



Agenda Item #: \_\_\_\_\_

# Staff Report

## City of Manhattan Beach

**TO:** Members of the Finance Subcommittee

**FROM:** Bruce Moe, Finance Director

**DATE:** December 30, 2014

**SUBJECT:** Review of Results of Fiscal Year (FY) 2013-2014 Financial Audit

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**RECOMMENDATION:**

Staff recommends that the Finance Subcommittee discuss the FY 2013-2014 audit results, and receive and file this report.

**FISCAL IMPLICATION:**

There are no fiscal implications associated with the recommended action.

**BACKGROUND:**

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

**DISCUSSION:**

Attached to this cover memo is a draft of the Comprehensive Annual Financial Report (CAFR) for FY 2013-2014. The Letter of Transmittal, the Management Discussion and Analysis, and the Statistical Section, are in production by staff, and will be presented in the final report to the full City Council on January 20, 2015.

Additional information will be provided at the Finance Subcommittee meeting to facilitate discussions.

Mr. Richard Kukuchi, partner with the audit firm of Lance, Soll and Lunghard will be present at the Finance Subcommittee meeting to discuss the results of the audit and answer questions.

Attachment:

1. Draft CAFR

CITY OF MANHATTAN BEACH, CALIFORNIA  
*COMPREHENSIVE ANNUAL FINANCIAL REPORT*  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014



Prepared by the Finance Department

Bruce Moe, Finance Director

CITY OF MANHATTAN BEACH  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

	<u>Page Number</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal.....	
Directory of City Officials .....	
Organization Chart .....	
Certificate of Achievement for Excellence in Financial Reporting.....	
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report.....	
Management's Discussion and Analysis .....	
Government-Wide Financial Statements:	
Statement of Net Position .....	
Statement of Activities.....	
Governmental Funds - Fund Financial Statements:	
Balance Sheet.....	
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	
Statement of Revenues, Expenditures and Changes in Fund Balances.....	
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	
Proprietary Funds Financial Statements:	
Statement of Fund Net Position .....	
Statement of Revenues, Expenses and Changes in Fund Net Position.....	
Statement of Cash Flows.....	
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Position.....	
Statement of Changes in Fiduciary Net Position .....	
Notes to Financial Statements.....	

CITY OF MANHATTAN BEACH  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

	<u>Page Number</u>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule – General Fund.....	
Pension Plan	
Supplemental Retirement Plan	
Schedule of Changes in Net Pension Liability and Related Ratios.....	
Schedule of Employer Contributions .....	
Schedule of Investment Returns .....	
Single Highest Year Plan	
Schedule of Changes in Net Pension Liability and Related Ratios.....	
Schedule of Employer Contributions .....	
Schedule of Investment Returns .....	
Notes to Required Supplementary Information .....	
<b>SUPPLEMENTARY SCHEDULES</b>	
Combining Balance Sheet - Nonmajor Governmental Funds .....	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds .....	
Budgetary Comparison Schedules - Special Revenue Funds:	
Street Lighting and Landscape .....	
Gas Tax.....	
Asset Forfeiture .....	
Public Safety Grants .....	
Federal and State Grants.....	
Proposition A.....	
Proposition C.....	
AB 2766 .....	
Measure R.....	
Budgetary Comparison Schedules - Capital Projects Funds:	
Capital Improvement.....	
Underground Assessment District .....	
Combining Statement of Fund Net Position - Nonmajor Enterprise Funds.....	
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Nonmajor Enterprise Funds.....	
Combining Statement of Cash Flows - Nonmajor Enterprise Funds.....	

CITY OF MANHATTAN BEACH  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

	<u>Page Number</u>
<b>SUPPLEMENTARY SCHEDULES (Continued)</b>	
Combining Statement of Fund Net Position - Internal Service Funds.....	
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds.....	
Combining Statement of Cash Flows - Internal Service Funds.....	
Combining Balance Sheet - All Agency Funds .....	
Statement of Changes in Assets and Liabilities – All Agency Funds .....	
<b>STATISTICAL SECTION</b>	
<b>Financial Trends</b>	
Net Position by Component.....	
Changes in Net Position.....	
Program Revenues by Function/Program.....	
Fund Balances, Governmental Funds.....	
<b>Revenue Capacity</b>	
Change in Fund Balances, Governmental Funds .....	
Taxes & Assessment Revenues by Source, Governmental Funds and Assessment .....	
Assessed Value and Estimated Actual Value of Taxable Property.....	
Direct and Overlapping Debt Property Tax Rates.....	
Principal Property Tax Payers Based on Net Values.....	
Property Tax Levies and Collections.....	
Taxable Sales by Category .....	
Direct and Overlapping Sales Tax Rates .....	
Principal Sales Tax Remitters .....	
<b>Debt Capacity</b>	
Ratios of Outstanding Debt by Type .....	
Direct and Overlapping Governmental Activities Debt.....	
Legal Debt Margin Information.....	
Pledged-Revenue Coverage.....	
<b>Demographic and Economic Information</b>	
Demographic and Economic Statistics.....	
Principal Employers.....	
Full-time Authorized City Employees By Function/Program .....	
Schedule of Insurance in Force .....	
Operating Indicators by Function/Program .....	
Capital Asset Statistics by Function/Program .....	
Demographic Statistical Data.....	

*CITY OF MANHATTAN BEACH*  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

CITY OF MANHATTAN BEACH

STATEMENT OF NET POSITION  
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 53,090,796	\$ 30,492,389	\$ 83,583,185
Receivables:			
Accounts	785,491	1,449,571	2,235,062
Taxes	2,878,062	-	2,878,062
Notes and loans	1,752,043	-	1,752,043
Accrued interest	236,218	-	236,218
Internal balances	219,200	(219,200)	-
Prepaid costs	47,198	1,440	48,638
Due from other governments	568,256	-	568,256
Inventories	108,125	200,878	309,003
<b>Total Current Assets</b>	<b>59,685,389</b>	<b>31,925,078</b>	<b>91,610,467</b>
Restricted assets:			
Cash with fiscal agent	1,368,772	215,656	1,584,428
Prepaid other post-employment benefits	2,028,147	130,964	2,159,111
Capital assets not being depreciated	38,562,399	7,637,247	46,199,646
Capital assets, net of depreciation	79,989,779	39,288,829	119,278,608
<b>Total Noncurrent Assets</b>	<b>121,949,097</b>	<b>47,272,696</b>	<b>169,221,793</b>
<b>Total Assets</b>	<b>181,634,486</b>	<b>79,197,774</b>	<b>260,832,260</b>
<b>Deferred Outflows of Resources:</b>			
Deferred charge on refunding	565,699	-	565,699
<b>Total Deferred Outflows of Resources</b>	<b>565,699</b>	<b>-</b>	<b>565,699</b>
<b>Liabilities:</b>			
Accounts payable	2,369,147	1,606,696	3,975,843
Accrued liabilities	2,169,076	-	2,169,076
Accrued interest	183,648	215,656	399,304
Unearned revenue	899,453	-	899,453
Deposits payable	764,993	99,165	864,158
Long-term liabilities due within one year:			
Leases Payable	187,522	-	187,522
Bonds Payable	1,480,000	540,000	2,020,000
Accrued workers comp/liability claims and judgments	6,039,782	-	6,039,782
Accrued employee benefits	498,417	15,396	513,813
<b>Total Current Liabilities</b>	<b>14,592,038</b>	<b>2,476,913</b>	<b>17,068,951</b>
Noncurrent liabilities:			
Long term liabilities due in more than one year			
Leases payable	531,820	-	531,820
Bonds payable	16,756,305	12,043,166	28,799,471
Accrued workers comp/liability claims and judgments	3,846,660	-	3,846,660
Accrued employee benefits	2,586,964	64,274	2,651,238
<b>Total Noncurrent Liabilities</b>	<b>23,721,749</b>	<b>12,107,440</b>	<b>35,829,189</b>
<b>Total Liabilities</b>	<b>38,313,787</b>	<b>14,584,353</b>	<b>52,898,140</b>
<b>Net Position:</b>			
Net investment in capital assets	100,927,230	34,342,910	135,270,140
Restricted for:			
Public safety	1,084,541	-	1,084,541
Public works	4,546,040	-	4,546,040
Capital projects	4,636,332	-	4,636,332
Debt service	977,888	215,656	1,193,544
Business improvement districts	-	532,510	532,510
Unrestricted	31,714,367	29,522,345	61,236,712
<b>Total Net Position</b>	<b>\$ 143,886,398</b>	<b>\$ 64,613,421</b>	<b>\$ 208,499,819</b>

CITY OF MANHATTAN BEACH

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>
<b>Functions/Programs</b>				
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 11,102,480	\$ 4,950,743	\$ 44,204	\$ -
Public safety	34,955,520	4,154,836	259,593	-
Culture and recreation	7,062,072	2,798,673	-	-
Public works	7,486,202	3,563,085	-	1,443,144
Interest on long-term debt	382,536	-	-	-
<b>Total Governmental Activities</b>	<b>60,988,810</b>	<b>15,467,337</b>	<b>303,797</b>	<b>1,443,144</b>
Business-Type Activities:				
Water	9,235,903	16,275,584	-	-
Stormwater	765,387	344,556	-	-
Wastewater	2,068,755	3,626,144	-	-
Refuse	3,900,588	3,965,882	19,880	-
Parking	1,933,707	2,412,816	-	-
County Parking Lot	573,658	773,409	-	-
State Pier and Parking Lot	456,245	575,723	-	-
<b>Total Business-Type Activities</b>	<b>18,934,243</b>	<b>27,974,114</b>	<b>19,880</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 79,923,053</b>	<b>\$ 43,441,451</b>	<b>\$ 323,677</b>	<b>\$ 1,443,144</b>

**General Revenues:**

Taxes:

- Property taxes, levied for general purpose
- Transient occupancy taxes
- Sales taxes
- Franchise taxes
- Business licenses taxes
- Other taxes
- Motor vehicle in lieu - unrestricted
- Use of money and property
- Other
- Gain on sale of capital asset

**Transfers**

**Total General Revenues and Transfers**

Change in Net Position

Net Position at Beginning of Year

Restatement of Net Position

**Net Position at End of Year**



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

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (6,107,533)	\$ -	\$ (6,107,533)
(30,541,091)	-	(30,541,091)
(4,263,399)	-	(4,263,399)
(2,479,973)	-	(2,479,973)
(382,536)	-	(382,536)
<b>(43,774,532)</b>	<b>-</b>	<b>(43,774,532)</b>
-	7,039,681	7,039,681
-	(420,831)	(420,831)
-	1,557,389	1,557,389
-	85,174	85,174
-	479,109	479,109
-	199,751	199,751
-	119,478	119,478
<b>-</b>	<b>9,059,751</b>	<b>9,059,751</b>
<b>(43,774,532)</b>	<b>9,059,751</b>	<b>(34,714,781)</b>
23,353,743	-	23,353,743
4,289,009	-	4,289,009
7,722,049	-	7,722,049
1,441,769	-	1,441,769
3,140,273	-	3,140,273
4,048,426	-	4,048,426
15,631	-	15,631
3,035,388	151,923	3,187,311
-	43,388	43,388
229,219	-	229,219
200,458	(200,458)	-
<b>47,475,965</b>	<b>(5,147)</b>	<b>47,470,818</b>
3,701,433	9,054,604	12,756,037
140,184,965	56,177,525	196,362,490
-	(618,708)	(618,708)
<b>\$ 143,886,398</b>	<b>\$ 64,613,421</b>	<b>\$ 208,499,819</b>

CITY OF MANHATTAN BEACH

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<u>General</u>	<u>Capital Projects Fund Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Pooled cash and investments	\$ 20,366,333	\$ 9,653,240	\$ 9,977,880	\$ 39,997,453
Receivables:				
Accounts	765,703	-	19,788	785,491
Taxes	2,819,774	58,288	-	2,878,062
Notes and loans	1,700,000	52,043	-	1,752,043
Accrued interest	236,218	-	-	236,218
Prepaid costs	46,823	-	375	47,198
Due from other funds	22,488	-	-	22,488
Due from other governments	206,359	99,808	262,089	568,256
Advances to other funds	-	219,200	-	219,200
Restricted assets:				
Cash and investments with fiscal agents	813,407	164,481	390,884	1,368,772
<b>Total Assets</b>	<b>\$ 26,977,105</b>	<b>\$ 10,247,060</b>	<b>\$ 10,651,016</b>	<b>\$ 47,875,181</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,561,963	\$ 201,144	\$ 214,784	\$ 1,977,891
Accrued liabilities	2,154,722	164,481	32,753	2,351,956
Unearned revenues	899,453	-	-	899,453
Deposits payable	763,252	-	1,741	764,993
Due to other funds	-	-	22,488	22,488
<b>Total Liabilities</b>	<b>5,379,390</b>	<b>365,625</b>	<b>271,766</b>	<b>6,016,781</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	699,380	99,808	134,825	934,013
<b>Total Deferred Inflows of Resources</b>	<b>699,380</b>	<b>99,808</b>	<b>134,825</b>	<b>934,013</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepaid costs	46,823	-	-	46,823
Notes and loans	1,700,000	-	-	1,700,000
<b>Restricted for:</b>				
Public safety	-	-	1,084,541	1,084,541
Public works	-	-	4,546,040	4,546,040
Capital Projects	-	-	4,636,332	4,636,332
Debt service	813,407	164,481	-	977,888
<b>Committed to:</b>				
Capital Projects	-	9,617,146	-	9,617,146
<b>Unassigned</b>	<b>18,338,105</b>	<b>-</b>	<b>(22,488)</b>	<b>18,315,617</b>
<b>Total Fund Balances</b>	<b>20,898,335</b>	<b>9,781,627</b>	<b>10,244,425</b>	<b>40,924,387</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 26,977,105</b>	<b>\$ 10,247,060</b>	<b>\$ 10,651,016</b>	<b>\$ 47,875,181</b>

