDED JUNE 30, 2010

	Governmental Activities - Internal Service Funds				
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	Totals
Cash Flows from Operating Activities:					
Cash received from customers and users	\$ 192,164	\$ 254	\$ 13,062	\$ 100	\$ 205,580
Cash received from/(paid to) interfund service provided	4,415,706	1,028,735	712,944	1,059,235	7,216,620
Cash paid to supplies for goods and services	(2,819,044)	(618,597)	(720,220)	(755,183)	(4,913,044)
Cash paid to employees for services	(107,978)	(565,804)	(256,624)	(311,988)	(1,242,394)
Net Cash Provided (Used) by Operating Activities	1,680,848	(155,412)	(250,838)	(7,836)	1,266,762
Cash Flows from Capital and Related Financing Activities:					
Purchase of capital assets	-	-	(113,764)	-	(113,764)
Principal paid on capital debt	-	-	(180,140)	-	(180,140)
Interest paid on capital debt	-	-	(4,605)	-	(4,605)
Proceeds from sales of capital assets	-	-	19,688	-	19,688
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(278,821)	-	(278,821)
Net Increase (Decrease) in Cash and Cash Equivalents	1,680,848	(155,412)	(529,659)	(7,836)	987,941
Cash and Cash Equivalents at Beginning of Year	7,830,028	749,041	1,568,815	57,119	10,205,003
Cash and Cash Equivalents at End of Year	\$ 9,510,876	\$ 593,629	\$ 1,039,156	\$ 49,283	\$ 11,192,944
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 2,384,889	\$ (106,083)	\$ (761,947)	\$ (31,422)	\$ 1,485,437
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	-	-	722,528	-	722,528
(Increase) decrease in prepaid expense	-	(300)	-	-	(300)
(Increase) decrease in inventory	-	-	-	610	610
Increase (decrease) in accounts payable	(4,520)	(49,029)	(211,419)	22,976	(241,992)
Increase (decrease) in claims and judgments	(699,521)	-	-	-	(699,521)
Total Adjustments	(704,041)	(49,329)	511,109	23,586	(218,675)
Net Cash Provided (Used) by Operating Activities	\$ 1,680,848	\$ (155,412)	\$ (250,838)	\$ (7,836)	\$ 1,266,762

Non-Cash Investing, Capital, and Financing Activities:

During fiscal year 2009-2010, there was no noncash investing, capital or financing activities.



CITY OF MANHATTAN BEACH

JUNE 30, 2010

AGENCY FUNDS

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

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

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

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
 ALL AGENCY FUNDS
 JUNE 30, 2010

	<u>Special Assessment Redemption</u>	<u>Special Deposits</u>	<u>Totals</u>
Assets:			
Pooled cash and investments	\$ 806,277	\$ 396,739	\$ 1,203,016
Receivables:			
Accounts	48,286	-	48,286
Restricted assets:			
Cash and investments with fiscal agents	985,669	1,526,878	2,512,547
Total Assets	<u>\$ 1,840,232</u>	<u>\$ 1,923,617</u>	<u>\$ 3,763,849</u>
Accounts payable	\$ -	\$ 10,090	\$ 10,090
401 (a) plan deposits	-	1,519,356	1,519,356
Other deposits	-	103,546	103,546
Art development fees	-	290,625	290,625
Due to bondholders	1,840,232	-	1,840,232
Total Liabilities	<u>\$ 1,840,232</u>	<u>\$ 1,923,617</u>	<u>\$ 3,763,849</u>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<u>Special Assessment Redemption</u>				
Assets:				
Pooled cash and investments	\$ 672,968	\$ 1,103,290	\$ 969,981	\$ 806,277
Receivables:				
Accounts	29,721	48,286	29,721	48,286
Restricted assets:				
Cash and investments with fiscal agents	1,077,062	976,464	1,067,857	985,669
Total Assets	<u>\$ 1,779,751</u>	<u>\$ 2,128,040</u>	<u>\$ 2,067,559</u>	<u>\$ 1,840,232</u>
Liabilities:				
Due to bondholders	\$ 1,779,751	\$ 2,128,041	\$ 2,067,560	\$ 1,840,232
Total Liabilities	<u>\$ 1,779,751</u>	<u>\$ 2,128,041</u>	<u>\$ 2,067,560</u>	<u>\$ 1,840,232</u>
<u>Special Deposits</u>				
Assets:				
Pooled cash and investments	\$ 355,107	\$ 367,012	\$ 325,380	\$ 396,739
Restricted assets:				
Cash and investments with fiscal agents	1,369,031	158,692	845	1,526,878
Total Assets	<u>\$ 1,724,138</u>	<u>\$ 525,704</u>	<u>\$ 326,225</u>	<u>\$ 1,923,617</u>
Liabilities:				
Accounts payable	\$ 19,244	\$ 2,337	\$ 11,491	\$ 10,090
401 (a) plan deposits	1,360,663	158,693	-	1,519,356
Other deposits	92,592	325,081	314,127	103,546
Art development fees	251,639	41,931	2,945	290,625
Total Liabilities	<u>\$ 1,724,138</u>	<u>\$ 528,042</u>	<u>\$ 328,563</u>	<u>\$ 1,923,617</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Pooled cash and investments	\$ 1,028,075	\$ 1,470,302	\$ 1,295,361	\$ 1,203,016
Receivables:				
Accounts	29,721	48,286	29,721	48,286
Restricted assets:				
Cash and investments with fiscal agents	2,446,093	1,135,156	1,068,702	2,512,547
Total Assets	<u>\$ 3,503,889</u>	<u>\$ 2,653,744</u>	<u>\$ 2,393,784</u>	<u>\$ 3,763,849</u>
Liabilities:				
Accounts payable	\$ 19,244	\$ 2,337	\$ 11,491	\$ 10,090
401 (a) plan deposits	1,360,663	158,693	-	1,519,356
Other deposits	92,592	325,081	314,127	103,546
Art development fees	251,639	41,931	2,945	290,625
Due to bondholders	1,779,751	2,128,041	2,067,560	1,840,232
Total Liabilities	<u>\$ 3,503,889</u>	<u>\$ 2,656,083</u>	<u>\$ 2,396,123</u>	<u>\$ 3,763,849</u>



Statistical Section

Statistical Section (Unaudited)

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

Contents

Exhibits

Financial Trends

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

A-2 to A-5

Revenue Capacity

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

A-6 to A-14

Debt Capacity

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

A-15 to A-18

Demographic and Economic Information

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

A-19 to A-21

Operating & Other Information

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

A-22 to A-25

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



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Statistical Section

Financial Trends

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

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

Exhibit A-2

	Fiscal Year Ending			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 93,644,407	\$ 94,464,084	\$ 95,603,960	\$ 94,713,693
Restricted:				
Debt Service & Restricted Cash	2,801,554	3,255,752	2,062,149	1,960,662
Special Revenue Funds	<u>5,209,486</u>	<u>5,291,992</u>	<u>6,003,666</u>	<u>6,651,292</u>
Total Restricted	\$ 8,011,040	\$ 8,547,744	\$ 8,065,815	\$ 8,611,954
Unrestricted	<u>28,892,839</u>	<u>28,048,237</u>	<u>27,972,613</u>	<u>29,916,356</u>
Total governmental activities net assets	<u>\$ 130,548,286</u>	<u>\$ 131,060,065</u>	<u>\$ 131,642,388</u>	<u>\$ 133,242,003</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 23,447,692	24,736,571	24,967,604	25,485,791
Restricted:				
Business Improvement district	536,856	555,569	598,329	508,617
Debt Service & Restricted Cash	<u>1,210,265</u>	<u>1,210,061</u>	<u>1,213,448</u>	<u>1,221,763</u>
Total Restricted	\$1,747,121	\$1,765,630	\$1,811,777	\$1,730,380
Unrestricted	<u>14,310,331</u>	<u>13,556,500</u>	<u>12,660,558</u>	<u>12,384,155</u>
Total business-type activities net assets	<u>\$ 39,505,144</u>	<u>\$ 40,058,701</u>	<u>\$ 39,439,939</u>	<u>\$ 39,600,326</u>
Primary government				
Invested in capital assets, net of related debt	\$ 117,092,099	\$ 119,200,655	\$ 120,571,564	\$ 120,199,484
Restricted:				
Business Improvement district	536,856	555,569	598,329	508,617
Debt Service & Restricted Cash	4,011,819	4,465,813	3,275,597	3,182,425
Special Revenue Funds	<u>5,209,486</u>	<u>5,291,992</u>	<u>6,003,666</u>	<u>6,651,292</u>
Total Restricted	\$9,758,161	\$10,313,374	\$9,877,592	\$10,342,334
Unrestricted	<u>43,203,170</u>	<u>41,604,737</u>	<u>40,633,171</u>	<u>42,300,511</u>
Total primary government net assets	<u>\$ 170,053,430</u>	<u>\$ 171,118,766</u>	<u>\$ 171,082,327</u>	<u>\$ 172,842,329</u>



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City of Manhattan Beach
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

