

City of Manhattan Beach, California



Comprehensive Annual Financial Report

Year Ended June 30, 2013

CITY OF MANHATTAN BEACH, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013



Prepared by the Finance Department

Bruce Moe, Finance Director



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CITY OF MANHATTAN BEACH
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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Introduction



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January 31, 2014

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

We are pleased to present the Comprehensive Annual Financial Report of the City of Manhattan Beach for the Fiscal Year ended June 30, 2013. This report has been prepared in accordance with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB).

The City's financial policies require an external independent audit be performed annually, and that the auditor's opinions be included in the Comprehensive Annual Financial Report (CAFR). Further, it states that the results be reviewed with the Finance Subcommittee, and presented to the City Council no later than February 1st of the following year. The Finance Subcommittee met with the auditor and discussed the results in December 2013.

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

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

The City's financial statements have been audited by Lance, Soll & Lunghard, CPAs, an accounting firm selected by the City Council, based on a recommendation from the Finance Subcommittee. The

goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Manhattan Beach's financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with generally accepted accounting principles (GAAP).

The independent auditor's report is presented as the first component of the financial section of this report. Due to the amount of Federal grant funds the City received in FY 2012-2013, the City is required to conduct a "single audit."

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

Profile of the Government

The City of Manhattan Beach is located in South Bay region of Los Angeles County. The current population¹ is 35,423. The City encompasses approximately four square miles.

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

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

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

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

¹ State of California Department of Finance, January 2013

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

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

Budget Process

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

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

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

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

Economic Condition

Local Economy

The South Bay region is home to a number of industries including aerospace, entertainment, leisure and tourism, and manufacturing. Economists report that the South Bay area has strong fundamentals including high levels of education, high incomes and competitive industries. Further, the area has fared better during the recent weak economic conditions than some other areas of the state. Case in point, the most recently available figures indicate that Manhattan Beach has a 3.6% unemployment rate, compared to Los Angeles county at 9.5% and the State of California at 8.7%.

Long Term Planning

Each year during the budget process, the City develops a five year forecast of General Fund revenues and expenditures. During the most recent budget cycle (FY 2013-2014), the forecast concluded that, after accounting for annual transfers to the Capital Projects Fund in support of \$2 million of annual projects, unassigned General Fund balances will remain in a range from an estimated \$15.8 million at the end of FY 2013-2014 to \$14.2 million in FY 2017-2018. It is important to note that those estimates indicate the need to utilize unassigned fund balance (designated as an economic uncertainty reserve by City Council) to support the capital projects fund as well as on-going support of Storm Water operations and Street Lighting and Landscape fund deficits, which can only be corrected by a Proposition 218 vote. The City Council's Financial Policy to maintain a balance of 20% of General Fund expenditures will remain funded. The complete five year forecast can be found in the FY 2012-2013 budget document, available on line at www.citymb.info. It will be updated for the FY 2014-2015 budget to reflect FY 12-13 results as presented in this audit report.

Financial Policies

In 1997-1998, the City Council approved the City's first set of financial policies, designed to promote sound financial management and ensure that the City's fiscal integrity remains intact as staff and Councilmembers change. This CAFR reflects these financial guidelines. While governmental accounting standards do not classify reserves specifically, and list such designations as "unassigned" assets due to the spendable nature of the funds, please note that the City's unassigned assets do include those funds previously classified as designated for reserves in an effort to define fund balance as of the financial report date.

Major Initiatives

Library Improvements: During the year, the City continued with the County planning the construction of a new library in the location of the existing facility. It is anticipated that this project, estimated to cost \$22.75 million, will be fully funded by the County of Los Angeles with the surplus property tax currently paid by Manhattan Beach property owners to the County Library District. The project includes expanding the library from its current 12,500 square feet to approximately 22,000 square feet. Construction began in July 2013.

Manhattan Village Mall Enhancement Project: The project, proposed by the property owner, includes improvements and an expansion to the shopping center. The approximately 44-acre site currently includes approximately 572,800 square feet of retail, restaurant and other uses. The proposed project would result in a net increase of approximately 123,700 square feet of restaurant and retail uses. Upon project completion, the shopping center would include a total of approximately 696,500 square feet. Approval of the project is pending before the City Council.

Open Government: The City remains committed to open, transparent and inclusive government. This is achieved by strengthening effective communication with the public, maximizing informed engagement, and encouraging a sense of common purpose. To that end, enhancements include expanding broadcast capability of public meetings, new technology, including a refreshed website with increased opportunity for community input on issues, and streamlined City Council meetings ...