**CITY OF MANHATTAN BEACH**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

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Fund balances of governmental funds		\$ 40,924,387
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources. Therefore, they are not reported in governmental funds.		112,900,972
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
COPS payable	\$(17,010,000)	
Pension obligation bonds payable	(765,000)	
Supplemental leave allowance	(5,389)	
Compensated Absences	(3,079,992)	
Unamortized bond premiums/discounts	<u>(461,305)</u>	(21,321,686)
For bond refundings, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred charge on refunding in the Statement of Net Position.		565,699
Governmental funds report all other post-retirement benefit obligations as expenditures, however, in the Statement of Net Position, excess contributions over the annual required contribution (ARC) are reported as prepaid other post-employment benefit obligations.		1,942,872
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		934,013
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.		<u>7,940,141</u>
<b>Net Position of governmental activities</b>		<b><u>\$ 143,886,398</u></b>

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	General	Capital Projects Fund Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes and assessments	\$ 41,734,486	\$ 626,635	\$ 1,852,226	\$ 44,213,347
Licenses and permits	1,730,108	29,072	-	1,759,180
Intergovernmental	477,386	2,310	1,704,294	2,183,990
Charges for services	9,488,229	732,286	33,025	10,253,540
Use of money and property	2,959,996	3,921	84,832	3,048,749
Fines and forfeitures	2,437,700	128,736	-	2,566,436
Miscellaneous Revenues	483,981	19,974	17,825	521,780
<b>Total Revenues</b>	<b>59,311,886</b>	<b>1,542,934</b>	<b>3,692,202</b>	<b>64,547,022</b>
<b>Expenditures:</b>				
Current:				
General government	10,467,524	-	-	10,467,524
Public safety	33,425,442	-	100,386	33,525,828
Culture and recreation	5,964,556	1,552	865,460	6,831,568
Public works	5,878,089	-	649,448	6,527,537
Capital outlay	67,141	1,046,157	1,705,833	2,819,131
Debt service:				
Principal retirement	1,350,000	480,000	-	1,830,000
Interest and fiscal charges	45,361	333,762	-	379,123
<b>Total Expenditures</b>	<b>57,198,113</b>	<b>1,861,471</b>	<b>3,321,127</b>	<b>62,380,711</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,113,773	(318,537)	371,075	2,166,311
<b>Other Financing Sources (Uses):</b>				
Transfers in	200,458	763,073	296,796	1,260,327
Transfers out	(1,006,397)	-	(53,472)	(1,059,869)
Proceeds from sale of capital asset	1,741	691,871	-	693,612
<b>Total Other Financing Sources (Uses)</b>	<b>(804,198)</b>	<b>1,454,944</b>	<b>243,324</b>	<b>894,070</b>
Net Change in Fund Balances	1,309,575	1,136,407	614,399	3,060,381
Fund Balances, Beginning of Year	19,588,760	8,645,220	9,630,026	37,864,006
<b>Fund Balances, End of Year</b>	<b>\$ 20,898,335</b>	<b>\$ 9,781,627</b>	<b>\$ 10,244,425</b>	<b>\$ 40,924,387</b>

**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, 2014**

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Net change in fund balances - total governmental funds \$ 3,060,381

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. This is the amount by which capital outlays exceeded depreciation in the current period.

Cost of assets capitalized	\$ 2,466,735	
Depreciation expense	(2,924,099)	
Gain/(loss) on sale of capital assets	<u>229,219</u>	(228,145)

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

Repayment of bond principal:

Certificates of participation	735,000	
Pension obligation bonds	1,095,000	
Amortization of bond premiums - Police Fire Facility bonds refunding	26,361	
Amortization of deferred charges on refunding	<u>(29,774)</u>	1,826,587

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. (405,290)

Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the statement of activities only the ARC is an expense. (564,150)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. (273,095)

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. 285,145

**Change in net position of governmental activities \$ 3,701,433**

CITY OF MANHATTAN BEACH

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Parking</u>
<b>Assets:</b>			
Current:			
Cash and investments	19,469,553	4,342,432	2,525,452
Receivables:			
Accounts	911,586	246,668	2,213
Prepaid costs	1,440	-	-
Inventories	200,878	-	-
<b>Total Current Assets</b>	<b><u>20,583,457</u></b>	<b><u>4,589,100</u></b>	<b><u>2,527,665</u></b>
Noncurrent:			
Prepaid other post-employment benefits	83,754	19,796	7,310
Restricted:			
Cash with fiscal agent	30,144	14,831	170,681
Capital assets - net of accumulated depreciation	18,297,205	7,036,898	17,687,660
<b>Total Noncurrent Assets</b>	<b><u>18,411,103</u></b>	<b><u>7,071,525</u></b>	<b><u>17,865,651</u></b>
<b>Total Assets</b>	<b><u>\$ 38,994,560</u></b>	<b><u>\$ 11,660,625</u></b>	<b><u>\$ 20,393,316</u></b>
<b>Liabilities and Net Position:</b>			
<b>Liabilities:</b>			
Current:			
Accounts payable	\$ 718,050	\$ 37,995	\$ 89,063
Accrued interest	30,144	14,831	170,681
Deposits payable	2,110	-	97,055
Accrued compensated absences	15,396	-	-
Workers' compensation claims	-	-	-
Accrued claims and judgments	-	-	-
Bonds, notes, and capital leases	110,591	54,409	375,000
<b>Total Current Liabilities</b>	<b><u>876,291</u></b>	<b><u>107,235</u></b>	<b><u>731,799</u></b>
Noncurrent:			
Advances from other funds	-	-	219,200
Accrued compensated absences	64,274	-	-
Workers' compensation claims	-	-	-
Accrued claims and judgments	-	-	-
Bonds, notes, and capital leases	1,689,860	831,379	9,521,927
<b>Total Noncurrent Liabilities</b>	<b><u>1,754,134</u></b>	<b><u>831,379</u></b>	<b><u>9,741,127</u></b>
<b>Total Liabilities</b>	<b><u>2,630,425</u></b>	<b><u>938,614</u></b>	<b><u>10,472,926</u></b>
<b>Net Position:</b>			
Net investment in capital assets	16,496,754	6,151,110	7,790,733
Restricted for debt service	30,144	14,831	170,681
Restricted for business improvement district	-	-	532,510
Unrestricted	19,837,237	4,556,070	1,426,466
<b>Total Net Position</b>	<b><u>36,364,135</u></b>	<b><u>10,722,011</u></b>	<b><u>9,920,390</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b><u>\$ 38,994,560</u></b>	<b><u>\$ 11,660,625</u></b>	<b><u>\$ 20,393,316</u></b>

CITY OF MANHATTAN BEACH

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		Governmental Activities - Internal Services Funds
	Other Enterprise Funds	Totals	
<b>Assets:</b>			
Current:			
Cash and investments	\$ 4,154,952	\$ 30,492,389	\$ 13,093,343
Receivables:			
Accounts	289,104	1,449,571	-
Prepaid costs	-	1,440	-
Inventories	-	200,878	108,125
<b>Total Current Assets</b>	<b>4,444,056</b>	<b>32,144,278</b>	<b>13,201,468</b>
Noncurrent:			
Prepaid other post-employment benefits	20,104	130,964	85,275
Restricted:			
Cash with fiscal agent	-	215,656	-
Capital assets - net of accumulated deprec	3,904,313	46,926,076	5,651,206
<b>Total Noncurrent Assets</b>	<b>3,924,417</b>	<b>47,272,696</b>	<b>5,736,481</b>
<b>Total Assets</b>	<b>\$ 8,368,473</b>	<b>\$ 79,416,974</b>	<b>\$ 18,937,949</b>
<b>Liabilities and Net Position:</b>			
<b>Liabilities:</b>			
Current:			
Accounts payable	\$ 761,588	\$ 1,606,696	\$ 391,256
Accrued interest	-	215,656	-
Deposits payable	-	99,165	-
Accrued compensated absences	-	15,396	-
Workers' compensation claims	-	-	5,346,087
Accrued claims and judgments	-	-	693,695
Bonds, notes, and capital leases	-	540,000	187,522
<b>Total Current Liabilities</b>	<b>761,588</b>	<b>2,476,913</b>	<b>6,619,328</b>
Noncurrent:			
Advances from other funds	-	219,200	-
Accrued compensated absences	-	64,274	-
Workers' compensation claims	-	-	3,366,609
Accrued claims and judgments	-	-	480,051
Bonds, notes, and capital leases	-	12,043,166	531,820
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>12,326,640</b>	<b>4,378,480</b>
<b>Total Liabilities</b>	<b>761,588</b>	<b>14,803,553</b>	<b>10,997,808</b>
<b>Net Position:</b>			
Net investment in capital assets	3,904,313	34,342,910	4,931,864
Restricted for debt service	-	215,656	-
Restricted for business improvement district	-	532,510	-
Unrestricted	3,702,572	29,522,345	3,008,277
<b>Total Net Position</b>	<b>7,606,885</b>	<b>64,613,421</b>	<b>7,940,141</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 8,368,473</b>	<b>\$ 79,416,974</b>	<b>\$ 18,937,949</b>

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Wastewater</b>	<b>Parking</b>
<b>Operating Revenues:</b>			
Sales and service charges	\$ 16,263,058	\$ 3,626,144	\$ 2,412,816
Miscellaneous	6,052	12,850	20,142
<b>Total Operating Revenues</b>	<b>16,269,110</b>	<b>3,638,994</b>	<b>2,432,958</b>
<b>Operating Expenses:</b>			
Salaries	668,238	222,662	53,409
Employee benefits	277,173	71,097	21,018
Contract and professional services	4,759,550	125,142	489,895
Materials and services	1,317,741	606,493	518,693
Utilities	370,584	28,893	98,255
Administrative service charges	1,349,517	814,479	175,512
Leases and rents	-	-	-
Claims expense	-	-	-
Depreciation expense	441,428	174,567	251,769
<b>Total Operating Expenses</b>	<b>9,184,231</b>	<b>2,043,333</b>	<b>1,608,551</b>
Operating Income (Loss)	7,084,879	1,595,661	824,407
<b>Nonoperating Revenues (Expenses):</b>			
Interest revenue	91,739	21,081	15,889
Interest expense	(51,672)	(25,422)	(325,156)
Grant revenue	-	-	-
Gain (loss) on disposal of capital assets	12,526	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>52,593</b>	<b>(4,341)</b>	<b>(309,267)</b>
Income (Loss) Before Transfers	7,137,472	1,591,320	515,140
Transfers out	-	-	-
Changes in Net Position	<b>\$ 7,137,472</b>	<b>\$ 1,591,320</b>	<b>\$ 515,140</b>
<b>Net Position:</b>			
Beginning of Fiscal Year, as originally reported	\$ 29,226,663	\$ 9,130,691	\$ 9,405,250
Restatements	-	-	-
Beginning of Fiscal Year, as restated	29,226,663	9,130,691	9,405,250
Changes in Net Position	7,137,472	1,591,320	515,140
<b>End of Fiscal Year</b>	<b>\$ 36,364,135</b>	<b>\$ 10,722,011</b>	<b>\$ 9,920,390</b>



CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
<b>Operating Revenues:</b>			
Sales and service charges	\$ 5,659,570	\$ 27,961,588	\$ 11,053,930
Miscellaneous	4,344	43,388	1,285
<b>Total Operating Revenues</b>	<b>5,663,914</b>	<b>28,004,976</b>	<b>11,055,215</b>
<b>Operating Expenses:</b>			
Salaries	192,490	1,136,799	1,362,398
Employee benefits	70,601	439,889	404,668
Contract and professional services	4,078,002	9,452,589	1,050,141
Materials and services	215,562	2,658,489	1,993,627
Utilities	66,742	564,474	118,326
Administrative service charges	495,348	2,834,856	-
Leases and rents	425,376	425,376	-
Claims expense	-	-	5,172,418
Depreciation expense	151,757	1,019,521	733,026
<b>Total Operating Expenses</b>	<b>5,695,878</b>	<b>18,531,993</b>	<b>10,834,604</b>
Operating Income (Loss)	(31,964)	9,472,983	220,611
<b>Nonoperating Revenues (Expenses):</b>			
Interest revenue	23,214	151,923	-
Interest expense	-	(402,250)	(13,361)
Grant revenue	19,880	19,880	-
Gain (loss) on disposal of capital assets	-	12,526	77,895
<b>Total Nonoperating Revenues (Expenses)</b>	<b>43,094</b>	<b>(217,921)</b>	<b>64,534</b>
Income (Loss) Before Transfers	11,130	9,255,062	285,145
Transfers out	(200,458)	(200,458)	-
Changes in Net Position	\$ (189,328)	\$ 9,054,604	\$ 285,145
<b>Net Position:</b>			
Beginning of Fiscal Year, as originally reported	\$ 8,414,921	\$ 56,177,525	\$ 7,654,996
Restatements	(618,708)	(618,708)	-
Beginning of Fiscal Year, as restated	7,796,213	55,558,817	7,654,996
Changes in Net Position	(189,328)	9,054,604	285,145
<b>End of Fiscal Year</b>	<b>\$ 7,606,885</b>	<b>\$ 64,613,421</b>	<b>\$ 7,940,141</b>

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Parking</u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 16,305,883	\$ 3,642,042	\$ 2,428,388
Cash received from/(paid to) interfund service provided	-	-	-
Cash paid to suppliers for goods and services	(8,368,396)	(1,850,622)	(1,279,182)
Cash paid to employees for services	(904,677)	(288,011)	(72,305)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>7,032,810</u></b>	<b><u>1,503,409</u></b>	<b><u>1,076,901</u></b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash transfers out	-	-	-
Repayment received from other funds	-	-	(250,000)
Grant subsidy	-	-	-
Street sweeping fee refunds	-	-	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(250,000)</u></b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(145,445)	(336,657)	(369,601)
Principal paid on capital debt	(107,239)	(52,761)	(370,000)
Interest paid on capital debt	(31,218)	(15,359)	(178,300)
Cash from sale of property	12,526	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b><u>(271,376)</u></b>	<b><u>(404,777)</u></b>	<b><u>(917,901)</u></b>
<b>Cash Flows from Investing Activities:</b>			
Interest received	91,739	21,081	15,889
<b>Net Cash Provided (Used) by Investing Activities</b>	<b><u>91,739</u></b>	<b><u>21,081</u></b>	<b><u>15,889</u></b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>6,853,173</b>	<b>1,119,713</b>	<b>(75,111)</b>
Cash and Cash Equivalents at Beginning of Year	12,646,524	3,237,550	2,771,244
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 19,499,697</u></b>	<b><u>\$ 4,357,263</u></b>	<b><u>\$ 2,696,133</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 7,084,879	\$ 1,595,661	\$ 824,407
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>			
Depreciation	441,428	174,567	251,769
(Increase) decrease in accounts receivable	37,098	3,048	2,390
(Increase) decrease in prepaid expense	(1,440)	-	-
(Increase) decrease in inventory	11,018	-	-
(Increase) decrease in prepaid other post-employment benefits	24,320	5,748	2,122
Increase (decrease) in accounts payable	(580,582)	(275,615)	3,173
Increase (decrease) in deposits payable	(325)	-	(6,960)
Increase (decrease) in workers' compensation claims	-	-	-
Increase (decrease) in claims and judgments	-	-	-
Increase (decrease) in compensated absences	16,414	-	-
<b>Total Adjustments</b>	<b><u>(52,069)</u></b>	<b><u>(92,252)</u></b>	<b><u>252,494</u></b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ 7,032,810</u></b>	<b><u>\$ 1,503,409</u></b>	<b><u>\$ 1,076,901</u></b>