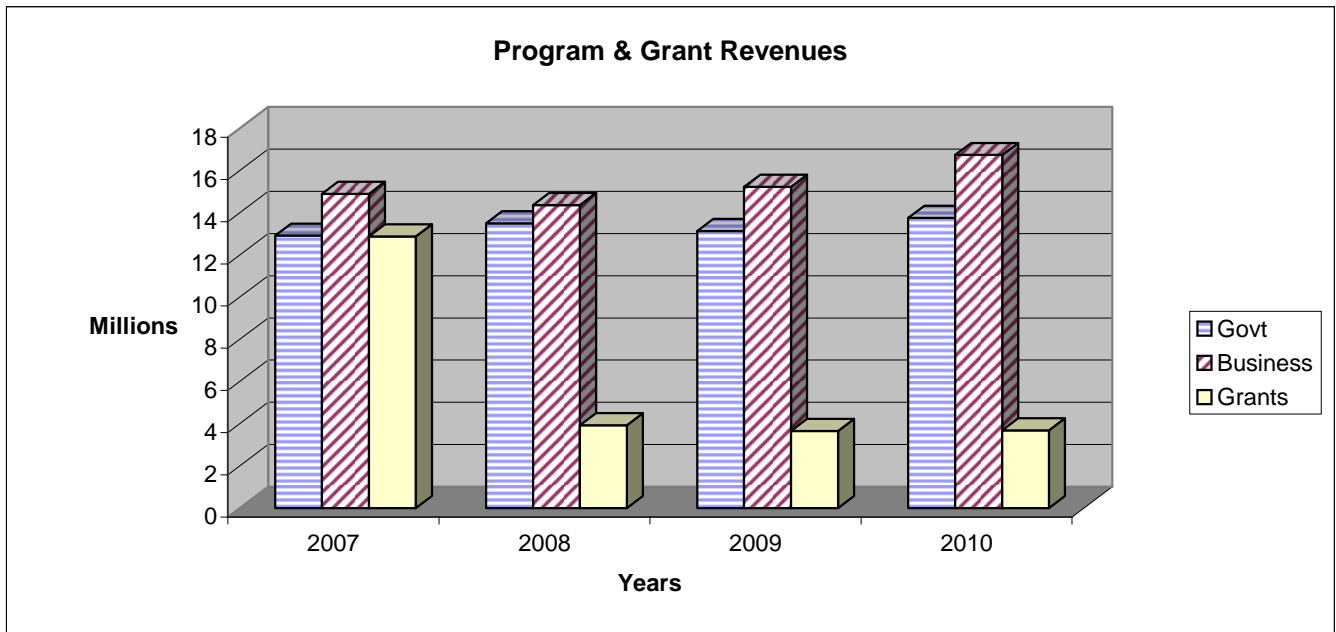
	Fiscal Year Ending			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Expenses				
Governmental activities:				
General government	9,057,584	9,090,991	9,528,102	10,308,925
Public Safety	27,134,132	31,752,170	29,889,347	28,879,836
Culture and recreation	5,593,739	6,031,938	5,811,982	5,853,076
Public Works	19,721,241	8,675,214	8,460,078	7,906,172
Interest on long-term debt	990,298	1,178,065	954,861	811,710
Total governmental activities expenses	<u>62,496,994</u>	<u>56,728,378</u>	<u>54,644,370</u>	<u>53,759,719</u>
Business-type activities:				
Water	7,303,547	7,500,615	7,844,741	8,214,250
Stormwater	322,566	418,088	550,234	374,513
Wastewater	1,268,737	1,279,325	1,938,298	1,685,881
Refuse	3,858,401	3,888,615	4,212,176	4,282,026
Parking	1,973,300	2,392,802	2,082,830	2,190,580
Total business-type activities expenses	<u>14,726,551</u>	<u>15,479,445</u>	<u>16,628,279</u>	<u>16,747,250</u>
Total primary government expenses	<u>\$ 77,223,545</u>	<u>\$ 72,207,823</u>	<u>\$ 71,272,649</u>	<u>\$ 70,506,969</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	4,535,955	4,265,277	3,881,178	4,085,381
Public Safety	3,433,570	4,206,318	4,299,002	4,576,210
Parks and recreation	2,261,707	2,336,374	2,449,945	2,577,883
Public works	2,673,037	2,683,443	2,492,418	2,512,225
Operating grants and contributions	1,933,403	2,250,606	2,078,062	2,224,949
Capital grants and contributions	10,923,007	679,865	1,105,439	1,399,366
Total governmental activities program revenues	<u>25,760,679</u>	<u>16,421,883</u>	<u>16,306,044</u>	<u>17,376,014</u>
Business-type activities:				
Charges for services:				
Water	7,227,008	6,860,563	7,380,055	7,887,900
Stormwater	353,929	338,208	347,162	360,926
Wastewater	1,333,639	1,275,553	1,317,713	1,820,756
Refuse	3,866,381	3,816,699	4,082,292	4,110,342
Parking	2,108,255	2,066,617	2,094,179	2,544,834
Operating grants and contributions	10,861	90,853	458,769	-
Capital grants and contributions	-	900,000	-	57,398
Total business-type activities program revenues	<u>14,900,073</u>	<u>15,348,493</u>	<u>15,680,170</u>	<u>16,782,156</u>
Total primary government program revenues	<u>\$ 40,660,752</u>	<u>\$ 31,770,376</u>	<u>\$ 31,986,214</u>	<u>\$ 34,158,170</u>

	Fiscal Year Ending			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net (Expense)/Revenue				
Governmental activities	\$ (36,736,315)	\$ (40,306,495)	\$ (38,338,326)	\$ (36,383,705)
Business-type activities	173,522	(130,952)	(948,109)	34,906
Total primary government net expense	<u>\$ (36,562,793)</u>	<u>\$ (40,437,447)</u>	<u>\$ (39,286,435)</u>	<u>\$ (36,348,799)</u>
General Revenues and Other Changes				
Governmental activities:				
Taxes				
Property taxes	\$ 17,257,508	\$ 18,567,451	\$ 19,930,492	\$ 20,006,558
Sales taxes	8,104,778	8,230,387	7,436,912	7,646,109
Transient occupancy tax	3,665,741	3,995,411	3,507,775	3,174,319
Motor vehicle in lieu tax	245,008	157,143	105,883	108,815
Business license tax	2,464,239	2,747,098	2,767,070	2,783,641
Franchise taxes	1,200,503	1,168,383	1,185,406	1,220,171
Other taxes	788,348	439,104	325,001	356,367
Rental income	2,260,408	2,201,037	2,021,352	1,925,895
Investment earnings	2,075,875	2,088,549	1,385,481	476,463
Other	-	1,254,482	145,047	150,229
Transfers	26,000	(30,771)	110,230	134,753
Total governmental activities	<u>38,088,408</u>	<u>40,818,274</u>	<u>38,920,649</u>	<u>37,983,320</u>
Business-type activities:				
Investment earnings	935,323	874,003	439,576	260,234
Transfers	(26,000)	30,771	(110,230)	(134,753)
Other	-			
Total business-type activities	<u>909,323</u>	<u>904,774</u>	<u>329,346</u>	<u>125,481</u>
Total primary government	<u>\$ 38,997,731</u>	<u>\$ 41,723,048</u>	<u>\$ 39,249,995</u>	<u>\$ 38,108,801</u>
Change in Net Assets				
Governmental activities	\$ 1,352,093	\$ 511,779	\$ 582,323	\$ 1,599,615
Business-type activities	1,082,845	773,822	(618,763)	160,387
Total primary government	<u>\$ 2,434,938</u>	<u>\$ 1,285,601</u>	<u>\$ (36,440)</u>	<u>\$ 1,760,002</u>

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

Exhibit A-4

	Fiscal Year			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	4,535,955	4,265,277	3,881,178	4,085,381
Public Safety	3,433,570	4,206,318	4,299,002	4,576,210
Culture and recreation	2,261,707	2,336,374	2,449,945	2,577,883
Public works	2,673,037	2,683,443	2,492,418	2,512,225
Operating grants and contributions	1,933,403	2,250,606	2,078,062	2,224,949
Capital grants and contributions	10,923,007	679,865	1,105,439	1,399,366
Total governmental activities program revenues	25,760,679	16,421,883	16,306,044	17,376,014
Business-type activities:				
Charges for services:				
Water	7,227,008	6,860,563	7,380,055	7,887,900
Stormwater	353,929	338,208	347,162	360,926
Wastewater	1,333,639	1,275,553	1,317,713	1,820,756
Refuse	2,108,255	3,816,699	4,082,292	4,110,342
Parking	3,866,381	2,066,617	2,094,179	2,544,834
Operating grants and contributions	10,861	90,853	458,769	-
Capital grants and contributions	-	900,000	-	57,398
Total business-type activities program revenues	14,900,073	15,348,493	15,680,170	16,782,156
Total primary government program revenues	\$ 40,660,752	\$ 31,770,376	\$ 31,986,214	\$ 34,158,170



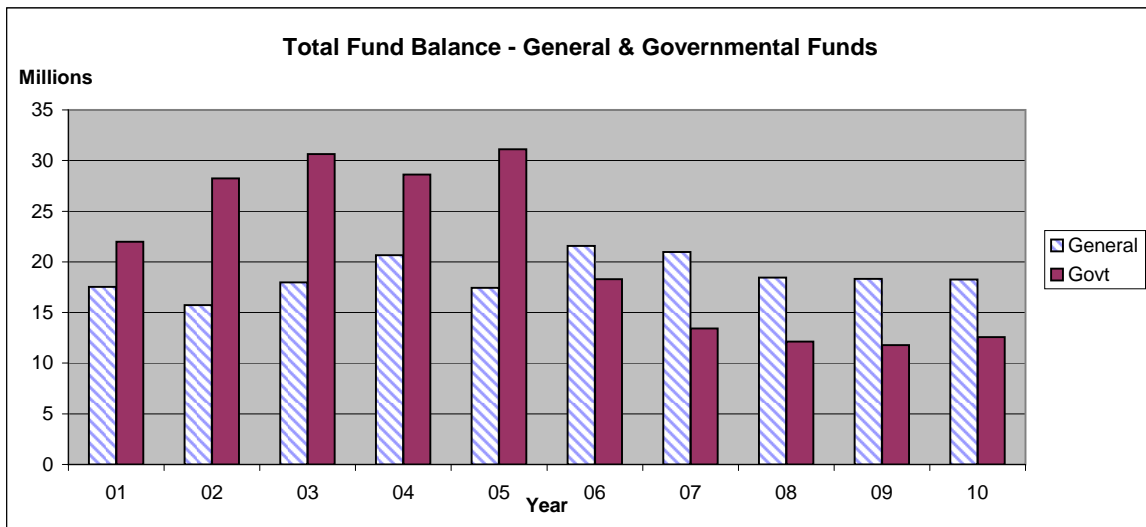
Source: City of Manhattan Beach Finance department historical CAFRs



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

	Fiscal Year				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund					
Reserved					
Debt service & restricted cash	\$ 743,571	\$ 279,585	\$ 178,062	\$ 62,496	\$ 49,300
Encumbrances & other items	368,294	679,057	648,740	373,242	1,025,189
Unreserved	16,429,638	14,762,895	17,143,116	20,231,796	16,365,761
Total General fund	\$ 17,541,503	\$ 15,721,537	\$ 17,969,918	\$ 20,667,534	\$ 17,440,250
All Other Governmental Funds					
Reserved					
Continuing Projects	\$3,348,585	\$3,543,850	\$2,429,186	\$3,894,588	\$7,795,003
Debt service & restricted cash		1,026,300	1,026,300	1,579,976	19,170,120
Encumbrances & other items	95,150	189,205	3,475	268,195	8,148
Unreserved, reported in:					
Special revenue funds	3,144,671	3,377,162	3,428,545	3,022,824	2,438,704
Capital projects funds	15,386,888	20,088,223	23,754,420	19,864,825	1,715,536
Total all other governmental funds	\$ 21,975,294	\$ 28,224,740	\$ 30,641,926	\$ 28,630,408	\$ 31,127,511
Total all governmental funds	\$ 39,516,797	\$ 43,946,277	\$ 48,611,844	\$ 49,297,942	\$ 48,567,761