**Non-Cash Investing, Capital, and Financing Activities:**

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

See Notes to Financial Statement

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal
	Other Enterprise Funds	Totals	Service Funds
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 5,746,639	\$ 28,122,952	\$ 1,285
Cash received from/(paid to) interfund service provided	-	-	11,053,930
Cash paid to suppliers for goods and services	(5,224,359)	(16,722,559)	(7,447,900)
Cash paid to employees for services	(257,255)	(1,522,248)	(1,742,304)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>265,025</b>	<b>9,878,145</b>	<b>1,865,011</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash transfers out	(200,458)	(200,458)	-
Repayment received from other funds	-	(250,000)	-
Grant subsidy	19,880	19,880	10,000
Street sweeping fee refunds	(618,708)	(618,708)	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>(799,286)</b>	<b>(1,049,286)</b>	<b>10,000</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(39,746)	(891,449)	(2,127,456)
Principal paid on capital debt	-	(530,000)	(184,499)
Interest paid on capital debt	-	(224,877)	(13,361)
Cash from sale of property	-	12,526	163,892
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(39,746)</b>	<b>(1,633,800)</b>	<b>(2,161,424)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest received	23,214	151,923	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>23,214</b>	<b>151,923</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(550,793)</b>	<b>7,346,982</b>	<b>(286,413)</b>
Cash and Cash Equivalents at Beginning of Year	4,705,745	23,361,063	13,379,756
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 4,154,952</b>	<b>\$ 30,708,045</b>	<b>\$ 13,093,343</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (31,964)	\$ 9,472,983	\$ 220,611
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>			
Depreciation	151,757	1,019,521	733,026
(Increase) decrease in accounts receivable	82,725	125,261	-
(Increase) decrease in prepaid expense	-	(1,440)	975
(Increase) decrease in inventory	-	11,018	24,762
(Increase) decrease in prepaid other post-employment benefits	5,836	38,026	1,757
Increase (decrease) in accounts payable	56,671	(796,353)	(86,339)
Increase (decrease) in deposits payable	-	(7,285)	-
Increase (decrease) in workers' compensation claims	-	-	924,597
Increase (decrease) in claims and judgments	-	-	45,622
Increase (decrease) in compensated absences	-	16,414	-
<b>Total Adjustments</b>	<b>296,989</b>	<b>405,162</b>	<b>1,644,400</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 265,025</b>	<b>\$ 9,878,145</b>	<b>\$ 1,865,011</b>

**Non-Cash Investing, Capital, and Financing Activities:**

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

See Notes to Financial Statement

CITY OF MANHATTAN BEACH

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2014

	<u>Agency Funds</u>	<u>Pension Trust Fund</u>
<b>Assets:</b>		
Pooled cash and investments	\$ 1,160,162	\$ 234,492
Receivables:		
Accounts	20,969	146,380
Restricted assets:		
Cash and investments with fiscal agents	<u>972,173</u>	<u>-</u>
<b>Total Assets</b>	<b><u>\$ 2,153,304</u></b>	<b><u>380,872</u></b>
<b>Liabilities:</b>		
Accounts payable	\$ 10,072	-
Pass-through payables	297,663	-
Deposits payable	30,456	-
Due to bondholders	<u>1,815,113</u>	<u>-</u>
<b>Total Liabilities</b>	<b><u>\$ 2,153,304</u></b>	<b><u>-</u></b>
<b>Net Position:</b>		
Held in trust for pension		<u>380,872</u>
<b>Total Net Position</b>		<b><u>\$ 380,872</u></b>

CITY OF MANHATTAN BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2014

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	<u>Pension Trust Fund</u>
<b>Additions:</b>	
Contributions:	
Investment income	\$ 16,728
Refund of contributions	<u>146,380</u>
<b>Total Additions</b>	<b><u>163,108</u></b>
<b>Deductions:</b>	
Benefit payments	<u>216,390</u>
<b>Total Deductions</b>	<b><u>216,390</u></b>
<b>Changes in Net Position</b>	<b>(53,282)</b>
Net Position - Beginning of the Year	<u>434,154</u>
<b>Net Position - End of the Year</b>	<b><u>\$ 380,872</u></b>

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**Note 1: Organization and Summary of Significant Accounting Policies**

**a. Description of the Reporting Entity**

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

Blended Component Unit

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

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

**b. Accounting and Reporting Policies**

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

**c. Description of Funds**

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

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

Governmental Fund Types

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

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

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

Proprietary Fund Types

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

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

Fiduciary Fund Types

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

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

Agency Funds:

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

**d. Basis of Accounting/Measurement Funds**

Government-Wide Financial Statements

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

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

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

Financial Statement Classification

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

*Net Investment in capital assets*

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



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

*Restricted Net Position*

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

*Unrestricted Net Position*

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

Governmental Fund Financial Statements

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

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

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

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

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

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

Proprietary Funds Financial Statements

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

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

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

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

Fiduciary Funds

Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Position and a Statement of Change in Fiduciary Net Position. The fiduciary funds are used to report assets held in a trustee or agency capacity for others and, therefore, are not available to support City programs. The reporting focus is on net position and change in net position, 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 City to report all major funds in the basic financial statements. In accordance with GASB 34, the following funds are classified as major governmental funds:

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

The following funds are classified as major proprietary funds:

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

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

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

**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.

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

**f. Cash and Investments**

*Cash and Cash Equivalents*

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

*Investments*

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

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

**g. Capital Assets**

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

**g. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and governmental balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position and governmental balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: sales taxes and grant revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental, business-type, and Trust & 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 Position. Bond premiums and discounts are deferred and amortized over the life of the debt using the bonds outstanding method.

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

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

The City has recorded all judgment and claim liabilities resulting from workers' compensation and liability insurance claims in the Insurance Reserve Fund, which is a component of the Internal Service Funds Group. The recorded liability is based upon an estimate of reported claims as provided by an analysis of a third party administrator. Reported short-term and long-term estimated losses and reserves of \$5,346,087 and \$3,366,609 respectively, are recorded in the Insurance Reserve Fund.

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

**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, 2014, the total accrued liability for this benefit amounted to \$5,389, 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 5).

**l. Allocation of Interest Income**

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

**m. Other Accounting Policies**

*Inventories*

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

*Prepays*

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

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

**n. Estimates**

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

**o. Net position flow assumption**

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

**p. Fund balance flow assumption**

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

**q. Fund balance policy**

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

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

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

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**Note 2: Cash and Investments**

As of June 30, 2014, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 41,366,225
Internal Service	13,093,343
Business-type activities	30,708,045
Agency	2,132,335
Pension Trust	234,492
Total Cash and Investments	<u>\$ 87,534,440</u>

The City pools all cash and investments 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.

**a. Deposits**

At June 30, 2014, the carrying amount of the City's deposits was \$2,276,913 and the bank balance was \$2,033,364. The \$243,549 difference represents outstanding checks and other reconciling items.

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

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

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

**b. Authorized Investments**

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

- Securities of the U.S. Government, or its agencies
- Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan associations
- Negotiable Certificates of Deposit



**Note 2: Cash and Investments (Continued)**

- Bankers Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool) Demand Deposits
- Passbook Savings Account Demand Deposits
- Federally Insured Thrift and Loan
- Repurchase Agreements
- Medium-Term Corporate Notes
- Floaters or step-ups with market driven interest rate adjustments
- Mutual Funds of highest ratings

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

**c. Investments Authorized by Debt Agreements**

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

**d. Investments in State Investment Pool**

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

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

The City is required to disclose its methods and assumptions used to estimate the fair value of its holdings in LAIF. The City relied upon information provided by the State Treasurer in estimating the City's fair value position of its holdings in LAIF. The City had a contractual withdrawal value of \$37,700,000 whose pro-rata share of fair value was estimated by the State Treasurer to be \$37,711,263.

**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. 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

**Note 2: Cash and Investments (Continued)**

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, 2014, the book value exceeded the fair value of investments by \$625,334.

**g. 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, 2014, the City's investment in medium-term notes consisted of investments with Wells Fargo & Company, Costco Wholesaler Corp., 3M Co., General Electric Capital Corp., Union Bank, Berkshire Hathaway Inc., Wells Fargo Co., Oracle Corp., Pfizer Inc., Citizens Deposit Bank, Commonwealth Bank of Australia, National Australia Bank, and Toyota Motor Credit Corp. 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.

**h. 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, 2014, none of the City's deposits or investments was exposed to custodial credit risk.

**i. 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, 2014, the City is in compliance with its investment policy's restrictions.

In accordance with GASB Statement No. 40, if the city has invested more than 5% of its total investments in any one issuer then it is exposed to credit risk. The following issuers

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**Note 2: Cash and Investments (Continued)**

are above the 5% of total investments: Federal Home Loan Bank (6.1%), Federal Farm Credit (7.4%), Federal National Mortgage Association (6.1%) and Federal Home Loan Mortgage Corporation (7.3%). These government-sponsored investments are backed by the federal government and are below the City's investment policy limit of 33.33% of total investments.

**j. 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, 2014, the City had the following investments and original maturities:

	Remaining Investment Maturities				Fair Value
	6 months or less	6 months to 1 year	1 to 3 years	More than 3 years	
<b>Pooled Investments:</b>					
Local Government Fund	\$ 37,711,263	\$ -	\$ -	\$ -	\$ 37,711,263
Certificate of Deposit	-	-	3,443,090	4,923,949	8,367,039
US Treasury and agency notes	6,058,780	2,059,800	1,030,950	15,055,689	24,205,219
Medium-term notes	-	2,017,110	4,637,535	5,761,722	12,416,367
	<u>\$ 43,770,043</u>	<u>\$ 4,076,910</u>	<u>\$ 9,111,575</u>	<u>\$ 25,741,360</u>	<u>82,699,888</u>
<b>Investment with Fiscal Agents:</b>					
Utility Undergrounding					1,359,637
Water/Wastewater, Metlox Refunding bonds					215,656
Marine certificates of participation					29,240
Police & Fire certificate of participation refunding bonds					164,481
Police & Fire pension bonds					784,177
					<u>2,553,191</u>
Demand deposits					2,276,913
Other deposits					3,410
Petty cash					1,038
					<u>2,281,361</u>
<b>Grand Total</b>					<u><u>\$ 87,534,440</u></u>

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**Note 3: Interfund Transactions**

**Due To/From Other Funds**

	Due To Other Funds
	<u>Nonmajor Governmental Funds</u>
<u>Due From Other Funds</u>	
General Fund	<u>\$ 22,488</u>

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
	<u>Capital Improvement Fund</u>
<u>Advances From Other Funds</u>	
Parking Fund	<u>\$ 219,200</u>

The advance is the balance of a loan from the Capital Improvement Fund to the Parking Fund for the purchase of parking meters. The opening balance of the advance was \$469,200. Payment to the Capital Improvement Fund of \$250,000 reduced the advance to \$219,200 as of June 30, 2014.

**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, 2014, are presented below:

	Transfers In			Total
	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	
<u>Transfers Out</u>				
General Fund	\$ -	\$ 763,073	\$ 243,324	\$ 1,006,397
Nonmajor Governmental Funds	-	-	53,472	53,472
Nonmajor Proprietary Funds	200,458	-	-	200,458
Total	<u>\$ 200,458</u>	<u>\$ 763,073</u>	<u>\$ 296,796</u>	<u>\$ 1,260,327</u>

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

- The County Parking Lot fund transferred \$200,458 to the General Fund for recreation purposes.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**Note 3: Interfund Transactions (Continued)**

- The General Fund transferred \$243,324 to the Street Lighting Fund to relieve a deficit fund balance.
- The General Fund transferred \$763,073 to Capital Improvement Fund for ongoing capital improvement projects.
- The Measure R Fund transferred \$53,472 to the Prop A Fund for the purchase of busses.

**Note 4: Capital Assets and Depreciation**

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Position. The City elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructure reporting, whereby depreciation expense and accumulated depreciation have been recorded. The following table presents the capital assets activity for the year ended June 30, 2014:

	Beginning Balance July 1, 2013	Increases additions	Decreases (deletions)	Ending Balance June 30, 2014
Governmental Activities:				
Land	\$ 34,072,066	\$ -	\$ (437,501)	\$ 33,634,565
Construction-in-progress				
Streets / Roadways	2,080,616	1,429,931	-	3,510,547
Recreation	557,891	841,276	-	1,399,167
Buildings	13,254	4,866		18,120
Total Capital Assets, Not Being Depreciated	<u>36,723,827</u>	<u>2,276,073</u>	<u>(437,501)</u>	<u>38,562,399</u>
Buildings and Structures	43,412,146	-	(102,500)	43,309,646
Machinery and Equipment	6,321,140	897,684	(25,331)	7,193,493
Vehicles	9,800,360	2,127,456	(987,429)	10,940,387
Infrastructure				
Streets / Roadways	51,210,166	-	-	51,210,166
Parks & Recreation	17,372,263	-	-	17,372,263
Investment in Joint Venture (RCC)	<u>2,888,038</u>	<u>64,485</u>	<u>(117,834)</u>	<u>2,834,689</u>
Total Capital Assets, Being Depreciated	<u>131,004,113</u>	<u>3,089,625</u>	<u>(1,233,094)</u>	<u>132,860,644</u>
Less Accumulated Depreciation:				
Buildings and Structures	(7,809,653)	(863,903)	12,813	(8,660,743)
Machinery and Equipment	(5,138,015)	(280,716)	25,331	(5,393,400)
Vehicles	(5,457,587)	(733,026)	901,432	(5,289,181)
Infrastructure				
Streets / Roadways	(25,857,240)	(1,340,472)	-	(27,197,712)
Parks & Recreation	(4,944,448)	(309,451)	-	(5,253,899)
Investment in Joint Venture (RCC)	<u>(1,049,107)</u>	<u>(129,557)</u>	<u>102,734</u>	<u>(1,075,930)</u>
Total Accumulated Depreciation	<u>(50,256,050)</u>	<u>(3,657,125)</u>	<u>1,042,310</u>	<u>(52,870,865)</u>
Total Capital Assets, Being Depreciated, Net	<u>80,748,063</u>	<u>(567,500)</u>	<u>(190,784)</u>	<u>79,989,779</u>
Governmental Activities Capital Assets, Net	<u>\$ 117,471,890</u>	<u>\$ 1,708,573</u>	<u>\$ (628,285)</u>	<u>\$ 118,552,178</u>

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

Note 4: Capital Assets and Depreciation (Continued)

	Beginning Balance July 1, 2013	Increases additions	Decreases (deletions)	Transfers	Ending Balance June 30, 2014
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	6,810,651	891,449	-	(1,822,287)	5,879,813
<b>Total Capital Assets, Not Being Depreciated</b>	<b>8,568,085</b>	<b>891,449</b>	<b>-</b>	<b>(1,822,287)</b>	<b>7,637,247</b>
Capital assets, being depreciated:					
Buildings and structures - parking	17,186,603	-	-	-	17,186,603
Machinery and equipment - parking	1,137,266	-	-	-	1,137,266
Water	24,640,339	-	-	1,263,081	25,903,420
Storm water	6,871,403	-	-	-	6,871,403
Wastewater	10,680,566	-	-	559,206	11,239,772
<b>Total Capital Assets, Being Depreciated</b>	<b>60,516,177</b>	<b>-</b>	<b>-</b>	<b>1,822,287</b>	<b>62,338,464</b>
Less Accumulated Depreciation:					
Buildings and structures - parking	(1,548,514)	-	-	-	(1,548,514)
Machinery and equipment - parking	(647,344)	(251,769)	-	-	(899,113)
Water	(10,615,473)	(441,428)	-	-	(11,056,901)
Storm water	(3,522,940)	(151,757)	-	-	(3,674,697)
Wastewater	(5,695,843)	(174,567)	-	-	(5,870,410)
<b>Total Accumulated Depreciation</b>	<b>(22,030,114)</b>	<b>(1,019,521)</b>	<b>-</b>	<b>-</b>	<b>(23,049,635)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>38,486,063</b>	<b>(1,019,521)</b>	<b>-</b>	<b>1,822,287</b>	<b>39,288,829</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 47,054,148</b>	<b>\$ (128,072)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 46,926,076</b>

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

Governmental Activities:	
General government	\$ 124,141
Public safety	1,066,344
Public works	1,413,021
Parks and recreation	320,593
Internal service funds	733,026
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 3,657,125</b>
Business-Type Activities:	
Water	\$ 441,428
Wastewater	174,567
Parking	251,769
Storm water	151,757
<b>Total Depreciation Expense - Business-Type Activities</b>	<b>\$ 1,019,521</b>

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**Note 5: Long-Term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due in One Year
Governmental Activities:					
Long-term Debt:					
Marine Ave Park COP	\$ 7,235,000	\$ -	\$ (255,000)	\$ 6,980,000	\$ 265,000
2007 Pension Obligation Bonds	1,860,000	-	(1,095,000)	765,000	765,000
2013 Police and Fire Refunding COP	10,510,000	-	(480,000)	10,030,000	450,000
Lease Purchase Fire and Sewer Truck	903,841	-	(184,499)	719,342	187,522
Other:					
Supplemental Leave Allowance	4,607	782	-	5,389	-
Compensated Absences	2,675,483	2,568,858	(2,164,349)	3,079,992	498,417
Workers Compensation Claims	7,788,099	4,324,362	(3,399,765)	8,712,696	5,346,087
General Liability Claims	1,128,124	1,010,793	(965,171)	1,173,746	693,695
	<u>\$ 32,105,154</u>	<u>\$ 7,904,795</u>	<u>\$ (8,543,784)</u>	31,466,165	<u>\$ 8,205,721</u>
Unamortized premium				461,305	
				<u>\$ 31,927,470</u>	
Business-Type Activities:					
Long-term Debt:					
2012 Metlox and Water/Wastewater Refunding COP	\$ 12,530,000	\$ -	\$ (530,000)	\$ 12,000,000	\$ 540,000
Other long term liabilities:					
Compensated Absences	63,256	68,287	(51,873)	79,670	15,396
	<u>\$ 12,593,256</u>	<u>\$ 68,287</u>	<u>\$ (581,873)</u>	12,079,670	<u>\$ 555,396</u>
Unamortized premium				583,166	
				<u>\$ 12,662,836</u>	

**a. Marine Avenue Certificates of Participation**

On April 24, 2002, 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 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.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**Note 5: Long-Term Liabilities (Continued)**

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 265,000	\$ 245,141	\$ 510,141
2016	270,000	235,564	505,564
2017	280,000	225,719	505,719
2018	290,000	215,516	505,516
2019	305,000	204,866	509,866
2020-2024	1,685,000	850,340	2,535,340
2025-2029	2,005,000	520,980	2,525,980
2030-2033	1,880,000	137,651	2,017,651
Total	<u>\$ 6,980,000</u>	<u>\$ 2,635,777</u>	<u>\$ 9,615,777</u>

**b. 2007 Pension Obligation Bonds**

On March 14, 2007, the City issued \$6,800,000 in Taxable Pension Obligation Bonds, for the purpose of paying off the Police and Fire side-fund accrued actuarial liabilities due to the California Public Employees' Retirement System (See Note 8 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%.

The annual requirements to amortize the 2007 Taxable Pension Obligation Bonds outstanding at June 30, 2014, were as follows:

Year Ending June 30,	Principal	Interest	Total
2015	<u>\$ 765,000</u>	<u>\$ 19,167</u>	<u>\$ 784,167</u>

**c. 2013 Police and Fire Facility Refunding Certificates of Participation**

In February 2013, the City issued \$10,510,000 of Certificates of Participation, Series 2013, to advance refund the 2004 Police and Fire Certificates of Participation (2004 COP). The payments under the lease agreement are due January and July of each year until maturity in January 2032 and include interest rates ranging from 2% to 4%. The proceeds were used to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The balance at June 30, 2014 includes an unamortized bond premium of \$461,305 which will be amortized over the life of the issue.

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



**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**Note 5: Long-Term Liabilities (Continued)**

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 450,000	\$ 328,963	\$ 778,963
2016	455,000	319,963	774,963
2017	465,000	306,313	771,313
2018	480,000	292,363	772,363
2019	500,000	277,963	777,963
2020-2024	2,725,000	1,155,813	3,880,813
2025-2029	3,240,000	633,819	3,873,819
2030-2032	1,715,000	99,000	1,814,000
Total	<u>\$ 10,030,000</u>	<u>\$ 3,414,197</u>	<u>\$ 13,444,197</u>

**d. Fire and Sewer Truck Capital Leases**

In fiscal year 2012-2013, the City entered into two lease agreements as lessee for financing the acquisition of one fire truck and one sewer truck valued at \$568,208 and \$381,305 respectively. The trucks each have an estimated useful life of 10 years. These lease agreements qualify as a capital lease for accounting purposes and therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 187,522	\$ 10,338	\$ 197,860
2016	190,595	7,264	197,859
2017	193,718	4,141	197,859
2018	147,507	1,095	148,602
Total	<u>\$ 719,342</u>	<u>\$ 22,838</u>	<u>\$ 742,180</u>

**e. 2012 Metlox and Water/Wastewater Refunding Certificates of Participation**

In July 2012, the City of Manhattan Beach issued \$12,975,000 of fixed rate Certificates of Participation (COP) to refund the City's 2003 Metlox Public Improvements Certificates of Participation and the 1996 Water and Wastewater Improvement Project Certificates of Participation. The payments under the lease agreement are due January and July of each year with interest rates ranging from 2% to 4% and mature through January 2032. The COP includes an unamortized premium of \$583,166 at June 30, 2014 which will be amortized over the life of the issue. This refunding was undertaken to reduce total debt service payments over the next 19 years by \$5,152,888 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding COPs) of \$2,842,601.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**Note 5: Long-Term Liabilities (Continued)**

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

Fiscal Year Ending June 30,	Water			Wastewater		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 110,591	\$ 60,289	\$ 170,880	\$ 54,409	\$ 29,661	\$ 84,070
2016	117,293	55,865	173,158	57,707	27,485	85,192
2017	123,996	51,173	175,169	61,004	25,177	86,181
2018	127,347	46,214	173,561	62,653	22,736	85,389
2019	130,698	42,393	173,091	64,302	20,857	85,159
2020-2024	737,271	141,657	878,928	362,729	69,693	432,422
2025-2029	341,833	17,158	358,991	168,167	8,442	176,609
Total	<u>\$ 1,689,029</u>	<u>\$ 414,749</u>	<u>\$ 2,103,778</u>	<u>\$ 830,971</u>	<u>\$ 204,051</u>	<u>\$ 1,035,022</u>

  

Fiscal Year Ending June 30,	Metlox			Total		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 375,000	\$ 341,363	\$ 716,363	\$ 540,000	\$ 431,313	\$ 971,313
2016	395,000	326,362	721,362	570,000	409,712	979,712
2017	410,000	310,563	720,563	595,000	386,913	981,913
2018	430,000	294,162	724,162	620,000	363,112	983,112
2019	440,000	278,263	718,263	635,000	341,513	976,513
2020-2024	2,450,000	1,156,413	3,606,413	3,550,000	1,367,763	4,917,763
2025-2029	2,950,000	688,312	3,638,312	3,460,000	713,912	4,173,912
2030-2034	2,030,000	147,100	2,177,100	2,030,000	147,100	2,177,100
Total	<u>\$ 9,480,000</u>	<u>\$ 3,542,538</u>	<u>\$ 13,022,538</u>	<u>\$ 12,000,000</u>	<u>\$ 4,161,338</u>	<u>\$ 16,161,338</u>

**f. Compensated Absences**

At June 30, 2014, the total citywide accrued liability for compensated absences amounted to \$3,165,051 which is comprised of \$2,664,211 and \$500,840 of vested vacation and sick leave, respectively. \$3,085,381 of this compensated leave liability is related to general government services with the remaining \$79,670 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, 2014, 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 \$5,346,087. In addition, reserves of \$3,366,609 have been set aside for incurred but not reported claims. Total reserves are \$8,712,696.

**h. General Liability Claims**

As of June 30, 2014, 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 \$693,695. In addition, reserves of \$480,051 have been set aside for incurred but not reported claims. Total reserves are \$1,173,746.

**Note 6: 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 7: Retirement Plans and Other Post Employment Benefits**

**a. California Public Employees Retirement System**

The City of Manhattan Beach (the City) 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.

**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% at age 55 increasing to 2.418% at age 63. The retiree may elect to modify the basic benefit. However all benefits are actuarially equivalent.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

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**Note 7: Retirement Plans and Other Post Employment Benefits (Continued)**

Funding Policy

Active plan members in the Miscellaneous Plans are required to contribute 7% of their annual covered salary. The City 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 Actuarial Valuation Report as of June 30, 2011, determined the required employer contribution rate for fiscal year 2013-2014 to be 11.014% 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, 2011
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	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. 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.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**Note 7: Retirement Plans and Other Post Employment Benefits (Continued)**

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.

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		
6/30/2011	71,498,265	63,418,351	8,079,914	88.7%	78.9%	13,463,033	60.0%
6/30/2012	74,098,516	66,623,300	7,475,216	89.9%	75.0%	12,847,411	58.2%
6/30/2013	77,384,979	61,794,318	15,590,661	79.9%	79.9%	12,370,124	126.0%

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, 2014, was as follows:

Three-Year Trend Information for PERS Miscellaneous Plan			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 1,265,396	100%	-
6/30/2013	1,249,505	100%	-
6/30/2014	1,620,020	100%	-

**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.

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 standalone evaluation) and that of the pool was phased out over a five year period. The difference was charged in full in the first year, 80% in the second year and so on until the difference was phased out after fiscal 2010-2011. Initially, the final standalone normal costs for both safety plans were greater than that of the pool. In addition, each group is charged for class 1 benefits, one year final compensation and post retirement survivor continuance.

**Note 7: Retirement Plans and Other Post Employment Benefits (Continued)**

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 has and 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%. The amortization period for the side fund was ten years. Debt service requirements for these pension bonds are presented in Note 5b.

Plan Benefits

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

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

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

Funding Policy

Active plan members in the Safety Plan are required to contribute 9% of their annual covered salary. The City is required to contribute the actuarially 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 Actuarial Valuation Report as of June 30, 2011, determined the required employer contribution rate for fiscal year 2013-2014 as 27.877% and 23.397% for police and fire sworn employees, respectively. These rates reflect the payment of the side fund liability.

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, 2011
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	21 Years – Police; 20 Years – Fire as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50% (net of administrative expenses)

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**Note 7: Retirement Plans and Other Post Employment Benefits (Continued)**

Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% 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.

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, 2014, was as follows:

<u>Fiscal Year</u>	<u>Annual pension cost</u>	<u>Percent of APC contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	\$ 1,951,952	100.00%	\$ -
6/30/2013	2,127,387	100.00%	-
6/30/2014	2,183,728	100.00%	-

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, 2014, was as follows:

<u>Fiscal Year</u>	<u>Annual pension cost</u>	<u>Percent of APC contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	\$ 995,621	100.00%	\$ -
6/30/2013	1,016,353	100.00%	-
6/30/2014	996,761	100.00%	-

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

Summary of Annual Pension Payments and Cost

For fiscal year ending June 30, 2014, the City of Manhattan Beach's annual pension payment was \$4,524,352 for the Police, Fire and Miscellaneous Plans combined, and was equal to the City's required contribution. The City also contributed \$183,622 for the 2013-2014 fiscal year on behalf of the employees. Employee payments by group are as follows: Miscellaneous \$118,618, Fire \$21,228, Police \$42776. The City's payroll for employees covered by the plans for the year ended June 30, 2014, was \$24,863,877. The total payroll for the year was \$30,069,807 and includes compensation not subject to PERS such as overtime and part time personnel enrolled in PARS.