Fiscal Year Ending				
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 404,204	\$ 972,422	\$ 1,355,530	\$ 1,244,971	\$ 1,143,587
646,111	507,096	495,646	373,980	213,938
20,528,738	19,499,495	16,585,982	16,710,818	16,888,308
<u>\$ 21,579,053</u>	<u>\$ 20,979,013</u>	<u>\$ 18,437,158</u>	<u>\$ 18,329,769</u>	<u>\$ 18,245,833</u>
\$9,916,842	\$6,094,070	\$4,642,305	\$4,618,592	\$6,755,397
935,696	817,081	817,076	817,178	817,075
218,926	9,427	40,925	71,887	393,852
2,111,598	2,842,097	2,748,609	2,340,055	2,692,575
5,115,277	3,657,446	3,878,706	3,934,840	1,925,704
<u>\$ 18,298,339</u>	<u>\$ 13,420,121</u>	<u>\$ 12,127,621</u>	<u>\$ 11,782,552</u>	<u>\$ 12,584,603</u>
<u>\$ 39,877,392</u>	<u>\$ 34,399,134</u>	<u>\$ 30,564,779</u>	<u>\$ 30,112,321</u>	<u>\$ 30,830,436</u>



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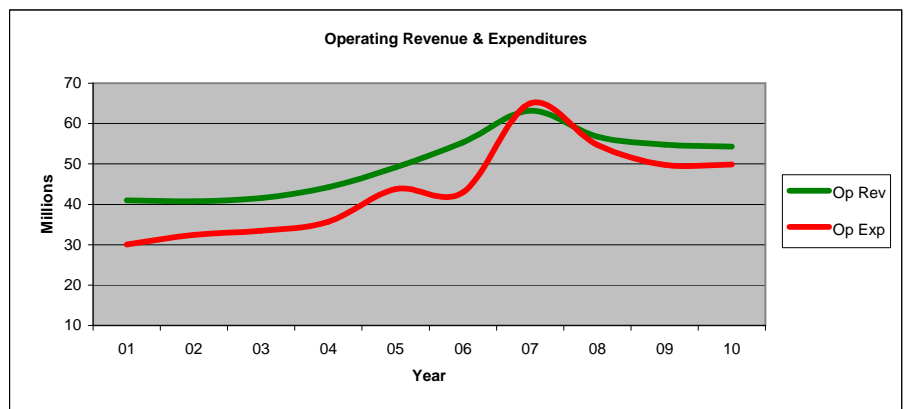
Statistical Section

Revenue Capacity

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

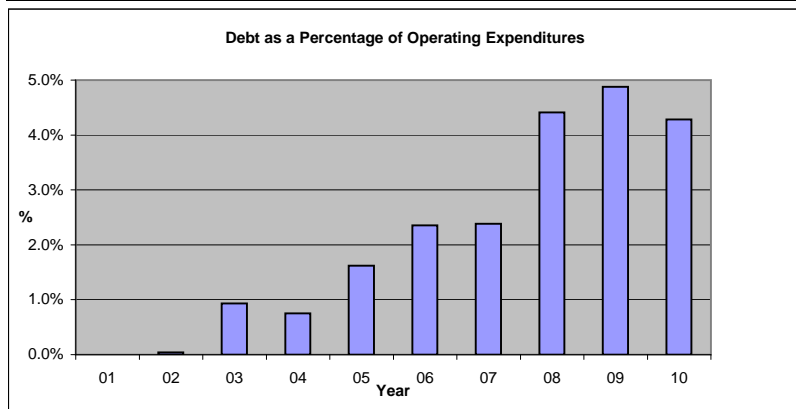
City of Manhattan Beach
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending				
	2001	2002	2003	2004	2005
Revenues					
Tax and assessments	\$ 22,234,198	\$ 22,096,665	\$ 24,038,547	\$ 27,381,711	\$ 26,907,138
Licenses, fees, and permits	1,394,038	1,447,841	1,563,171	1,643,682	1,560,346
Fines and forfeitures	2,044,684	1,890,321	2,041,805	2,294,535	1,910,757
Charges for services	4,724,434	5,253,485	6,160,531	6,454,314	7,218,915
Contributions from property owner				-	3,372,891
Intergovernmental	5,219,620	4,248,036	4,144,954	3,639,236	4,623,276
Interest and Rents	3,973,287	3,677,986	3,389,920	3,094,363	2,863,553
Net change fair value investments	964,321	220,973	(287,140)	(671,517)	(30,777)
Other revenues	414,385	1,904,991	494,406	436,260	705,588
Total revenues	40,968,967	40,740,298	41,546,194	44,272,584	49,131,687
Expenditures					
General government	6,112,802	6,453,358	6,476,427	6,636,125	7,120,760
Public Safety	16,370,442	16,974,214	18,109,464	19,719,804	22,735,205
Culture and recreation	3,086,968	4,150,453	3,798,920	3,989,250	4,592,628
Public works	4,458,722	4,891,118	5,107,008	5,297,262	9,303,463
Total operating expenditures	30,028,934	32,469,143	33,491,819	35,642,441	43,752,056
Excess of revenue over expenditures	10,940,033	8,271,155	8,054,375	8,630,143	5,379,631
Capital outlay	5,949,461	2,045,689	4,749,294	7,751,990	18,382,798
Debt service					
Interest		12,565	112,622	87,055	524,158
Principal	-	-	200,000	180,000	185,000
Total Non Operating expenditures	5,949,461	2,058,254	5,061,916	8,019,045	19,091,956
Excess of revenues over expenditures	4,990,572	6,212,901	2,992,459	611,098	(13,712,325)
Other financing sources (Uses)					
Bonds issued	-	9,443,752	-	-	12,980,000
Premium on bonds issues	-	-	-	-	186,055
Refunding Lease	-	(9,732,862)	-	-	-
Capital Contribution	2,338,887	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	4,352,279	4,979,429	6,171,338	18,919,651	11,647,938
Transfers out	(5,212,928)	(6,473,740)	(4,498,230)	(18,844,651)	(12,554,938)
Total other financing sources (uses)	1,478,238	(1,783,421)	1,673,108	75,000	12,259,055
Prior Period Adjustment	-	-	-	-	-
Net change in fund balances	6,468,810	4,429,480	4,665,567	686,098	(1,453,270)
Debt - % of Operating Expenditures	0.0%	0.0%	0.9%	0.7%	1.6%



Fiscal Year Ending

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$	33,026,089	\$ 35,261,246	\$ 36,933,447	\$ 36,839,471	\$ 36,582,239
	1,810,681	1,686,922	1,463,207	1,200,529	1,200,347
	1,895,506	2,153,078	2,169,402	2,400,483	2,984,868
	7,400,197	7,812,110	8,013,155	8,202,164	8,291,275
	3,147,739	8,498,306	-	-	-
	2,994,138	3,007,764	2,147,817	2,072,660	2,638,044
	3,354,041	3,845,001	3,939,191	3,607,997	2,344,105
	(192,026)	353,642	350,394	(201,163)	58,253
	1,863,937	553,241	1,707,735	634,524	192,965
	55,300,302	63,171,310	56,724,348	54,756,665	54,292,096
	7,452,850	8,646,822	9,808,544	9,215,265	9,785,663
	24,020,705	33,302,747	31,354,970	28,727,983	28,461,175
	4,680,871	5,328,693	6,027,462	5,599,052	5,699,228
	6,819,825	17,737,634	7,500,615	6,207,990	5,923,828
	42,974,251	65,015,896	54,691,591	49,750,290	49,869,894
	12,326,051	(1,844,586)	2,032,757	5,006,375	4,422,202
	19,965,439	7,764,994	3,405,258	3,124,353	1,705,513
	822,862	1,035,878	1,178,066	1,192,716	811,711
	190,000	515,000	1,235,000	1,235,000	1,325,000
	20,978,301	9,315,872	5,818,324	5,552,069	3,842,224
	(8,652,250)	(11,160,458)	(3,785,567)	(545,694)	579,978
	-	6,634,179	-	-	-
	-	163,120	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	3,006	3,384
	841,116	4,179,102	215,047	331,183	424,211
	(1,045,116)	(5,497,006)	(263,835)	(220,953)	(289,458)
	(204,000)	5,479,395	(48,788)	113,236	138,137
	165,882	202,807	-	(20,000)	-
	(8,690,368)	(5,478,256)	(3,834,355)	(452,458)	718,115
	2.4%	2.4%	4.4%	4.9%	4.3%



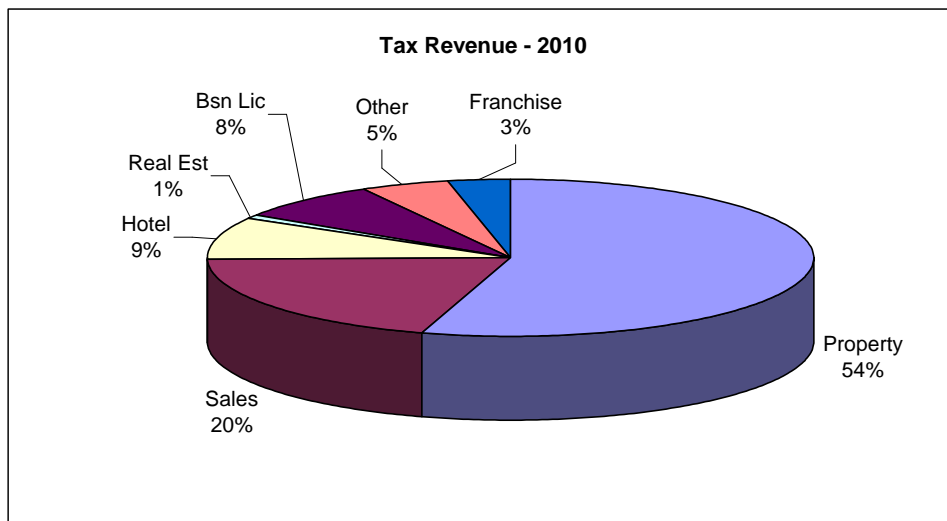
City of Manhattan Beach
Taxes & Assessment Revenues by Source, Governmental Funds, and Assessment
Last Ten Fiscal Years
(modified accrual basis of accounting)