**Note 7: Retirement Plans and Other Post Employment Benefits (Continued)**

**b. City Funded Pension Plans**

The City's pension trust fund includes the Supplemental Retirement Plan and the Single Highest Year Plan. The City implemented GASB Statement No. 67. The information for the Supplemental Retirement Plan and the Single Highest Year Plan is presented as required supplementary information.

**c. Other Post Retirement Benefits**

**City of Manhattan Beach Retiree Medical Program**

Plan Description

The City Retiree Medical Program is a Single Employer Plan that provides a fixed stipend to qualifying retirees and a contribution to all retirees enrolled in PERS medical plan.

Plan Benefits

In accordance with employee Memoranda of Understanding (MOU), 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 MOU with the applicable employee bargaining units and may be amended by agreement between the City and the bargaining units. In fiscal year 2014, the City paid \$146,380 to retirees.

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

Funding Policy

The City of Manhattan Beach contracts with PERS to participate in the Public Employee Medical and Hospital Care Act (PEMHCA). Under this contract, both active employees and retirees are provided access to health insurance. The City makes a contribution to retirees who elect to purchase insurance through PERS. This contribution is mandated by Assembly Bill 2544 and is adjusted annually by PERS. For fiscal year 2014, the City contribution paid to PERS was \$109,411. Plan members receiving benefits paid \$590,273.

The plans is financed via actuarially determined contributions and deposited into a trust fund managed by PERS. PERS has dual independent capacities as a provider of medical plans and as a trustee. In its capacity as a trustee, PERS will be referred to as CERBT (California Employees' Retirement Benefit Trust). City payments to employees and PERS will be reimbursed by payments from CERBT in fiscal year 2014. Therefore, the City will be reimbursed for \$255,791 (\$109,411 to PERS and \$146,380 to retirees in City Plan). Benefits per employee are determined according to MOU and PEMHCA requirements.



**Note 7: Retirement Plans and Other Post Employment Benefits (Continued)**

The policy of the City Council is to budget the actuarially required contributions and to amend the budget if necessary on an annual basis. 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 position within each fund/program. Payment to the trustee is exactly equal to the total budget for this benefit. Payroll does not drive the allocation.

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.

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. Valuations are performed biennially; the most recent is as of July 1, 2013. The next valuation will be as of July 1, 2015.

In the July 1, 2013, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 7.06% investment rate of return (net of administrative expenses), which is the actuarial rate of return used by PERS for assets in CERBT Strategy 2 plans, an annual healthcare cost trend rate of 10% as of July 1, 2013, reduced by decrements to an ultimate rate of 5% by 2016, and a fixed population of active participants. The current maximum year-to-year increase is \$100, as stated in Government Code section 22892(c). This amount is assumed to remain unchanged through 2016, then increase 2% per annum in subsequent years. The assets are valued at fair value.

The Net OPEB Obligation (NOO) is being amortized over a closed ten-year period ending June 30, 2017. The unfunded accrued actuarial liability is being amortized over the same period as that of the net OPEB obligation. Gains and losses are being amortized over the same closed period. The actuarial value of assets is equal to the amount reported by CERBT at June 30, 2014. The number of PEMHCA participants is: active - 229, retired participants - 79. The number of City Plan participants is: active - 244, retired participants - 25.

Annual OPEB Cost and Net OPEB Obligation

In the fiscal year 2013-14, the City conducted an actuarial analysis of these two plans in order to be in conformance with GASB 45. The valuation date was July 1, 2013.

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 and amortization of any Net OPEB Obligation existing at the beginning of the fiscal year. 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.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**Note 7: Retirement Plans and Other Post Employment Benefits (Continued)**

The updated valuation resulted in a fiscal 2013-2014 projected normal cost of \$376,000 and amortization of unfunded actuarial accrued liability of (\$128,000) resulting in an actuarially required contribution for fiscal 2013-2014 of \$248,000. Actuarial valuations are performed biannually. The next actuarial valuation date will be July 1, 2015, and based on that report, a revised ARC for fiscal 2014-2015 will be determined as well as a projected ARC for fiscal 2014-2015.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation:

Annual required contributions (ARC)	\$ 248,000
Interest on net OPEB	(196,695)
Amortization of OPEB	<u>823,634</u>
Annual OPEB cost	874,939
Less: Annual contributions made	<u>248,000</u>
Increase (decrease) in net OPEB obligation	626,939
Net OPEB obligation (asset) - beginning of year	<u>(2,786,050)</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ (2,159,111)</u></u>

The City's annual OPEB cost, the amount of annual OPEB cost contributed to the plan and the net OPEB obligation (NOO) for fiscal year 2013-2014, and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Contribution	Net OPEB Obligation (Asset)	Percent of OPEB Cost Contributed
6/30/2012	\$ 755,979	\$ 209,000	\$ (3,371,646)	27.65%
6/30/2013	821,596	236,000	(2,786,050)	28.72%
6/30/2014	874,939	248,000	(2,159,111)	28.34%

**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.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

**Note 7: Retirement Plans and Other Post Employment Benefits (Continued)**

The schedule of funding progress on the next page 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. Contributions are held and invested by California Employer's Retiree Benefit Trust (CERBT), which has been established by PERS. The value of the City of Manhattan Beach's account as June 30, 2014, was \$8,849,000, which reflects a gain of \$536,501 from the prior fiscal year 2012-2013.

Fiscal Year Ending	Type of Valuation	Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
6/30/2010	Actual	7/1/2009	\$ 5,926,000	\$ 4,946,560	\$ 979,440	83.5%	\$ 19,502,000	5.0%
6/30/2011	Estimated	7/1/2009	5,926,000	5,910,001	15,999	99.7%	19,502,000	0.1%
6/30/2012	Actual	7/1/2011	6,846,000	7,664,474	(818,474)	112.0%	21,871,000	(3.7%)
6/30/2013	Actual	7/1/2011	6,846,000	8,312,499	(1,466,499)	121.4%	21,871,000	(6.7%)
6/30/2014	Actual	7/1/2013	7,882,000	8,849,000	(967,000)	112.3%	22,191,000	(4.4%)

It should be noted that benefits are not a function of covered payroll. The benefit is a function of employee count, prescribed benefit per employee according to MOU and PEMHCA requirements.

**d. Retirement Plan for Part-Time, Seasonal and Temporary Employees**

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

The PARS plan is a defined contribution pension plan, which is administered by PARS. Benefits and funding requirements are determined by PARS' governing board. All members' earnings are subject to contribution from the employee and the employer. Historically, the contribution rate for both employee and employer has been 3.75% of payroll. In April 2011, the City exercised its option not to pick up 50% share of the required 7.50%. Consequently, for fiscal year ending June 30, 2014, 100% of contribution is derived from employee deduction.

Total payroll for employees covered by this plan for the year was \$1,495,301. The amount of employee contribution was \$112,148.

**Note 8: Risk Management**

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

The City is a member of the Independent Cities Risk Management Authority (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.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

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**Note 8: Risk Management (Continued)**

For workers compensation, the City is self-insured for the first \$750,000 on each claim with excess coverage up to a limit of \$5,000,000. For general liability, the City is self-insured for the first \$500,000 on each claim with excess coverage up to a limit of \$30,000,000.

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 (general and worker’s compensation) are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2014, the amount of these liabilities was \$9,886,442. The amount represents an estimate of \$6,039,782 for reported claims through June 30, 2014, and \$3,846,660 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, 2014, resulted from the following:

Year	Liability Beginning of Year	Current Year Claims and Increases in Estimates	Payments and Decreases In Estimates	Liability End of Year
2013	9,704,688	4,894,823	(5,683,288)	8,916,223
2014	8,916,223	5,335,155	(4,364,936)	9,886,442

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

The ICRMA has published its own financial report for the year ended June 30, 2014, which can be obtained from Independent Cities Risk Management Authority, 1100 W. Town and Country Road Suite 1550 Orange, California 92868.

**Note 9: Net Position and Fund Balance**

**a. Net Position Restatement**

Beginning net position has been restated by \$(618,708) in the Refuse Fund to refund prior year street sweeping fees. This course of action was undertaken after legal review of the validity of such fees.

**b. Fund Balance Deficit**

The Federal and State Grants Fund has a deficit of \$22,488. This deficit is due to Accounts Receivable (Due from Other Governments) offset by a unavailable revenue liability. Revenues under modified accrual are recognized when “available” i.e. within 60 days of the end of the fiscal year. The deficit will be eliminated as grant reimbursements are received.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

**Note 10: 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, 2014, was 22.7%.

Summarized audited financial information for SBRPCA at June 30, 2013\*, is presented below:

Statement of Net Position

Assets	
Current assets	\$ 3,104,167
Due from other governments	<u>7,750,578</u>
Total Assets	<u>10,854,745</u>
Liabilities	
Current liabilities	424,686
Noncurrent liabilities	<u>924,214</u>
Total Liabilities	<u>1,348,900</u>
Net Position	<u>\$ 9,505,845</u>

Statement of Activities

Operating Revenues	\$ 9,334,051
Operating Expenses	<u>(9,535,808)</u>
Excess of Expenses Over Revenues	<u>(201,757)</u>
Non operating revenues (expenses)	
Interest earnings	<u>7,524</u>
Non operating revenues (expenses)	<u>7,524</u>
Change in net position	(194,233)
Net Position - June 30, 2012	<u>9,700,078</u>
Net Position - June 30, 2013	<u>\$ 9,505,845</u>

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

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

**Note 10: Joint Ventures and Jointly Governed Organizations (Continued)**

**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, 2013\*, is presented below:

Statement of Net Position

<u>Assets</u>	
Current assets	\$ 4,970,546
Noncurrent assets	649,014
Total Assets	<u>5,619,560</u>
<u>Liabilities</u>	
Current liabilities	2,028,504
Noncurrent liabilities	438,551
Total liabilities	<u>2,467,055</u>
Net Position	<u>\$ 3,152,505</u>

Statement of Activities

Revenues	\$ 5,987,700
Expenses	<u>(9,002,434)</u>
Excess of Expenditures Over Revenues	<u>(3,014,734)</u>
Non operating revenues (expenses)	
Investment earnings	5,927
Interest expense	<u>(39,416)</u>
Non operating revenues (expenses)	<u>(33,489)</u>
Change in net position	(3,048,223)
Net Position - June 30, 2011	<u>6,200,728</u>
Net Position - June 30, 2012	<u>\$ 3,152,505</u>

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

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

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**Note 11: Commitments and Contingencies**

Contingencies

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

Construction Commitments

The following material construction commitments existed as of June 30, 2014:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Expenditures to date as of June 30, 2014</u>	<u>Remaining Commitments</u>
Sepulveda Bridge Widening Prop C & Safetea Lu 10827, 11830	\$ 1,474,449	\$ 756,861	\$ 717,588
Sepulveda Blvd & 2nd Street Water Main Replacement 12829	1,283,200	-	1,283,200
Dual Left-turn Lanes Marine/Sepulveda 12821	432,799	-	432,799
	<u>3,190,448</u>	<u>756,861</u>	<u>2,433,587</u>

**Note 13: Subsequent Events**

Need to inquire with Henry if there are any subsequent events.

## **REQUIRED SUPPLEMENTARY INFORMATION**



CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2014**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 19,588,760	\$ 19,588,760	\$ 19,588,760	\$ -
<b>Resources (Inflows):</b>				
Taxes and assessments	40,175,015	40,175,015	41,734,486	1,559,471
Licenses and permits	1,598,905	1,598,905	1,730,108	131,203
Intergovernmental	231,500	351,590	477,386	125,796
Charges for services	8,655,439	8,655,439	9,488,229	832,790
Use of money and property	2,712,753	2,712,753	2,959,996	247,243
Fines and forfeitures	2,677,500	2,677,500	2,437,700	(239,800)
Miscellaneous	509,805	509,805	483,981	(25,824)
Transfers in	-	-	200,458	200,458
Notes and loans issued	966,613	-	-	-
Proceeds from sale of capital asset	1,200	1,200	1,741	541
<b>Amounts Available for Appropriation</b>	<b>77,117,490</b>	<b>76,270,967</b>	<b>79,102,845</b>	<b>2,831,878</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	10,541,712	12,723,034	10,467,524	2,255,510
Public safety	32,841,243	32,976,257	33,425,442	(449,185)
Culture and recreation	6,275,399	6,272,533	5,964,556	307,977
Public works	5,960,656	6,022,049	5,878,089	143,960
Capital outlay	703,575	722,520	67,141	655,379
Debt service:				
Principal retirement	1,880,000	1,350,000	1,350,000	-
Interest and fiscal charges	735,493	298,880	45,361	253,519
Transfers out	-	-	1,006,397	(1,006,397)
<b>Total Charges to Appropriation</b>	<b>58,938,078</b>	<b>60,365,273</b>	<b>58,204,510</b>	<b>2,160,763</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 18,179,412</b>	<b>\$ 15,905,694</b>	<b>\$ 20,898,335</b>	<b>\$ 4,992,641</b>

CITY OF MANHATTAN BEACH

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

	<u>2014</u>
<b>Total pension liability:</b>	
Interest	\$ 4,535
Benefit payments, including refunds of member contributions	(20,117)
Experience losses/(gains)	<u>(6,297)</u>
<b>Net change in total pension liability</b>	<b>(21,879)</b>
Total pension liability, beginning of year	<u>133,183</u>
<b>Total pension liability, end of year</b>	<b><u>111,304</u></b>
<b>Plan fiduciary net position:</b>	
Net investment income	4,535
Benefit payments, including refunds of member contributions	<u>(20,118)</u>
<b>Net change in plan fiduciary net position</b>	<b>(15,583)</b>
Total fiduciary net position, beginning of year	<u>118,255</u>
<b>Total fiduciary net position, end of year</b>	<b><u>102,672</u></b>
<b>Net pension liability (asset), end of year</b>	<b><u>\$ 8,632</u></b>
Plan fiduciary net position as a percentage of the total pension liability	92.24%
The Supplement Retirement Plan is dormant.	
Covered-employee payroll	N/A
Net pension liability as a percentage of covered-employee payroll	N/A

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

**CITY OF MANHATTAN BEACH**

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

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	<u>2014</u>
<b>Employer contributions:</b>	
Actuarial determined contributions	\$ -
Actual contributions	-
	<hr/>
<b>Deficiency/(Excess)</b>	<b>\$ -</b>
	<hr/> <hr/>

The Supplement Retirement Plan is dormant.