Exhibit A-7

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales & Use</u>	<u>Hotel</u>	<u>Franchise</u>	<u>Real Est Transfer</u>	<u>Business License</u>	<u>Admissions</u>	<u>Other Taxes Assessments</u>	<u>Total</u>
2010	\$ 20,006,558	\$ 7,301,378	\$ 3,174,319	\$ 1,220,171	\$ 356,367	\$ 2,783,641	\$ -	\$ 1,739,805	36,582,239
2009	19,930,492	7,480,516	3,507,774	1,185,406	325,001	2,767,070	-	1,643,212	36,839,471
2008	18,567,451	8,230,387	3,995,411	1,168,383	450,299	2,747,098	-	1,774,418	36,933,447
2007	17,116,975	8,416,844	3,665,741	1,200,503	788,347	2,464,239	-	1,608,597	35,261,246
2006	15,523,154	8,557,986	3,186,359	1,149,740	668,242	2,468,067	-	1,472,541	33,026,089
2005	11,652,108	7,581,885	2,449,326	903,490	688,616	2,285,524	-	1,346,189	26,907,138
2004	11,090,838	7,550,378	2,183,163	929,251	721,502	2,134,588	140	2,771,851	27,381,711
2003	10,021,646	7,202,620	2,040,428	904,080	546,129	2,017,534	85,827	1,220,283	24,038,547
2002	9,092,325	7,215,913	2,101,610	882,273	467,499	1,876,833	78,815	381,397	22,096,665
2001	8,204,761	7,526,381	2,987,574	688,304	537,363	1,836,941	74,061	378,813	22,234,198
2000	7,399,040	7,272,728	2,522,885	626,769	410,726	1,781,098	73,024	388,462	20,474,732
1999	6,593,181	6,314,366	2,259,941	533,944	366,201	1,682,971	64,539	375,594	18,190,737

Change
99-08

181.6%	30.3%	76.8%	118.8%	23.0%	63.2%	-100.0%	372.4%	103.0%
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**City of Manhattan Beach
 Assessed Value and Estimated Actual Value of Taxable Property,
 Last Ten Fiscal Years**

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property	Total Taxable Assessed Value
1999	3,928,158,173	421,763,272	83,363,496	296,346,313	4,729,631,254
2000	4,370,934,531	459,217,053	147,754,060	306,706,203	5,284,611,847
2001	4,817,895,155	473,521,383	186,077,631	328,847,955	5,806,342,124
2002	5,263,285,308	491,561,315	218,443,219	391,885,116	6,365,174,958
2003	5,738,636,117	547,721,638	245,153,830	391,829,851	6,923,341,436
2004	6,303,521,834	577,301,448	247,401,995	426,209,729	7,554,435,006
2005	6,906,891,506	631,502,660	260,299,961	418,106,396	8,216,800,523
2006	7,676,737,831	708,333,276	265,885,057	429,932,918	9,080,889,082
2007	8,574,425,369	739,118,781	219,928,225	391,992,459	9,925,464,834
2008	9,424,677,494	794,484,003	224,326,781	417,862,475	10,861,350,753
2009	10,133,650,383	841,096,243	280,998,547	442,154,427	11,697,899,600
2010	10,311,669,005	868,380,495	286,618,511	405,009,100	11,871,677,111

Exhibit A-8

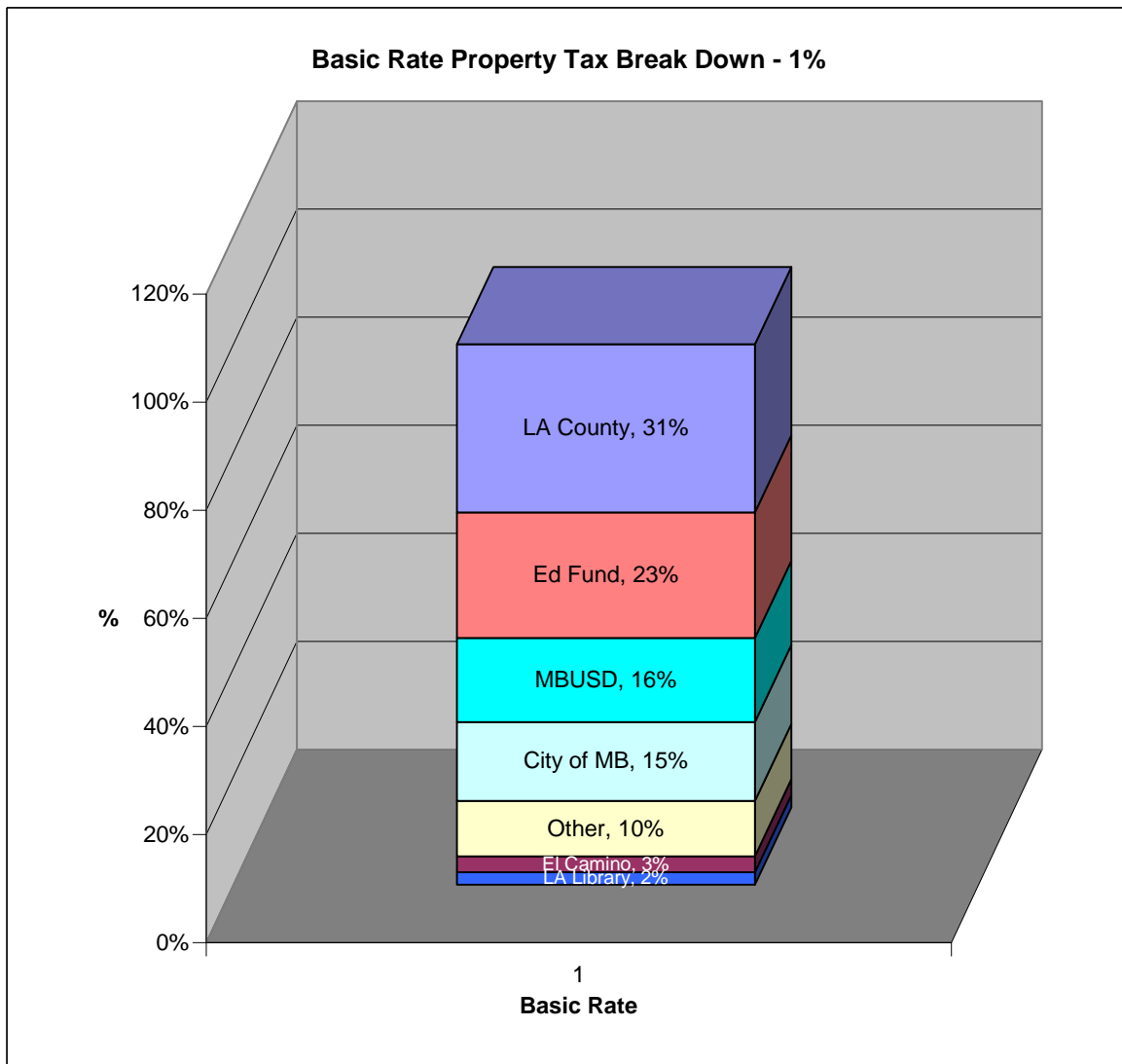
Tax-Exempt Property	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
303,304,061	0.14754%	4,729,631,254	100.000%
305,080,384	0.14753%	5,284,611,847	100.000%
305,057,097	0.16559%	5,806,342,124	100.000%
305,057,097	0.16559%	6,365,174,958	100.000%
306,111,231	0.16597%	6,923,341,436	100.000%
305,420,714	0.16632%	7,554,435,006	100.000%
305,194,535	0.16664%	8,216,800,523	100.000%
305,194,535	0.16706%	9,080,889,082	100.000%
301,140,884	0.16733%	9,925,464,834	100.000%
301,140,740	0.16758%	10,861,350,753	100.000%
301,140,740	0.16779%	11,697,899,600	100.000%
301,140,740	0.16277%	11,871,677,111	100.000%

Source: HDL Coren Cone

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

Exhibit A-9

Fiscal Year	City Direct Rates		Overlapping Rates						
	General Levy (Basic Rate)	Total Direct Rate	LA County	Colleges & School Districts	Metro Water District	Flood Control District	Total Overlap Rate	General Levy	Total Rate
1999	1.00000%	0.14754%	0.00145	0.02693	0.00890	0.00195	0.03923	1.00000	1.03923
2000	1.00000%	0.14753%	0.00142	0.02703	0.00890	0.00176	0.03911	1.00000	1.03911
2001	1.00000%	0.16559%	0.00131	0.02645	0.00880	0.00156	0.03812	1.00000	1.03812
2002	1.00000%	0.16559%	0.00113	0.04031	0.00770	0.00107	0.05021	1.00000	1.05021
2003	1.00000%	0.16597%	0.00103	0.04328	0.00670	0.00088	0.05189	1.00000	1.05189
2004	1.00000%	0.16632%	0.00099	0.05938	0.00610	0.00047	0.06694	1.00000	1.06694
2005	1.00000%	0.16664%	0.00092	0.05610	0.00580	0.00024	0.06306	1.00000	1.06306
2006	1.00000%	0.16706%	0.00080	0.05639	0.00520	0.00005	0.06244	1.00000	1.06244
2007	1.00000%	0.16733%	0.00066	0.07425	0.00470	0.00005	0.07966	1.00000	1.07966
2008	1.00000%	0.16758%	0.00000	0.05350	0.00450	0.00000	0.05800	1.00000	1.05800
2009	1.00000%	0.16779%	0.00000	0.11758	0.00430	0.00000	0.12188	1.00000	1.12188
2010	1.00000%	0.16277%	0.00000	0.11146	0.00430	0.00000	0.11576	1.00000	1.11576



Source: HDL Coren Cone



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

<u>Taxpayer</u>	2010	
	Property Tax Revenue	Percentage of Total City Taxable Property Tax
Northrop Grumman Space & Mission	\$ 329,344	1.92%
Reef America Reit II Corporation BBB	228,137	1.33%
CRP MB Studios LLC	226,077	1.32%
Wells REIT II Manhattan Towers LLC	144,437	0.84%
Parstem Realty Company Inc.	93,934	0.55%
Host Marriott Corporation Interstate	88,657	0.52%
Sketchers USA Inc.	51,716	0.30%
Sun Manhattan LLC	48,110	0.28%
St. Paul Properties Inc.	43,427	0.25%
Continental 1500 Rosecrans LLC	33,461	0.19%
Top Ten Total	<u>\$ 1,287,301</u>	<u>7.5%</u>
City Total	<u>\$ 17,170,570</u>	