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

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

**CITY OF MANHATTAN BEACH**

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

---

**2014**

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**Annual money-weighted rate of return, net of investment expense**

4.40%

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

CITY OF MANHATTAN BEACH

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

	<u>2014</u>
<b>Total pension liability:</b>	
Interest	\$ 12,194
Benefit payments, including refunds of member contributions	(49,893)
Experience losses/(gains)	<u>(20,492)</u>
<b>Net change in total pension liability</b>	<b>(58,191)</b>
Total pension liability, beginning of year	<u>373,634</u>
<b>Total pension liability, end of year</b>	<b><u>315,443</u></b>
<b>Plan fiduciary net position:</b>	
Net investment income	12,194
Benefit payments, including refunds of member contributions	<u>(49,893)</u>
<b>Net change in plan fiduciary net position</b>	<b>(37,699)</b>
Total fiduciary net position, beginning of year	<u>315,899</u>
<b>Total fiduciary net position, end of year</b>	<b><u>278,200</u></b>
<b>Net pension liability (asset), end of year</b>	<b><u>\$ 37,243</u></b>
 Plan fiduciary net position as a percentage of the total pension liability	 88.19%
The Single Highest Year Plan is dormant.	
Covered-employee payroll	N/A
Net pension liability as a percentage of covered-employee payroll	N/A

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

**CITY OF MANHATTAN BEACH**

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

---

	<u>2014</u>
<b>Employer contributions:</b>	
Actuarial determined contributions	\$ -
Actual contributions	-
	<hr/>
<b>Deficiency/(Excess)</b>	<b>\$ -</b>
	<hr/> <hr/>

The Single Highest Year Plan is dormant.

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

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

**CITY OF MANHATTAN BEACH**

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

---

**2014**

---

**Annual money-weighted rate of return, net of investment expense** 4.40%

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

**CITY OF MANHATTAN BEACH**

**REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2014**

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**Budgetary Comparison Information**

General Budget Policies

The operating budget shall serve as the annual financial plan for the City. It will serve as the policy document of the City Council for implementing Council goals and objectives. The budget shall provide the staff the resources necessary to accomplish City Council determined service levels.

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

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

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

Budgetary Control and Accountability

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

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

For the year ended June 30, 2014, the following funds had expenditures in excess of budget:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Street Lighting & Landscaping			
Public Works	\$ 639,920	\$ 633,438	\$ (6,482)
Prop A			
Culture and Recreation	865,460	704,281	(161,179)
Measure R			
Transfers Out	53,472	-	(53,472)

Basis of Budgeting

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



**CITY OF MANHATTAN BEACH**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2014**

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**Note 1: Budgetary Comparison Information**

**a. General Budget Policies**

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

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

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

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

**b. Budgetary Control and Accountability**

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

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

For the year ended June 30, 2014, the following funds had expenditures in excess of budget:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Street Lighting & Landscaping			
Public Works	\$ 639,920	\$ 633,438	\$ (6,482)
Prop A			
Culture and Recreation	865,460	704,281	(161,179)
Measure R			
Transfers Out	53,472	-	(53,472)

**c. Basis of Budgeting**

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

**CITY OF MANHATTAN BEACH**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2014**

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**Note 2: Supplemental Retirement Plan**

**a. Summary of Significant Accounting Policies**

Method used to value investments

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

Investment Policy

The Supplemental Plan's policy in regard to the allocation and types of invested assets is established and may be amended by the City of Manhattan Beach's City Council. It is the policy of City Council to pursue an investment strategy that reduces risk. As of June 30, 2014, City Council has approved to have 100% of the Supplemental Plan's assets allocated to cash and cash equivalents.

Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on Supplemental Plan investments, net of investment expense, was 4.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**b. Plan Description**

The Supplemental Retirement Plan is a single-employer defined benefit pension plan that covers Police, Fire and Management/Confidential employees who retired prior to January 1995. 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."

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

The City of Manhattan Beach incurred the accrued liabilities of active participants under the City PERS plan as of January 1, 1995. The City's remaining obligation is to fund the benefits for those participants who were then currently and are retired.

CITY OF MANHATTAN BEACH

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2014

**Note 2: Supplemental Retirement Plan (Continued)**

The number of participants covered under the plan as of June 30, 2014, was as follows:

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

**c. Net Pension Liability**

The Supplemental Plan is dormant and no contribution was made during the year. The components of the net pension liability of the Plan at June 30, 2014, were as follows:

Total pension liability	\$ 111,304
Plan fiduciary net pension	<u>102,674</u>
Net pension liability	<u><u>\$ 8,630</u></u>

Plan fiduciary net position as a percentage of the total pension liability	92.25%
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**d. Actuarial Assumptions**

Valuation date	June 30, 2014
Pre-retirement mortality rates	RP-2000 Mortality Table Projected to 2014
Asset valuation method	Fair Market Value
Discount rate	4.4%

Discount Rate

The discount rate used to measure the total pension liability was 4.4%. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of plan members. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 4.40%, as well as what the Employer's net pension liability would be if it were calculated using a discount rate that is 1% lower (3.40%) or 1% higher (5.40%) than the current rate:

	1% Lower (3.40%)	Current Discount Rate (4.40%)	1% Higher (5.40%)
Net pension liability	\$ 116,015	\$ 111,304	\$ 106,976

CITY OF MANHATTAN BEACH

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2014

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**Note 3: Single Highest Year Plan**

**a. Summary of Significant Accounting Policies**

Method used to value investments

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

Investment Policy

The Highest Year Plan's policy in regard to the allocation and types of invested assets is established and may be amended by the City of Manhattan Beach's City Council. It is the policy of City Council to pursue an investment strategy that reduces risk. As of June 30, 2014, City Council has approved to have 100% of the Supplemental Plan's assets allocated to cash and cash equivalents.

Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on the Highest Year Plan investments, net of investment expense, was 4.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**b. Plan Description**

The Single Highest Year Plan is a single-employer defined benefit pension plan of the City. This plan was adopted effective January 1, 1990, covering Management/Confidential Employees and Non-management/Confidential Sworn Police Employees on July 1, 1990, and is for employees who retired prior to May 1993. The plan is known as the City Funded Single Highest Year Plan. 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 incurred the accrued liabilities of active participants under City PERS plan as of January 1, 1993. The City's remaining obligation is to fund the benefits for those participants who were then and are currently retired.

The number of participants covered under the plan as of June 30, 2014, was as follows:

Retirees receiving benefits:	
Management Confidential	3
Police	4
	<u>7</u>

CITY OF MANHATTAN BEACH

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2014

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**Note 3: Single Highest Year Plan (Continued)**

**c. Net Pension Liability**

The Supplemental Plan is dormant and no contribution was made during the year. The components of the net pension liability of the Plan at June 30, 2014, were as follows:

Total pension liability	\$ 315,443
Plan fiduciary net pension	<u>278,200</u>
Net pension liability	<u>\$ 37,243</u>
 Plan fiduciary net position as a percentage of the total pension liability	 88.19%

**d. Actuarial Assumptions**

Valuation date	June 30, 2014
Pre-retirement mortality rates	RP-2000 Mortality Table Projected to 2014
Asset valuation method	Fair Market Value
Discount rate	4.4%

Discount Rate

The discount rate used to measure the total pension liability was 4.4%. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of plan members. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 4.40%, as well as what the Employer's net pension liability would be if it were calculated using a discount rate that is 1% lower (3.40%) or 1% higher (5.40%) than the current rate:

	1% Lower (3.40%)	Current Discount Rate (4.40%)	1% Higher (5.40%)
Net pension liability	\$ 330,563	\$ 315,443	\$ 301,639

## **SUPPLEMENTARY SCHEDULES**

## **CITY OF MANHATTAN BEACH**

**JUNE 30, 2014**

### **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.

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

**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 2010-2011, and established a separate fund to capture revenues and expenditures. Eligible expenditures are streets and signals, bikeways, pedestrian improvements, and transit service improvements.

#### **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, 2014

	<b>Special Revenue Funds</b>			
	<b>Street Lighting and Landscape</b>	<b>Gas Tax</b>	<b>Asset Forfeiture</b>	<b>Public Safety Grants</b>
<b>Assets:</b>				
Pooled cash and investments	\$ 46,428	\$ 3,157,182	\$ 872,745	\$ 205,718
Receivables:				
Accounts	4,513	15,275	-	-
Prepaid costs	-	-	-	-
Due from other governments	-	111,070	16,676	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ 50,941</b>	<b>\$ 3,283,527</b>	<b>\$ 889,421</b>	<b>\$ 205,718</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 50,941	\$ 53,524	\$ 156	\$ 10,442
Accrued liabilities	-	32,753	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
<b>Total Liabilities</b>	<b>50,941</b>	<b>86,277</b>	<b>156</b>	<b>10,442</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	482	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>482</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Public safety	-	-	889,265	195,276
Public works	-	3,196,768	-	-
Capital Projects	-	-	-	-
<b>Unassigned</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>-</b>	<b>3,196,768</b>	<b>889,265</b>	<b>195,276</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 50,941</b>	<b>\$ 3,283,527</b>	<b>\$ 889,421</b>	<b>\$ 205,718</b>



CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014

	<b>Special Revenue Funds</b>			
	<b>Federal and State Grants</b>	<b>Proposition A</b>	<b>Proposition C</b>	<b>AB 2766</b>
<b>Assets:</b>				
Pooled cash and investments	\$ -	\$ 12,731	\$ 4,133,316	\$ 169,976
Receivables:				
Accounts	-	-	-	-
Prepaid costs	-	375	-	-
Due from other governments	22,488	-	100,443	11,412
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ 22,488</b>	<b>\$ 13,106</b>	<b>\$ 4,233,759</b>	<b>\$ 181,388</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 13,106	\$ 85,365	\$ -
Accrued liabilities	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	22,488	-	-	-
<b>Total Liabilities</b>	<b>22,488</b>	<b>13,106</b>	<b>85,365</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	22,488	-	100,443	11,412
<b>Total Deferred Inflows of Resources</b>	<b>22,488</b>	<b>-</b>	<b>100,443</b>	<b>11,412</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Public safety	-	-	-	-
Public works	-	-	-	169,976
Capital Projects	-	-	4,047,951	-
<b>Unassigned</b>	<b>(22,488)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>(22,488)</b>	<b>-</b>	<b>4,047,951</b>	<b>169,976</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 22,488</b>	<b>\$ 13,106</b>	<b>\$ 4,233,759</b>	<b>\$ 181,388</b>

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Measure R</u>	<u>Underground Assessment District</u>	
<b>Assets:</b>			
Pooled cash and investments	\$ 1,180,546	\$ 199,238	\$ 9,977,880
Receivables:			
Accounts	-	-	19,788
Prepaid costs	-	-	375
Due from other governments	-	-	262,089
Restricted assets:			
Cash and investments with fiscal agents	-	390,884	390,884
<b>Total Assets</b>	<b><u>\$ 1,180,546</u></b>	<b><u>\$ 590,122</u></b>	<b><u>\$ 10,651,016</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,250	\$ -	\$ 214,784
Accrued liabilities	-	-	32,753
Deposits payable	-	1,741	1,741
Due to other funds	-	-	22,488
<b>Total Liabilities</b>	<b><u>1,250</u></b>	<b><u>1,741</u></b>	<b><u>271,766</u></b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	-	-	134,825
<b>Total Deferred Inflows of Resources</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>134,825</u></b>
<b>Fund Balances:</b>			
<b>Restricted for:</b>			
Public safety	-	-	1,084,541
Public works	1,179,296	-	4,546,040
Capital Projects	-	588,381	4,636,332
<b>Unassigned</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(22,488)</u></b>
<b>Total Fund Balances</b>	<b><u>1,179,296</u></b>	<b><u>588,381</u></b>	<b><u>10,244,425</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 1,180,546</u></b>	<b><u>\$ 590,122</u></b>	<b><u>\$ 10,651,016</u></b>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	<b>Special Revenue Funds</b>			
	<b>Street Lighting and Landscape</b>	<b>Gas Tax</b>	<b>Asset Forfeiture</b>	<b>Public Safety Grants</b>
<b>Revenues:</b>				
Taxes	\$ 375,731	\$ 3,617	\$ -	\$ -
Intergovernmental	-	1,219,642	52,020	100,000
Charges for services	20,865	-	-	-
Use of money and property	-	26,820	7,866	1,491
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>396,596</b>	<b>1,250,079</b>	<b>59,886</b>	<b>101,491</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	56,814	43,572
Culture and recreation	-	-	-	-
Public works	639,920	-	-	-
Capital outlay	-	1,271,807	31,029	19,210
<b>Total Expenditures</b>	<b>639,920</b>	<b>1,271,807</b>	<b>87,843</b>	<b>62,782</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(243,324)	(21,728)	(27,957)	38,709
<b>Other Financing Sources (Uses):</b>				
Transfers in	243,324	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>243,324</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	-	(21,728)	(27,957)	38,709
Fund Balances, Beginning of Year	-	3,218,496	917,222	156,567
<b>Fund Balances, End of Year</b>	<b>\$ -</b>	<b>\$ 3,196,768</b>	<b>\$ 889,265</b>	<b>\$ 195,276</b>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES  
EXPENDITURES AND CHANGES IN FUNDS  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	<u>Special Revenue Funds</u>			
	<u>Federal and State Grants</u>	<u>Proposition A</u>	<u>Proposition C</u>	<u>AB 2766</u>
<b>Revenues:</b>				
Taxes	\$ -	\$ 601,192	\$ 499,530	\$ -
Intergovernmental	-	-	300,179	32,453
Charges for services	-	12,160	-	-
Use of money and property	-	1,148	34,496	1,248
Miscellaneous	-	17,825	-	-
<b>Total Revenues</b>	<b>-</b>	<b>632,325</b>	<b>834,205</b>	<b>33,701</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	865,460	-	-
Public works	-	-	-	9,528
Capital outlay	-	-	358,488	-
<b>Total Expenditures</b>	<b>-</b>	<b>865,460</b>	<b>358,488</b>	<b>9,528</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(233,135)	475,717	24,173
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	53,472	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>53,472</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	-	(179,663)	475,717	24,173
Fund Balances, Beginning of Year	(22,488)	179,663	3,572,234	145,803
<b>Fund Balances, End of Year</b>	<b>\$ (22,488)</b>	<b>\$ -</b>	<b>\$ 4,047,951</b>	<b>\$ 169,976</b>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES  
EXPENDITURES AND CHANGES IN FUNDS  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund Underground Assessment District</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Measure R</u>		
<b>Revenues:</b>			
Taxes	\$ 372,156	\$ -	\$ 1,852,226
Intergovernmental	-	-	1,704,294
Charges for services	-	-	33,025
Use of money and property	9,974	1,789	84,832
Miscellaneous	-	-	17,825
<b>Total Revenues</b>	<b><u>382,130</u></b>	<b><u>1,789</u></b>	<b><u>3,692,202</u></b>
<b>Expenditures:</b>			
Current:			
Public safety	-	-	100,386
Culture and recreation	-	-	865,460
Public works	-	-	649,448
Capital outlay	25,299	-	1,705,833
<b>Total Expenditures</b>	<b><u>25,299</u></b>	<b><u>-</u></b>	<b><u>3,321,127</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>356,831</u>	<u>1,789</u>	<u>371,075</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	296,796
Transfers out	(53,472)	-	(53,472)
<b>Total Other Financing Sources (Uses)</b>	<b><u>(53,472)</u></b>	<b><u>-</u></b>	<b><u>243,324</u></b>
Net Change in Fund Balances	303,359	1,789	614,399
Fund Balances, Beginning of Year	<u>875,937</u>	<u>586,592</u>	<u>9,630,026</u>
<b>Fund Balances, End of Year</b>	<b><u>\$ 1,179,296</u></b>	<b><u>\$ 588,381</u></b>	<b><u>\$ 10,244,425</u></b>

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE  
STREET LIGHTING AND LANDSCAPE  
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Taxes	379,200	379,200	375,731	(3,469)
Charges for services	25,291	25,291	20,865	(4,426)
Transfers in	-	-	243,324	243,324
<b>Amounts Available for Appropriation</b>	<b>404,491</b>	<b>404,491</b>	<b>639,920</b>	<b>235,429</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	629,938	633,438	639,920	(6,482)
<b>Total Charges to Appropriation</b>	<b>629,938</b>	<b>633,438</b>	<b>639,920</b>	<b>(6,482)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (225,447)</b>	<b>\$ (228,947)</b>	<b>\$ -</b>	<b>\$ 228,947</b>

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE  
GAS TAX  
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,218,496	\$ 3,218,496	\$ 3,218,496	\$ -
<b>Resources (Inflows):</b>				
Taxes	155,000	155,000	3,617	(151,383)
Intergovernmental	1,097,100	1,544,600	1,219,642	(324,958)
Use of money and property	25,666	25,666	26,820	1,154
<b>Amounts Available for Appropriation</b>	<b>4,496,262</b>	<b>4,943,762</b>	<b>4,468,575</b>	<b>(475,187)</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	1,115,000	3,663,657	1,271,807	2,391,850
<b>Total Charges to Appropriation</b>	<b>1,115,000</b>	<b>3,663,657</b>	<b>1,271,807</b>	<b>2,391,850</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 3,381,262</b>	<b>\$ 1,280,105</b>	<b>\$ 3,196,768</b>	<b>\$ 1,916,663</b>

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE  
ASSET FORFEITURE  
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 917,222	\$ 917,222	\$ 917,222	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	-	52,020	52,020
Use of money and property	8,053	8,053	7,866	(187)
<b>Amounts Available for Appropriation</b>	<b>925,275</b>	<b>925,275</b>	<b>977,108</b>	<b>51,833</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	192,615	146,273	56,814	89,459
Capital outlay	-	55,996	31,029	24,967
Transfers out	-	74,000	-	74,000
<b>Total Charges to Appropriation</b>	<b>192,615</b>	<b>276,269</b>	<b>87,843</b>	<b>188,426</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 732,660</b>	<b>\$ 649,006</b>	<b>\$ 889,265</b>	<b>\$ 240,259</b>



CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC SAFETY GRANTS  
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 156,567	\$ 156,567	\$ 156,567	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	-	100,000	100,000
Use of money and property	1,300	1,300	1,491	191
<b>Amounts Available for Appropriation</b>	<b>157,867</b>	<b>157,867</b>	<b>258,058</b>	<b>100,191</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	-	102,882	43,572	59,310
Capital outlay	-	64,710	19,210	45,500
<b>Total Charges to Appropriation</b>	<b>-</b>	<b>167,592</b>	<b>62,782</b>	<b>104,810</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 157,867</b>	<b>\$ (9,725)</b>	<b>\$ 195,276</b>	<b>\$ 205,001</b>

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE  
PROPOSITION A  
YEAR ENDED JUNE 30, 2014**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 179,663	\$ 179,663	\$ 179,663	\$ -
<b>Resources (Inflows):</b>				
Taxes	599,798	599,798	601,192	1,394
Charges for services	10,800	10,800	12,160	1,360
Use of money and property	716	716	1,148	432
Miscellaneous	14,000	14,000	17,825	3,825
Transfers in	-	-	53,472	53,472
<b>Amounts Available for Appropriation</b>	<b>804,977</b>	<b>804,977</b>	<b>865,460</b>	<b>60,483</b>
<b>Charges to Appropriation (Outflow):</b>				
Culture and recreation	704,281	704,281	865,460	(161,179)
<b>Total Charges to Appropriation</b>	<b>729,281</b>	<b>729,281</b>	<b>865,460</b>	<b>(136,179)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 75,696</b>	<b>\$ 75,696</b>	<b>\$ -</b>	<b>\$ (75,696)</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 PROPOSITION C  
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,572,234	\$ 3,572,234	\$ 3,572,234	\$ -
<b>Resources (Inflows):</b>				
Taxes	497,517	497,517	499,530	2,013
Intergovernmental	11,159,325	12,483,380	300,179	(12,183,201)
Use of money and property	28,266	28,266	34,496	6,230
<b>Amounts Available for Appropriation</b>	<b>15,257,342</b>	<b>16,581,397</b>	<b>4,406,439</b>	<b>(12,174,958)</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	12,785,472	14,824,446	358,488	14,465,958
<b>Total Charges to Appropriation</b>	<b>12,785,472</b>	<b>14,824,446</b>	<b>358,488</b>	<b>14,465,958</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 2,471,870</b>	<b>\$ 1,756,951</b>	<b>\$ 4,047,951</b>	<b>\$ 2,291,000</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 AB 2766  
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 145,803	\$ 145,803	\$ 145,803	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	40,000	40,000	32,453	(7,547)
Use of money and property	3,287	3,287	1,248	(2,039)
<b>Amounts Available for Appropriation</b>	<b>189,090</b>	<b>189,090</b>	<b>179,504</b>	<b>(9,586)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	8,068	8,068	9,528	(1,460)
Capital outlay	89,000	89,000	-	89,000
<b>Total Charges to Appropriation</b>	<b>97,068</b>	<b>97,068</b>	<b>9,528</b>	<b>87,540</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 92,022</b>	<b>\$ 92,022</b>	<b>\$ 169,976</b>	<b>\$ 77,954</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 MEASURE R  
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 875,937	\$ 875,937	\$ 875,937	\$ -
<b>Resources (Inflows):</b>				
Taxes	373,137	373,137	372,156	(981)
Use of money and property	7,608	7,608	9,974	2,366
<b>Amounts Available for Appropriation</b>	<b>1,256,682</b>	<b>1,256,682</b>	<b>1,258,067</b>	<b>1,385</b>
<b>Charges to Appropriation (Outflow):</b>				
Transfers out	-	-	53,472	(53,472)
<b>Total Charges to Appropriation</b>	<b>-</b>	<b>50,000</b>	<b>78,771</b>	<b>(28,771)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,256,682</b>	<b>\$ 1,206,682</b>	<b>\$ 1,179,296</b>	<b>\$ (27,386)</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 CAPITAL IMPROVEMENT  
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 8,645,220	\$ 8,645,220	\$ 8,645,220	\$ -
<b>Resources (Inflows):</b>				
Taxes	586,659	586,659	626,635	39,976
Licenses and permits	10,902	10,902	29,072	18,170
Intergovernmental	-	2,834,851	2,310	(2,832,541)
Charges for services	650,000	650,000	732,286	82,286
Use of money and property	3,000	3,000	3,921	921
Fines and forfeitures	114,470	114,470	128,736	14,266
Miscellaneous	-	20,000	19,974	(26)
Transfers in	-	-	763,073	763,073
Proceeds from sale of capital asset	-	-	691,871	691,871
<b>Amounts Available for Appropriation</b>	<b>10,010,251</b>	<b>12,865,102</b>	<b>11,643,098</b>	<b>(1,222,004)</b>
<b>Charges to Appropriation (Outflow):</b>				
Culture and recreation	12,820	14,720	1,552	13,168
Capital outlay	2,000,000	6,912,147	1,046,157	5,865,990
Debt service:				
Principal retirement	11,645,000	480,000	480,000	-
Interest and fiscal charges	594,802	333,764	333,762	2
<b>Total Charges to Appropriation</b>	<b>14,252,622</b>	<b>7,740,631</b>	<b>1,861,471</b>	<b>5,879,160</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (4,242,371)</b>	<b>\$ 5,124,471</b>	<b>\$ 9,781,627</b>	<b>\$ 4,657,156</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 UNDERGROUND ASSESSMENT DISTRICT  
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 586,592	\$ 586,592	\$ 586,592	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	1,125	1,125	1,789	664
<b>Amounts Available for Appropriation</b>	<b>587,717</b>	<b>587,717</b>	<b>588,381</b>	<b>664</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 587,717</b>	<b>\$ 587,717</b>	<b>\$ 588,381</b>	<b>\$ 664</b>

**CITY OF MANHATTAN BEACH**

**JUNE 30, 2014**

**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.

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

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

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



CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF NET POSITION  
 NON-MAJOR PROPRIETARY FUNDS  
 JUNE 30, 2014

	Business-Type Activities - Enterprise Funds				Totals
	Stormwater	Refuse	County Parking Lot	State Pier and Parking Lot	
<b>Assets:</b>					
Current:					
Cash and investments	\$ 1,031,545	\$ 547,165	\$ 351,735	\$ 2,224,507	\$ 4,154,952
Receivables:					
Accounts	4,446	284,658	-	-	289,104
<b>Total Current Assets</b>	<b>1,035,991</b>	<b>831,823</b>	<b>351,735</b>	<b>2,224,507</b>	<b>4,444,056</b>
Noncurrent:					
Prepaid other post-employment benefits	6,092	9,138	2,437	2,437	20,104
Capital assets - net of accumulated depreciation	3,904,313	-	-	-	3,904,313
<b>Total Noncurrent Assets</b>	<b>3,910,405</b>	<b>9,138</b>	<b>2,437</b>	<b>2,437</b>	<b>3,924,417</b>
<b>Total Assets</b>	<b>\$ 4,946,396</b>	<b>\$ 840,961</b>	<b>\$ 354,172</b>	<b>\$ 2,226,944</b>	<b>\$ 8,368,473</b>
<b>Liabilities and Net Position:</b>					
<b>Liabilities:</b>					
Current:					
Accounts payable	\$ 68,589	\$ 299,356	\$ 351,735	\$ 41,908	\$ 761,588
<b>Total Current Liabilities</b>	<b>68,589</b>	<b>299,356</b>	<b>351,735</b>	<b>41,908</b>	<b>761,588</b>
<b>Total Liabilities</b>	<b>68,589</b>	<b>299,356</b>	<b>351,735</b>	<b>41,908</b>	<b>761,588</b>
<b>Net Position:</b>					
Net investment in capital assets	3,904,313	-	-	-	3,904,313
Unrestricted	973,494	541,605	2,437	2,185,036	3,702,572
<b>Total Net Position</b>	<b>4,877,807</b>	<b>541,605</b>	<b>2,437</b>	<b>2,185,036</b>	<b>7,606,885</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 4,946,396</b>	<b>\$ 840,961</b>	<b>\$ 354,172</b>	<b>\$ 2,226,944</b>	<b>\$ 8,368,473</b>

CITY OF MANHATTAN BEACH

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
NON-MAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014**