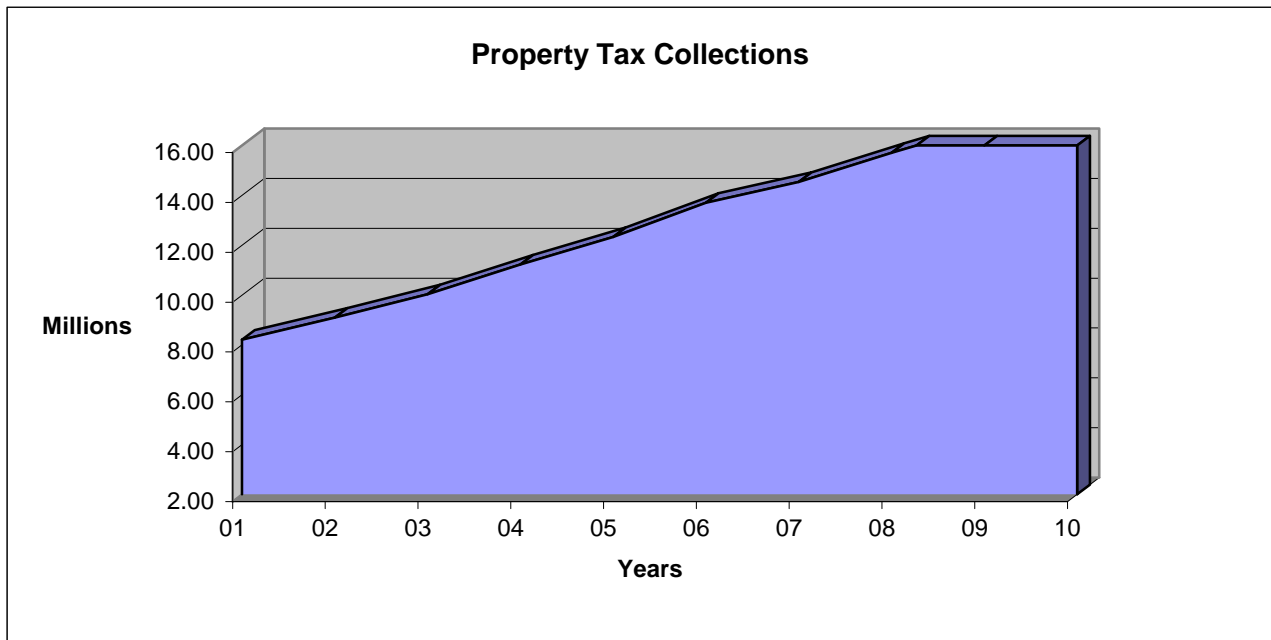
Exhibit A-10

<u>Taxpayer</u>	<u>2000</u>	
	<u>Property Tax Revenue</u>	<u>Percentage of Total City Taxable Property Tax</u>
TRW Inc.	\$ 302,610	3.88%
Manhattan Village LLC	116,936	1.50%
Shamrock MBS LLC	92,653	1.19%
USAA Income Properties III	66,814	0.86%
Shearson California Raddison	52,382	0.67%
Pastem Realty Company Inc.	42,877	0.55%
Sanko Nakayama International Inc.	38,979	0.50%
St. Paul Properties Inc.	36,387	0.47%
Hughes Aircraft Employees	23,957	0.31%
EMIF California Hotel Company	22,435	0.29%
	<u>\$ 796,030</u>	<u>10.2%</u>
	<u>\$ 7,796,385</u>	

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

Exhibit A-11

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Prior Year	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	8,160,264	7,962,043	97.57%	180,987	8,204,761	100.55%
2002	8,974,491	8,677,306	96.69%	350,666	9,092,325	101.31%
2003	9,795,290	9,503,645	97.02%	447,891	10,021,646	102.31%
2004	10,713,583	10,335,067	96.47%	750,974	11,223,986	104.76%
2005	11,677,784	11,336,153	97.07%	923,375	12,326,299	105.55%
2006	12,944,802	12,527,975	96.78%	1,176,979	13,704,954	105.87%
2007	14,197,925	13,311,119	93.75%	1,219,824	14,530,943	102.35%
2008	15,564,989	14,643,132	94.08%	1,065,305	15,708,437	100.92%
2009	16,795,932	15,888,783	94.60%	902,280	16,791,063	99.97%
2010	17,041,081	16,054,348	94.21%	661,930	16,716,278	98.09%



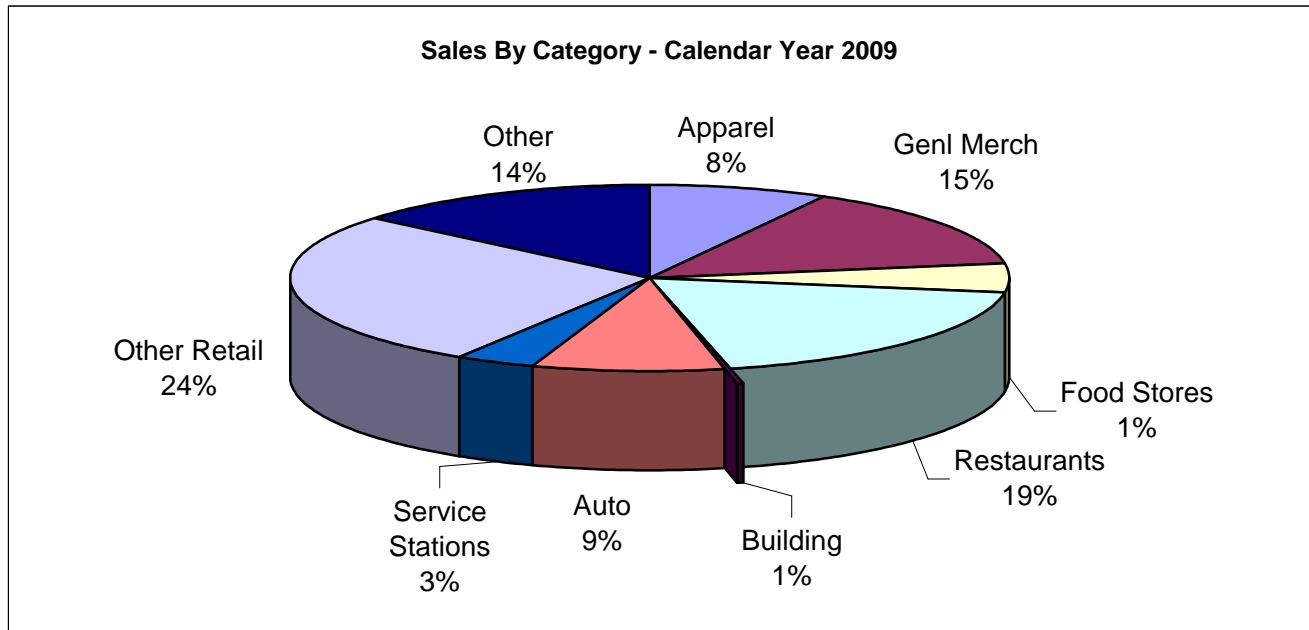
Source: Los Angeles County Assessor and City of Manhattan Beach Finance Department



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

	Calendar Year				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Apparel stores	\$ 42,225	\$ 42,616	\$ 44,378	\$ 58,438	\$ 67,327
General merchandise	104,352	104,565	101,509	105,563	108,221
Food stores	32,111	32,705	31,539	31,715	33,485
Eating and drinking establishments	101,402	105,167	104,458	112,881	119,406
Building materials and farm tools	2,933	2,796	2,789	2,849	3,116
Auto dealers and supplies	81,637	76,634	79,620	55,527	75,254
Service stations	22,566	22,529	20,929	24,684	29,402
Other retail stores	190,445	189,690	196,740	199,359	201,251
All other outlets	<u>136,243</u>	<u>145,091</u>	<u>125,458</u>	<u>115,406</u>	<u>126,442</u>
Total	<u>\$ 713,914</u>	<u>\$ 721,793</u>	<u>\$ 707,420</u>	<u>\$ 706,422</u>	<u>\$ 763,904</u>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%



Source: State Board of Equalization HDL Coren Cone

Calendar Year				
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 69,679	\$ 73,231	\$ 72,233	\$ 66,708	\$ 60,033
109,957	114,830	118,872	113,037	104,603
34,032	36,585	36,223	37,327	37,707
127,778	135,058	137,878	142,380	138,375
3,129	3,229	2,994	2,592	1,975
80,594	76,343	78,480	73,144	63,329
33,927	34,313	33,413	37,020	25,601
209,879	219,406	222,749	215,253	199,447
<u>133,957</u>	<u>126,636</u>	<u>124,873</u>	<u>120,491</u>	<u>102,070</u>
<u>\$ 802,932</u>	<u>\$ 819,631</u>	<u>\$ 827,715</u>	<u>\$ 807,952</u>	<u>\$ 733,140</u>
1.00%	1.00%	1.00%	1.00%	1.00%

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

Exhibit A-13

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>L.A. County</u>
2010	1.00%	.25%
2009	1.00%	.25%
2008	1.00%	.25%
2007	1.00%	.25%
2006	1.00%	.25%
2005	1.00%	.25%
2004	1.00%	.25%
2003	1.00%	.25%
2002	1.00%	.25%
2001	1.00%	.25%
2000	1.00%	.25%
1999	1.00%	.25%

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

Exhibit A-14

Tax Remitter

2010

Apple Computer
Barnes & Noble
Beverages & More
California Pizza Kitchen
Chevron
CVS Pharmacy
Frys Electronics
Houstons
Kwik Gas
Lam Enterprise
Macys
Manhattan Beach Marriott
Manhattan Beach Toyota Scion
McDonalds
Mobil Oil
Office Depot
Old Navy
Olive Garden
Pottery Barn
Ralphs
REI
Sephora
Skechers
Target
Trader Joes

2000

Barnes & Noble
Bristol Farms
Champion Chevrolet
Ford Credit Titling Trust
Frys Electronics
Gap
Houstons
Il Fornaio
Kettle
Kwik Gas
Macys
Manhattan Beach Marriott
Manhattan Beach Toyota Scion
Manhattan Ford
Manhattan Toyota
Office Depot
Old Navy
Olive Garden
Ralphs
REI
Sav On
Sketchers
Target
Trader Joes
TRW Space & Electronics

* Listed Alphabetically



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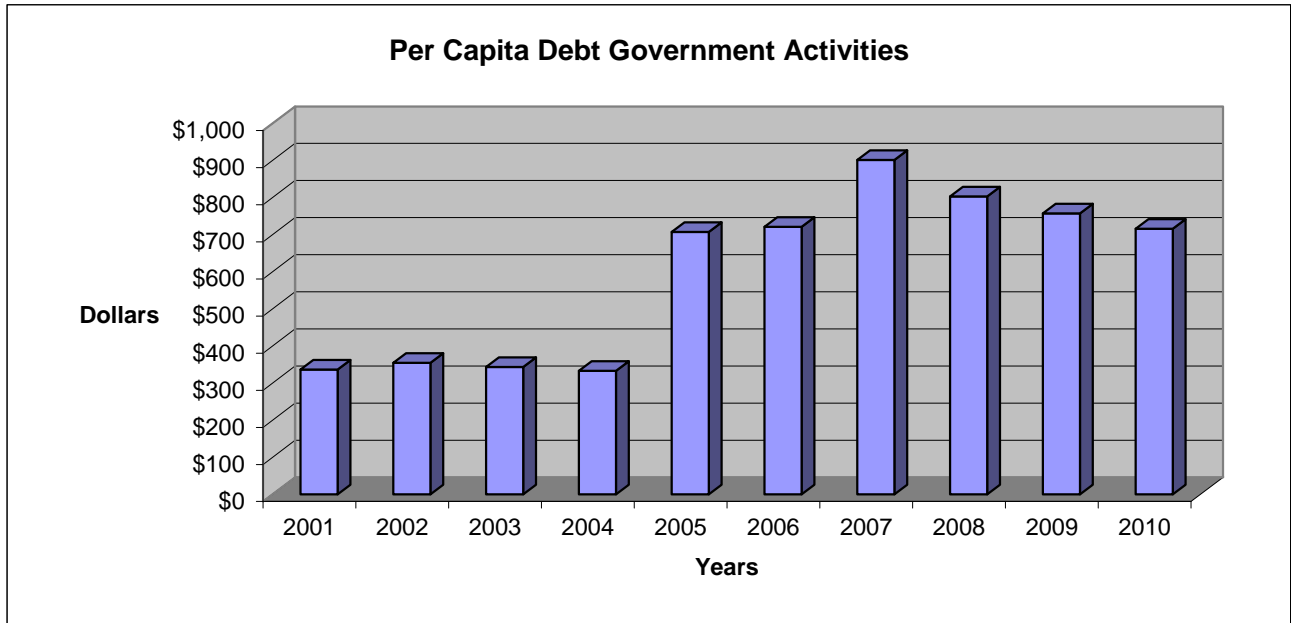
Statistical Section

Debt Capacity

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

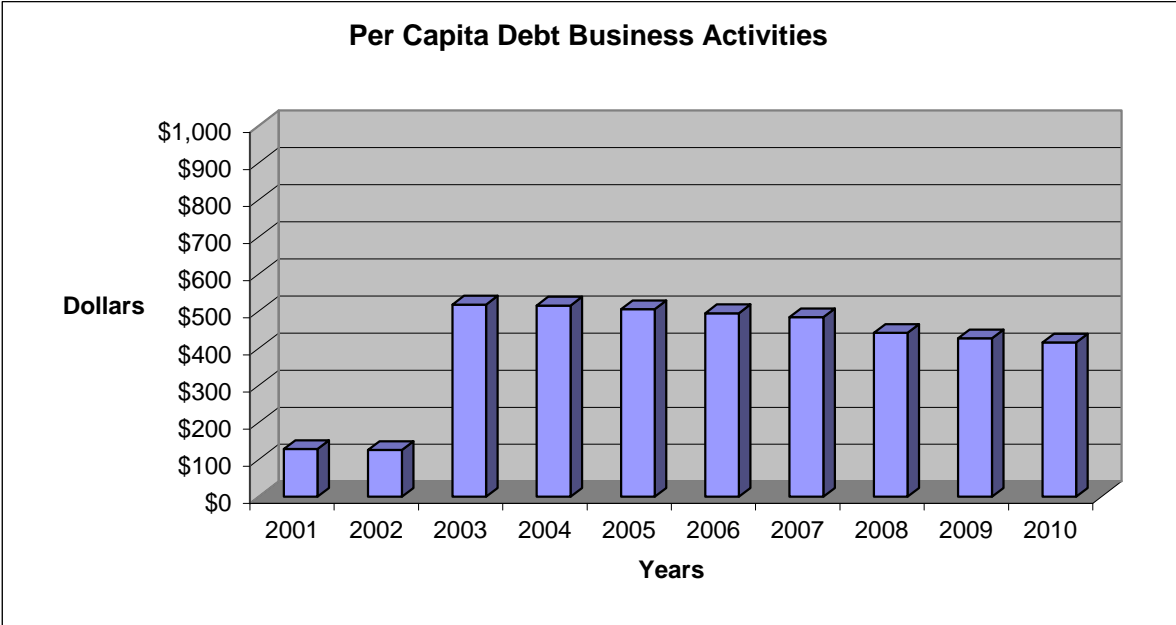
**City of Manhattan Beach
 Ratios of Outstanding Debt by Type,
 Last Ten Fiscal Years**

Fiscal Year	RCC Facility	Governmental Activities				Capital Leases	Total Governmental	Total Per Capita
		Pension Obligation Bonds	Marine Certificates of Participation	Police/Fire Certificates of Participation				
2001	2,180,000	-	-	-	9,206,452	11,386,452	336	
2002	2,180,000	-	9,535,000	-	279,584	11,994,584	354	
2003	2,115,000	-	9,335,000	-	178,061	11,628,061	343	
2004	2,045,000	-	9,155,000	-	62,495	11,262,495	333	
2005	1,975,000	-	8,970,000	12,980,000	-	23,925,000	707	
2006	1,905,000	-	8,780,000	12,980,000	720,693	24,385,693	720	
2007	1,830,000	6,800,000	8,580,000	12,740,000	558,370	30,508,370	901	
2008	1,750,000	6,095,000	8,375,000	12,495,000	390,008	29,105,008	803	
2009	1,670,000	5,400,000	8,165,000	12,245,000	215,949	27,695,949	757	
2010	1,585,000	4,635,000	7,945,000	11,990,000	35,807	26,190,807	716	



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

Business-type Activities				Total		
Utility Revenue Bonds	Metlox		Total Per Capita	Total Primary Government	Percentage of Personal Income	Total Per Capita
	Certificates of Participation	Total Business Type				
4,345,000	-	4,345,000	128 *	15,731,452	0.72%	465
4,270,000	-	4,270,000	126	16,264,584	0.74%	480
4,190,000	13,350,000	17,540,000	518	29,168,061	1.30%	862
4,105,000	13,350,000	17,455,000	516	28,717,495	1.22%	848
4,015,000	13,095,000	17,110,000	505	41,035,000	1.68%	1,212
3,920,000	12,835,000	16,755,000	495	41,140,693	1.63%	1,215
3,820,000	12,570,000	16,390,000	484	46,898,370	1.81%	1,385
3,715,000	12,300,000	16,015,000	442	45,120,008	1.67%	1,244
3,605,000	12,020,000	15,625,000	427	43,320,949	1.63%	1,184
3,490,000	11,735,000	15,225,000	416	41,415,807	1.56%	1,132



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

**City of Manhattan Beach
Direct and Overlapping Governmental Activities Debt
As of June 30, 2010**

Exhibit A-16

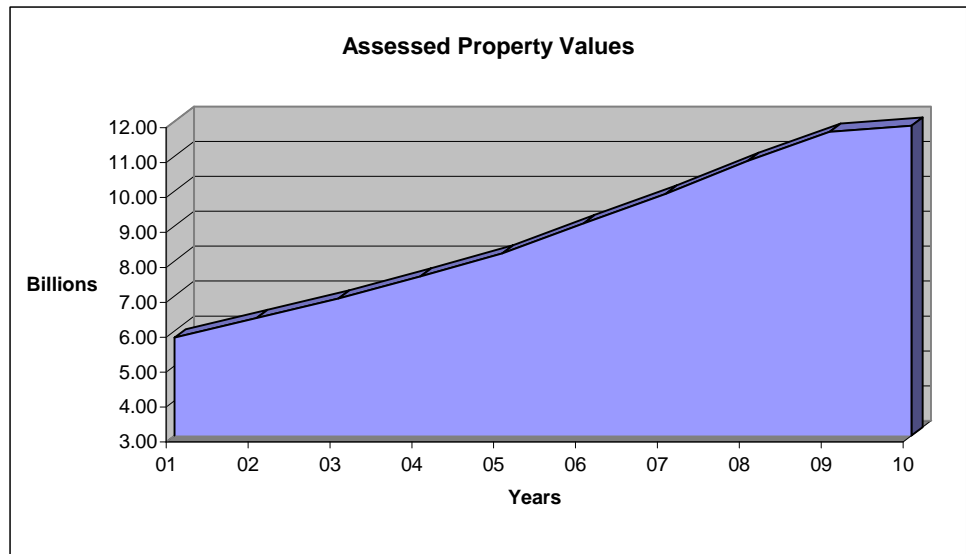
<u>Governmental Unit</u>	<u>Gross Bonded Debt Balance</u>	<u>Percentage Applicable To City</u>	<u>Net Bonded Debt</u>
Debt repaid with property taxes			
Manhattan Beach UNIF 96 SER A DS	9,810,757	100.000%	9,810,757
Manhattan Beach UNIF DS 1998 SER B	5,828,619	100.000%	5,828,619
Manhattan Beach U.S.D. DS 99 SER C	3,621,369	100.000%	3,621,369
Manhattan Beach USD DS 2001 SER D	4,463,769	100.000%	4,463,769
Manhattan Beach USD DS 1995 SER-E	4,628,829	100.000%	4,628,829
Manhattan Beach USD DS 2000 SER-B	7,641,026	100.000%	7,641,026
Manhattan Beach USD DS 2004 REF BDS	16,480,000	100.000%	16,480,000
Total Direct Debt			<u>52,474,369</u>
Overlapping Debt			
Metropolitan Water District	121,475,156	1.377%	1,672,713
El Camino CCS DS 2002 S-2003A	6,680,000	14.763%	986,168
El Camino CCS DS 2005 REF BONDS	29,413,943	14.763%	4,342,380
El Camino CCS DS 2002 SER 2006B	139,150,000	14.763%	20,542,715
Total Overlapping Debt			<u>27,543,976</u>
Total Direct and Overlapping Debt			<u><u>\$ 80,018,345</u></u>