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Totals</b>
	<b>Stormwater</b>	<b>Refuse</b>	<b>County Parking Lot</b>	<b>State Pier and Parking Lot</b>	
<b>Operating Revenues:</b>					
Sales and service charges	\$ 344,556	\$ 3,965,882	\$ 773,409	\$ 575,723	\$ 5,659,570
Miscellaneous	-	-	-	4,344	4,344
<b>Total Operating Revenues</b>	<b>344,556</b>	<b>3,965,882</b>	<b>773,409</b>	<b>580,067</b>	<b>5,663,914</b>
<b>Operating Expenses:</b>					
Salaries	71,936	95,242	12,656	12,656	192,490
Employee benefits	24,635	34,251	5,857	5,858	70,601
Contract and professional services	457,343	3,356,993	62,879	200,787	4,078,002
Materials and services	47,919	54,691	23,296	89,656	215,562
Utilities	11,797	299	5,794	48,852	66,742
Administrative service charges	-	359,112	37,800	98,436	495,348
Leases and rents	-	-	425,376	-	425,376
Depreciation expense	151,757	-	-	-	151,757
<b>Total Operating Expenses</b>	<b>765,387</b>	<b>3,900,588</b>	<b>573,658</b>	<b>456,245</b>	<b>5,695,878</b>
Operating Income (Loss)	(420,831)	65,294	199,751	123,822	(31,964)
<b>Nonoperating Revenues (Expenses):</b>					
Interest revenue	6,077	4,954	-	12,183	23,214
Grant revenue	-	19,880	-	-	19,880
<b>Total Nonoperating Revenues (Expenses)</b>	<b>6,077</b>	<b>24,834</b>	<b>-</b>	<b>12,183</b>	<b>43,094</b>
Income (Loss) Before Transfers	(414,754)	90,128	199,751	136,005	11,130
Transfers out	-	-	(200,458)	-	(200,458)
Changes in Net Position	<u>\$ (414,754)</u>	<u>\$ 90,128</u>	<u>\$ (707)</u>	<u>\$ 136,005</u>	<u>\$ (189,328)</u>
<b>Net Position:</b>					
Beginning of Year, as originally reported	\$ 5,292,561	\$ 1,070,185	\$ 3,144	\$ 2,049,031	\$ 8,414,921
Restatements	-	(618,708)	-	-	(618,708)
Beginning of Fiscal Year, as restated	5,292,561	451,477	3,144	2,049,031	7,796,213
Changes in Net Position	(414,754)	90,128	(707)	136,005	(189,328)
<b>End of Fiscal Year</b>	<b><u>\$ 4,877,807</u></b>	<b><u>\$ 541,605</u></b>	<b><u>\$ 2,437</u></b>	<b><u>\$ 2,185,036</u></b>	<b><u>\$ 7,606,885</u></b>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS  
NON-MAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds				Totals
	Stormwater	Refuse	County Parking Lot	State Pier and Parking Lot	
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers and users	\$ 401,238	\$ 3,991,925	\$ 773,409	\$ 580,067	\$ 5,746,639
Cash paid to suppliers for goods and services	(494,501)	(3,806,789)	(478,323)	(444,746)	(5,224,359)
Cash paid to employees for services	(94,802)	(126,840)	(17,806)	(17,807)	(257,255)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(188,065)</b>	<b>58,296</b>	<b>277,280</b>	<b>117,514</b>	<b>265,025</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Cash transfers out	-	-	(200,458)	-	(200,458)
Grant Subsidy	-	19,880	-	-	19,880
Street sweeping fee refunds	-	(618,708)	-	-	(618,708)
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>-</b>	<b>(598,828)</b>	<b>(200,458)</b>	<b>-</b>	<b>(799,286)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets	(39,746)	-	-	-	(39,746)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(39,746)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(39,746)</b>
<b>Cash Flows from Investing Activities:</b>					
Interest received	6,077	4,954	-	12,183	23,214
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>6,077</b>	<b>4,954</b>	<b>-</b>	<b>12,183</b>	<b>23,214</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(221,734)</b>	<b>(535,578)</b>	<b>76,822</b>	<b>129,697</b>	<b>(550,793)</b>
Cash and Cash Equivalents at Beginning of Year	1,253,279	1,082,743	274,913	2,094,810	4,705,745
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,031,545</b>	<b>\$ 547,165</b>	<b>\$ 351,735</b>	<b>\$ 2,224,507</b>	<b>\$ 4,154,952</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>					
Operating income (loss)	\$ (420,831)	\$ 65,294	\$ 199,751	\$ 123,822	\$ (31,964)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>					
Depreciation	151,757	-	-	-	151,757
(Increase) decrease in accounts receivable	56,682	26,043	-	-	82,725
(Increase) decrease in prepaid other post-employment benefits	1,769	2,653	707	707	5,836
Increase (decrease) in accounts payable	22,558	(35,694)	76,822	(7,015)	56,671
<b>Total Adjustments</b>	<b>232,766</b>	<b>(6,998)</b>	<b>77,529</b>	<b>(6,308)</b>	<b>296,989</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (188,065)</b>	<b>\$ 58,296</b>	<b>\$ 277,280</b>	<b>\$ 117,514</b>	<b>\$ 265,025</b>

**Non-Cash Investing, Capital, and Financing Activities:**

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

**CITY OF MANHATTAN BEACH**

**JUNE 30, 2014**

**INTERNAL SERVICE FUNDS**

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

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

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

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

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

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2014

	Governmental Activities - Internal Service Funds				
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	Totals
<b>Assets:</b>					
Current:					
Cash and investments	10,387,576	485,178	1,996,465	224,124	\$ 13,093,343
Inventories	-	-	-	108,125	108,125
<b>Total Current Assets</b>	<b>10,387,576</b>	<b>485,178</b>	<b>1,996,465</b>	<b>332,249</b>	<b>13,201,468</b>
Noncurrent:					
Prepaid other post-employment benefits	12,183	24,364	24,364	24,364	85,275
Capital assets - net of accumulated depreciation	-	-	5,651,206	-	5,651,206
<b>Total Noncurrent Assets</b>	<b>12,183</b>	<b>24,364</b>	<b>5,675,570</b>	<b>24,364</b>	<b>5,736,481</b>
<b>Total Assets</b>	<b>\$ 10,399,759</b>	<b>\$ 509,542</b>	<b>\$ 7,672,035</b>	<b>\$ 356,613</b>	<b>\$ 18,937,949</b>
<b>Liabilities and Net Position:</b>					
<b>Liabilities:</b>					
Current:					
Accounts payable	\$ 25,910	\$ 66,317	\$ 70,691	\$ 228,338	\$ 391,256
Accrued liabilities	-	768	-	-	768
Capital leases	-	-	187,522	-	187,522
Workers' compensation claims	5,346,087	-	-	-	5,346,087
Accrued claims and judgments	693,695	-	-	-	693,695
<b>Total Current Liabilities</b>	<b>6,065,692</b>	<b>67,085</b>	<b>258,213</b>	<b>228,338</b>	<b>6,619,328</b>
Noncurrent:					
Capital leases	-	-	531,820	-	531,820
Workers' compensation claims	3,366,609	-	-	-	3,366,609
Accrued claims and judgments	480,051	-	-	-	480,051
<b>Total Noncurrent Liabilities</b>	<b>3,846,660</b>	<b>-</b>	<b>531,820</b>	<b>-</b>	<b>4,378,480</b>
<b>Total Liabilities</b>	<b>9,912,352</b>	<b>67,085</b>	<b>790,033</b>	<b>228,338</b>	<b>10,997,808</b>
<b>Net Position:</b>					
Net investment in capital assets	-	-	4,931,864	-	4,931,864
Unrestricted	487,407	442,457	1,950,138	128,275	3,008,277
<b>Total Net Position</b>	<b>487,407</b>	<b>442,457</b>	<b>6,882,002</b>	<b>128,275</b>	<b>7,940,141</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 10,399,759</b>	<b>\$ 509,542</b>	<b>\$ 7,672,035</b>	<b>\$ 356,613</b>	<b>\$ 18,937,949</b>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Funds				Totals
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	
<b>Operating Revenues:</b>					
Sales and service charges	5,344,610	1,531,294	2,430,056	1,747,970	\$ 11,053,930
Miscellaneous	-	-	515	770	1,285
<b>Total Operating Revenues</b>	<b>5,344,610</b>	<b>1,531,294</b>	<b>2,430,571</b>	<b>1,748,740</b>	<b>11,055,215</b>
<b>Operating Expenses:</b>					
Salaries	149,870	625,241	236,671	350,616	1,362,398
Employee benefits	54,854	156,577	90,022	103,215	404,668
Contract for professional services	18,177	284,523	85,064	662,377	1,050,141
Materials and services	441,155	401,714	657,238	493,520	1,993,627
Utilities	7,309	2,436	-	108,581	118,326
Claims expense	5,172,418	-	-	-	5,172,418
Depreciation expense	-	-	733,026	-	733,026
<b>Total Operating Expenses</b>	<b>5,843,783</b>	<b>1,470,491</b>	<b>1,802,021</b>	<b>1,718,309</b>	<b>10,834,604</b>
Operating Income (Loss)	(499,173)	60,803	628,550	30,431	220,611
<b>Nonoperating Revenues (Expenses):</b>					
Interest expense	-	-	(13,361)	-	(13,361)
Gain (loss) on disposal of capital assets	-	-	77,895	-	77,895
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>64,534</b>	<b>-</b>	<b>64,534</b>
Changes in Net Position	(499,173)	60,803	693,084	30,431	285,145
<b>Net Position:</b>					
Beginning of Year	986,580	381,654	6,188,918	97,844	7,654,996
<b>End of Fiscal Year</b>	<b>\$ 487,407</b>	<b>\$ 442,457</b>	<b>\$ 6,882,002</b>	<b>\$ 128,275</b>	<b>\$ 7,940,141</b>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Funds				
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	Totals
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers and users	\$ -	\$ -	\$ 515	\$ 770	\$ 1,285
Cash received from/(paid to) interfund service provided	5,344,610	1,531,294	2,430,056	1,747,970	11,053,930
Cash paid to suppliers for goods and services	(4,652,655)	(662,199)	(1,016,487)	(1,116,559)	(7,447,900)
Cash paid to employees for services	(201,187)	(774,743)	(319,618)	(446,756)	(1,742,304)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>490,768</b>	<b>94,352</b>	<b>1,094,466</b>	<b>185,425</b>	<b>1,865,011</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Grant subsidy	-	-	10,000	-	10,000
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>-</b>	<b>-</b>	<b>10,000</b>	<b>-</b>	<b>10,000</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets	-	-	(2,127,456)	-	(2,127,456)
Principal paid on capital debt	-	-	(184,499)	-	(184,499)
Interest paid on capital debt	-	-	(13,361)	-	(13,361)
Proceeds from sales of capital assets	-	-	163,892	-	163,892
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>(2,161,424)</b>	<b>-</b>	<b>(2,161,424)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>490,768</b>	<b>94,352</b>	<b>(1,056,958)</b>	<b>185,425</b>	<b>(286,413)</b>
Cash and Cash Equivalents at Beginning of Year	9,896,808	390,826	3,053,423	38,699	13,379,756
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 10,387,576</b>	<b>\$ 485,178</b>	<b>\$ 1,996,465</b>	<b>\$ 224,124</b>	<b>\$ 13,093,343</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>					
Operating income (loss)	\$ (499,173)	\$ 60,803	\$ 628,550	\$ 30,431	\$ 220,611
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>					
Depreciation	-	-	733,026	-	733,026
(Increase) decrease in prepaid expense	-	-	975	-	975
(Increase) decrease in prepaid other post-employment ben	3,537	7075	7075	7075	24,762
(Increase) decrease in inventory	-	-	-	1,757	1,757
Increase (decrease) in accounts payable	16,185	26,474	(275,160)	146,162	(86,339)
Increase (decrease) in workers' compensation claims	924,597	-	-	-	924,597
Increase (decrease) in claims and judgments	45,622	-	-	-	45,622
<b>Total Adjustments</b>	<b>989,941</b>	<b>33,549</b>	<b>465,916</b>	<b>154,994</b>	<b>1,644,400</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 490,768</b>	<b>\$ 94,352</b>	<b>\$ 1,094,466</b>	<b>\$ 185,425</b>	<b>\$ 1,865,011</b>

**Non-Cash Investing, Capital, and Financing Activities:**

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

***CITY OF MANHATTAN BEACH***

**JUNE 30, 2014**

**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 STATEMENT OF NET POSITION  
 ALL AGENCY FUNDS  
 JUNE 30, 2014

	Special Assessment Redemption	Special Deposits	Totals
<b>Assets:</b>			
Pooled cash and investments	\$ 825,381	\$ 334,781	\$ 1,160,162
Receivables:			
Accounts	20,969	-	20,969
Restricted assets:			
Cash and investments with fiscal agents	968,763	3,410	972,173
<b>Total Assets</b>	<b>\$ 1,815,113</b>	<b>\$ 338,191</b>	<b>\$ 2,153,304</b>
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 10,072	\$ 10,072
Art development fees	-	297,663	297,663
Deposits payable	-	30,456	30,456
Due to bondholders	1,815,113	-	1,815,113
<b>Total Liabilities</b>	<b>\$ 1,815,113</b>	<b>\$ 338,191</b>	<b>\$ 2,153,304</b>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2014

	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2014</u>
<b><u>Special Assessment Redemption</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 807,288	\$ 1,921,844	\$ 1,903,751	\$ 825,381
Receivables:				
Accounts	18,916	20,969	18,916	20,969
Restricted assets:				
Cash and investments with fiscal agents	968,763	-	-	968,763
<b>Total Assets</b>	<b><u>\$ 1,794,967</u></b>	<b><u>\$ 1,942,813</u></b>	<b><u>\$ 1,922,667</u></b>	<b><u>\$ 1,815,113</u></b>
<b>Liabilities:</b>				
Due to bondholders	1,794,967	4,793,608	4,773,462	1,815,113
<b>Total Liabilities</b>	<b><u>\$ 1,794,967</u></b>	<b><u>\$ 4,793,608</u></b>	<b><u>\$ 4,773,462</u></b>	<b><u>\$ 1,815,113</u></b>
<b><u>Special Deposits</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 473,489	\$ 237,783	\$ 376,491	\$ 334,781
Restricted assets:				
Cash and investments with fiscal agents	2,252,713	5,908,151	8,157,454	3,410
<b>Total Assets</b>	<b><u>\$ 2,726,202</u></b>	<b><u>\$ 6,145,934</u></b>	<b><u>\$ 8,533,945</u></b>	<b><u>\$ 338,191</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 13,657	\$ 183,305	\$ 186,890	\$ 10,072
401(a) plan deposits	2,249,203	429,144	2,678,347	-
Art development fees	414,158	66,840	183,335	297,663
Other deposits	49,184	170,942	189,670	30,456
<b>Total Liabilities</b>	<b><u>\$ 2,726,202</u></b>	<b><u>\$ 850,231</u></b>	<b><u>\$ 3,238,242</u></b>	<b><u>\$ 338,191</u></b>
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 1,280,777	\$ 2,159,627	\$ 2,280,242	\$ 1,160,162
Receivables:				
Accounts	18,916	20,969	18,916	20,969
Restricted assets:				
Cash and investments with fiscal agents	3,221,476	5,908,151	8,157,454	972,173
<b>Total Assets</b>	<b><u>\$ 4,521,169</u></b>	<b><u>\$ 8,088,747</u></b>	<b><u>\$ 10,456,612</u></b>	<b><u>\$ 2,153,304</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 13,657	\$ 183,305	\$ 186,890	\$ 10,072
401(a) plan deposits	2,249,203	429,144	2,678,347	-
Art development fees	414,158	66,840	183,335	297,663
Other deposits	49,184	170,942	189,670	30,456
Due to bondholders	1,794,967	4,793,608	4,773,462	1,815,113
<b>Total Liabilities</b>	<b><u>\$ 4,521,169</u></b>	<b><u>\$ 5,643,839</u></b>	<b><u>\$ 8,011,704</u></b>	<b><u>\$ 2,153,304</u></b>