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

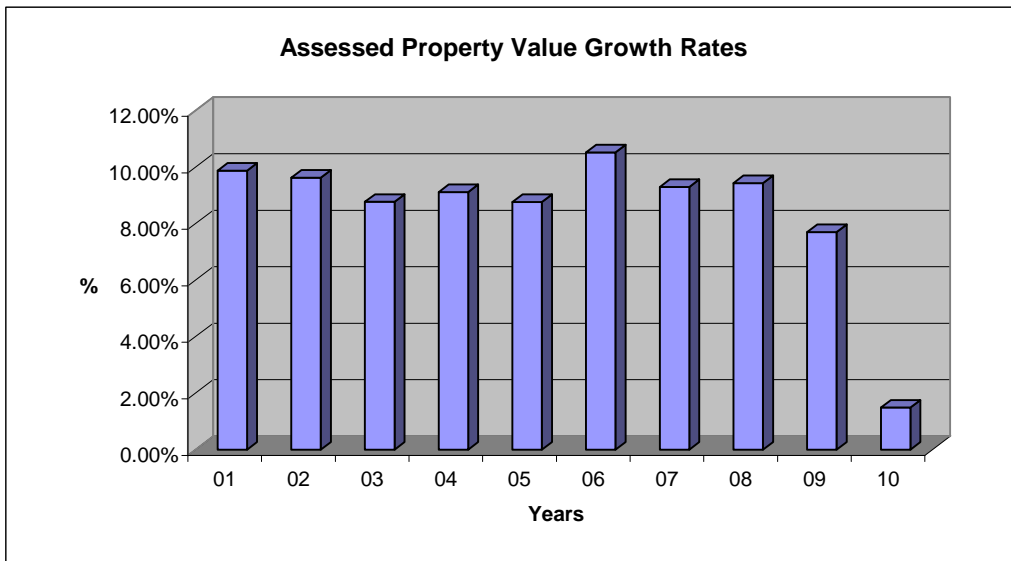
	Fiscal Year				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Total Assessed Value	\$ 5,806,342,124	\$ 6,365,174,958	\$ 6,923,341,436	\$ 7,554,435,006	\$ 8,216,800,523
Legal debt limit (3.75%)	217,737,830	238,694,061	259,625,304	283,291,313	308,130,020
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 217,737,830</u>	<u>\$ 238,694,061</u>	<u>\$ 259,625,304</u>	<u>\$ 283,291,313</u>	<u>\$ 308,130,020</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%
Assessed Value Growth	9.87%	9.62%	8.77%	9.12%	8.77%



Fiscal Year				
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 9,080,889,082	\$ 9,925,464,834	\$ 10,861,350,753	\$ 11,697,899,600	\$ 11,871,677,111
\$ 340,533,341	\$ 372,204,931	\$ 407,300,653	\$ 438,671,235	\$ 445,187,892
-	-	-	-	-
<u>\$ 340,533,341</u>	<u>\$ 372,204,931</u>	<u>\$ 407,300,653</u>	<u>\$ 438,671,235</u>	<u>\$ 445,187,892</u>

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

10.52%	9.30%	9.43%	7.70%	1.49%
--------	-------	-------	-------	-------



**City of Statistical
Pledged-Revenue Coverage,
Last Ten Fiscal Years**

Water - Wastewater Revenue Bonds

Fiscal Year	Utility Service Charges	(a) Less: Operating Expenses	Net Available Revenue	Debt Service		Times Coverage
				Principal	Interest	
1999	7,626,707	5,491,183	2,135,524	65,000	254,950	6.67
2000	7,881,742	5,742,280	2,139,462	70,000	251,373	6.66
2001	7,988,167	5,567,922	2,420,245	70,000	247,563	7.62
2002	8,012,508	5,255,940	2,756,568	75,000	243,820	8.65
2003	8,008,037	6,441,702	1,566,335	80,000	239,713	4.90
2004	7,856,711	6,454,773	1,401,938	85,000	235,340	4.38
2005	8,102,158	6,957,411	1,144,747	90,000	229,112	3.59
2006	8,287,096	6,993,409	1,293,687	95,000	224,121	4.05
2007	8,560,647	7,864,351	696,296	100,000	218,804	2.18
2008	8,136,116	8,053,961	82,155	105,000	213,205	0.26
2009	8,697,768	9,060,376	(362,608)	110,000	218,235	(1.10)
2010	9,668,966	9,129,202	539,764	115,000	203,261	1.70

(a) Operating Expense less depreciation expense

(b) Interest expense includes discount amortization, trustee fees and other debt management expenses

Parking Certificates of Participation

Parking Fund Revenue	(a) Less: Operating Expenses	Net Available Revenue	Debt Service		Times Coverage
			Principal	Interest	
-	-	-	-	-	NA
-	-	-	-	-	NA
-	-	-	-	-	NA
-	-	-	-	-	NA
876,570	396,214	480,356	-	240,809	1.99
922,325	325,197	597,128	-	597,671	1.00
964,598	357,360	607,238	255,000	595,321	0.71
1,149,312	511,760	637,552	260,000	590,171	0.75
1,411,406	693,207	718,199	265,000	584,590	0.85
1,355,513	644,225	711,288	270,000	577,896	0.84
1,735,739	664,415	1,071,324	280,000	585,311	1.24
1,591,919	789,917	802,002	285,000	565,784	0.94



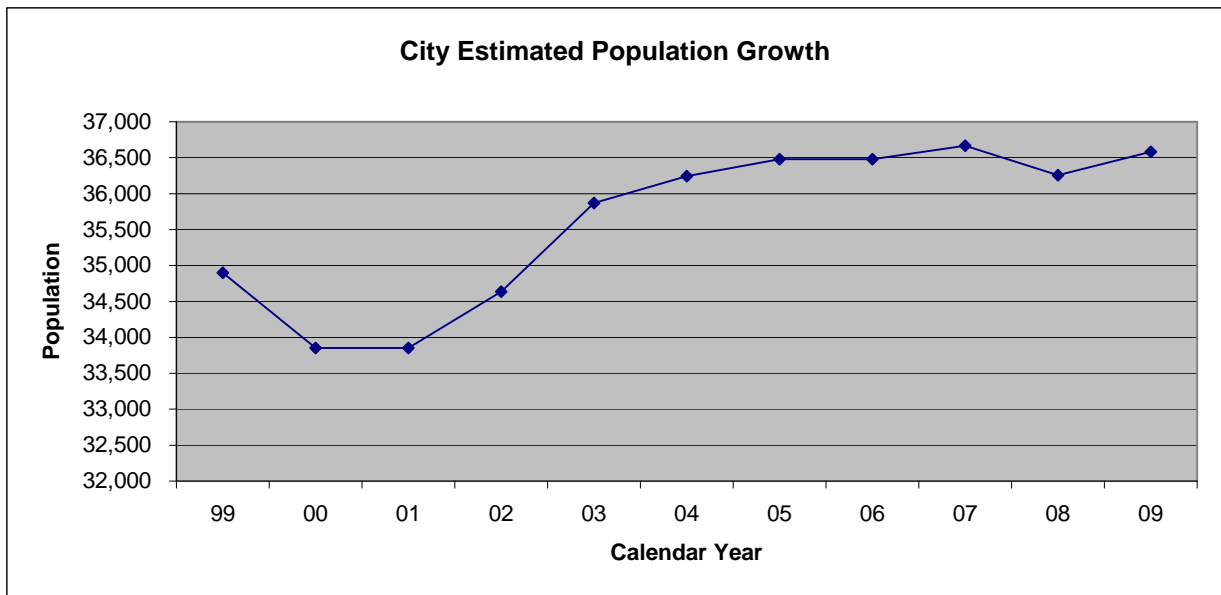
Statistical Section

Demographic and Economic Information

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

Calendar Year	Population	Man Beach Personal Income (in thousands)	Personal Income L.A. County (a) (in thousands)	Per Capita Personal Income L.A. County (a)	Per Capita Personal Income Man Beach	Unempl Rate	School Enrollment
1999	34,898	N/A	263,987,283	27,973	N/A	5.3%	5,851
2000	33,852	2,081,025	279,049,532	29,141	61,474	1.8%	5,842
2001	34,557	2,144,975	294,508,314	30,246	62,071	1.9%	6,163
2002	35,427	2,205,073	301,002,945	30,418	62,243	2.3%	6,450
2003	36,198	2,294,710	309,827,000	30,900	63,393	2.4%	6,434
2004	36,464	2,398,962	326,402,000	32,230	65,790	2.2%	6,354
2005	36,581	2,491,204	346,423,000	33,972	68,101	1.8%	6,260
2006	36,364	2,601,304	369,174,348	36,025	71,535	1.6%	6,266
2007	36,240	2,675,144	391,400,000	38,021	73,817	1.7%	6,307
2008	36,258	2,695,604	398,100,000	38,473	74,345	2.6%	6,282
2009	36,583	2,659,307	386,600,000 F	37,104 F	72,692	4.1%	6,560

(a) Based on LAEDC data and forecast. F = Forecast



**City of Manhattan Beach
Principal Employers,
Current Year**

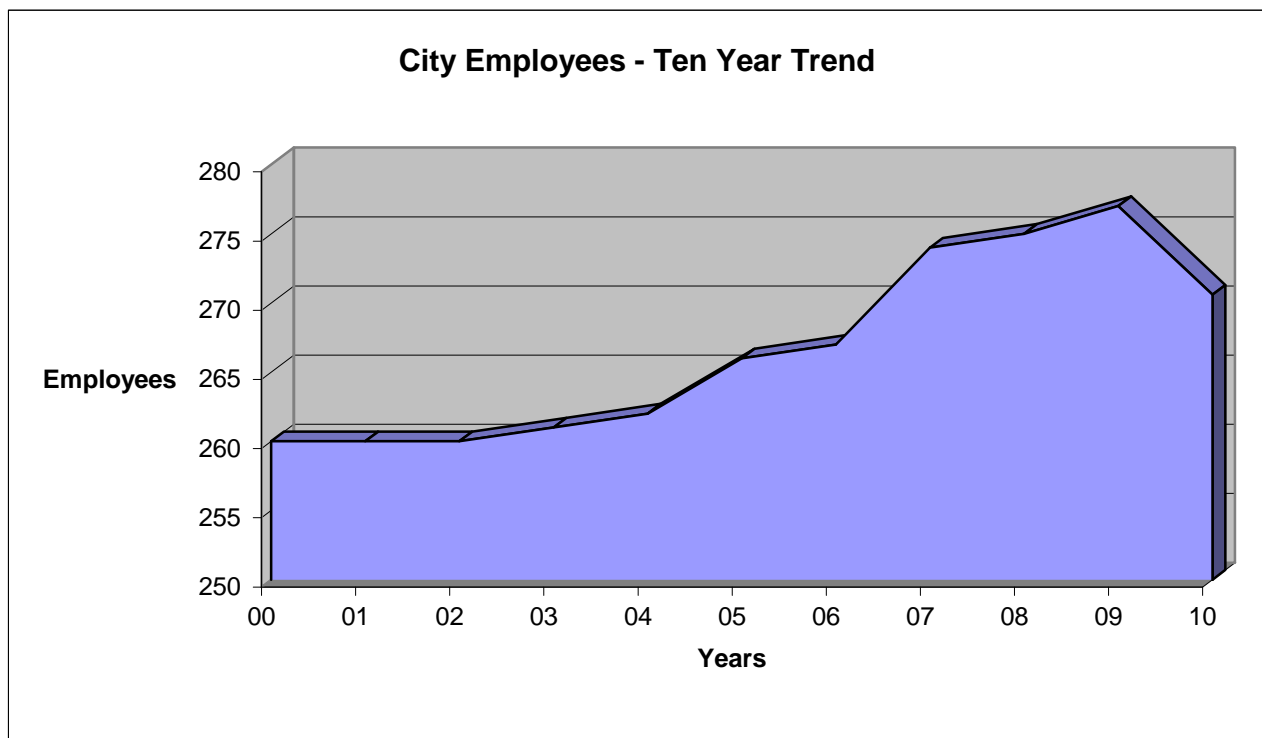
Exhibit A-20

<u>Employer</u>	2010	
	<u>Employees</u>	<u>Percentage of Total Employment</u>
Target Corporation	405	15.56%
Skechers USA Inc.	362	13.91%
Macy's West LLC	271	10.41%
Fry's Electronics Inc.	251	9.64%
Marriott- HMC Interstate	208	7.99%
Ralphs Grocery Co.	146	5.61%
Olive Garden	143	5.49%
24 Hour Fitness	133	5.11%
Bristol Farms	130	4.99%
Shade Hotel	113	4.34%
Manhattan Beach Toyota	99	3.80%
Houston's Restaurants Inc.	97	3.73%
California Pizza Kitchen	85	3.27%
Chili's Grill & Bar	81	3.11%
Belamar Hotel	79	3.03%
Islands Restaurant	75	2.88%
Recreational Equipment Inc.	62	2.38%
Total	<u>2,603</u>	<u>96.97%</u>

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

Exhibit A-21

Function/Program	Full-time Authorized Employees as of June 30										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government											
Management services	13	13	13	13	13	13	13	13	14	14	14
Finance	20	20	20	20	20	20	20	21	21	21	20
Human Resources	7	7	7	7	7	7	7	7	7	7	7
Planning & Building	20	20	20	21	21	21	21	22	22	22	20
Parks and Recreation	14	14	15	15	16	16	16	19	19	19	20
Police											
Officers	64	64	64	64	64	64	64	65	65	65	63
Civilians	34	34	33	33	33	35	35	35	35	35	35
Fire											
Firefighters & officers	30	30	30	30	30	30	30	30	30	30	30
Civilians	1	1	1	1	1	1	1	1	1	1	1
Public works											
Engineering	6	6	6	6	6	7	7	7	7	9	8
Water	11	11	11	11	11	12	12	13	13	13	13.5
Wastewater	3	3	3	3	3	3	4	4	4	3	3.1
Other	37	37	37	37	37	37	37	37	37	38	36
Total	260	260	260	261	262	266	267	274	275	277	271



Source: City of Manhattan Beach Finance Department



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CITY OF MANHATTAN BEACH
SCHEDULE OF INSURANCE IN FORCE

June 30, 2010

<u>TYPE OF COVERAGE</u>	<u>POLICY NUMBER</u>	<u>FROM</u>
Liability		
Self-Insured	-	07/01/09
Excess Liability		
Independent Cities Risk Management ICRMA (Pool)	ICAPL 1014	07/01/09
Lexington Insurance Company	652018	07/01/09
Building & Property (All City excluding public safety building)		
Lexington-Primary	8758186	07/01/09
Other Carriers	Various	07/01/09
Building & Property Public Safety Building		
Mt. Hawley - Public Safety Bldg	MQE0102498	07/01/09
Other Carriers-Public Safet Bldg	Various	07/01/09
Workers' Comp.		
Self-Insured	-	07/01/09
Excess Workers' Comp.		
ICRMA (Pool)	ICRMA2009-1WC	07/01/09
National Union Fire	4880474	07/01/09
Public Officials, Faithful Performance & Fidelity Bonds		
Hartford	72BPEAG8698	12/12/09

**CITY OF MANHATTAN BEACH
SCHEDULE OF INSURANCE IN FORCE**

June 30, 2010

<u>TO</u>	<u>LIMITS OF COVERAGE</u>	<u>ANNUAL PREMIUM</u>
06/30/10	\$500,000 per occurrence	-
06/30/10	\$2,000,000 excess of \$500,000	\$244,952
06/30/10	\$20,000,000 excess of \$2,000,000	
06/30/10	\$25,000 All Risk	
06/30/10	\$65M earthquake & flood shared proportionally	\$450,924
06/30/10	\$5M Primary Layer	
06/30/10	\$21,923,085 Excess Layer	
06/30/10	\$750,000 per occurrence	-
06/30/10	\$5M xs \$750,000	\$177,244
06/30/10	\$100,000,000	
12/12/10	\$500,000 each employee	\$1,748

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

<u>Function/Program</u>	<u>Fiscal Year</u>							
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General government								
Building permits issued	3,503	3,348	3,667	3,539	3,269	3,829	3,477	1,142
Building inspections conducted	20,972	19,670	19,167	18,338	16,564	18,170	18,021	14,634
Police								
Arrests	1,393	1,092	1,018	926	1,081	1,179	1,359	1,247
Parking citations	68,912	63,010	66,407	66,718	54,091	54,214	57,807	57,356
Traffic citations	8,947	5,680	6,126	6,417	5,340	5,774	6,461	6,726
Fire								
Emergency responses	2,690	2,671	2,610	2,693	2,719	2,469	2,831	2,958
Fires extinguished	90	85	97	114	98	75	103	126
Inspections	910	908	921	920	923	900	975	995
Refuse collection								
Refuse collected (tons per day)	-	-	85.4	84.1	73.7	77.8	63.0	58.7
Recyclables collected (tons per day)	-	-	22.1	28.5	34.6	28.6	61.0	52.2
Other public works								
Street resurfacing (miles)	-	-	1.3	1.0	2.3	0.4	1.2	1.2
Parks and recreation								
Athletic field permits issued	4,716	4,784	2,555	4,092	4,083	3,460	2,949	4,464
Community center admissions	224,911	137,690	100,228	93,495	125,554	166,910	150,041	153,628
Water								
Water main breaks	8	4	5	5	7	5	10	2
Average daily consumption (thousands of gallons)	-	-	6,255	6,395	6,223	6,203	6,020	6,018
Peak daily consumption (thousands of gallons)	-	-	7,200	7,360	7,300	N/A	7,265	7,168
Transportation								
Total route miles	42,072	43,004	43,004	31,469	31,936	31,849	32,940	46,749
Passengers	10,873	10,789	10,789	9,742	9,654	9,142	9,785	11,911

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

Exhibit A-24

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	22	22	22	22	23	23	23	23	23	23
Fire stations	2	2	2	2	2	2	2	2	2	2
Other public works										
Streets (miles)	110	110	110	110	110	110	110	110	110	110
Highways (miles)	10	10	10	10	10	10	10	10	10	10
Parks and recreation										
Acreage	74.88	80.88	80.88	80.88	80.88	80.88	80.88	80.88	80.88	80.88
Baseball/softball diamonds	10	13	13	13	13	13	13	13	13	13
Soccer/football fields	12	15	15	15	15	15	15	15	15	15
Community centers	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	-	-	-	-	-	106	106	106	106	106
Fire hydrants	-	-	-	-	-	667	669	670	671	775
Storage capacity (1000s Gallons)	-	-	-	-	-	9,830	9,830	9,830	9,830	9,830
Wastewater										
Sanitary sewers (miles)	-	-	-	-	-	84.0	84.0	84.0	84.0	84.0
Storm sewers (miles)	-	-	-	-	-	16.0	16.0	16.0	16.0	16.0
Treatment capacity (1000s Gallons)	-	-	-	-	-	-	-	-	-	-
Transportation—minibuses	3	3	3	4	4	4	4	4	4	4

Source: City of Manhattan Beach Departments

CITY OF MANHATTAN BEACH
DEMOGRAPHIC STATISTICAL DATA
As of December 31, 2008

Population distribution by ethnic group:

	<u>Number of Persons</u>	<u>Percent</u>
White	31,528	87%
Asian	2,366	7%
Black or African American	125	0%
American Indian and Alaska Native	70	0%
Other	2,165	6%
	<u>36,254</u>	<u>100%</u>

Household Type:

	<u>Number of Persons</u>	<u>Percent</u>
Family:		
Married couple	7,782	57%
Female head	749	5%
Male head	450	3%
Nonfamily	4,773	35%
	<u>13,754</u>	<u>100%</u>

Population distribution by age group:

	<u>Number of Persons</u>	<u>Percent</u>
Under 5 years	2,985	8%
5-14	5,030	14%
15-24	4,023	11%
25-44	9,729	27%
45-59	8,117	22%
60-64	2,202	6%
65 and over	4,168	11%
	<u>36,254</u>	<u>100%</u>

Population distribution by gender:

	<u>Number of Persons</u>	<u>Percent</u>
Male	17,905	49%
Female	18,349	51%
	<u>36,254</u>	<u>100%</u>