Executive Financial Overview

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

General Fund

The General Fund is the primary operating fund of the City of Manhattan Beach. In comparing year end 2013 to 2012, the total fund balance remained stable, decreased by \$271,833. General Fund revenues exceeded expenditures by \$2,769,401. Other Financing Sources (transfers-in, transfers-out and sale of capital assets) netted out to a negative \$3,041,234, largely due to the transfer of funds from the General Fund to the CIP Fund (\$3 million) to support future capital improvement projects. At the end of fiscal year 2013, the total General Fund balance equaled \$19.6 million, with an unassigned fund balance of \$18.0 million. Within the unassigned fund balance, City Council has established earmarks for financial policies and economic uncertainties of \$14.6 million, which is available for use at City Council's discretion.

General Fund transfers included:

- \$3,000,000 was transferred to the CIP Fund for general infrastructure improvements
- \$200,583 of excess reserves from the County Lot Fund was transferred to the General Fund in line with the contract with the County of Los Angeles
- \$241,817 was transferred to the Street Lighting Fund to relieve a deficit fund balance

The City's General Fund revenues showed improvement from the prior year, particularly in Property Tax, and Other Taxes (sales, transient occupancy, business license, etc.). This can be noted by the trends below:

General Fund Revenues by Category - Fiscal Year 2013

Revenue Category	2012 Actual	2013 Actual	Increase/ (Decrease)	%
Property Tax	\$20,408,314	\$21,626,173	\$1,217,859	6.0%
Other Taxes (Sales, Hotel, Business License, etc.)	16,665,542	18,037,100	\$1,371,558	8.2%
Licenses and Permits (Building, Construction, Film Permits)	1,414,596	1,499,285	\$84,689	6.0%
Fines (Parking Citations, Vehicle Code Fines)	2,689,591	2,466,837	(\$222,754)	(8.3%)
Interest and Rents (including Ground Leases)	2,541,577	2,538,827	(\$2,750)	(0.1%)
Received From Other Agencies (Vehicle License Fees, Grants)	714,958	395,087	(\$319,871)	(44.7%)
Service Charges (Plan Check Fees, P&R Class, Ambulance Fees)	5,728,402	5,575,335	(\$153,067)	(2.7%)
Interfund Charges (Admin Service Charge)	3,276,516	2,913,324	(\$363,192)	(11.1%)
Miscellaneous*	548,320	910,280	\$361,960	66.0%
Total	\$53,987,816	\$55,962,248	\$1,974,432	3.7%

*Includes proceeds from the sale of capital assets.

Sales tax was up \$599,058 (7%) from the prior year's actual receipts, and came in above budgetary estimates by 6%. Business License Tax exceeded budget by \$280,644 (10%) and the prior year by 4%. Interest earnings exceeded budget by 5% or \$28,873, while Plan Check fees exceeded budget by 5% (\$51,846) and the prior year by 9% due to increased activity levels, resulting in a year-over-year revenue increase of \$83,172. Building Permits were down slightly by 1% from budgetary estimates, and up 7% from the prior year to \$872,218. Real Estate Transfer Tax revenue of \$587,399 exceeded prior year by 13% and budget by 12% due to increased real estate market activity. On an overall basis, total General Fund revenues (including sale of property) totaled \$56.0 million, up \$2.0 million or 4% ahead of last year and exceeded budget estimates by \$2.7 million or 5%.

Other Funds

Capital Improvement Fund

The Capital Improvement Projects Fund (CIP) is designed to manage general governmental infrastructure and facilities capital projects. In FY 2013, the CIP Fund had total revenues of \$2.4 million, and expenditures of \$2.7 million. At June 30, 2013, the total balance in the CIP Fund was \$8.6 million. Of this balance, \$8.1 million is committed for planned infrastructure projects. \$514,252 is non-spendable due to a long term advance to the Parking Fund of \$469,200 and \$45,052 for the City's Underground Assessment District Loan Program. Committed funds for defined major capital projects at year end include:

- \$2.2 million for Downtown Streetscape projects
- \$1.9 million for the Strand stairs project
- \$1.3 million for Safe Routes to School Grant programs
- \$736,667 for Marine Avenue Park synthetic field
- \$101,745 for the City Yard fuel island cover
- \$100,000 for Facilities assessment
- \$100,000 for Parks Master Plan
- \$100,000 for Non-motorized crosswalks and bike lanes

Enterprise, Internal Service, and Special Revenue Funds

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

The Water Fund continues to build the resources for planned capital improvements needed to sustain the utility's operation and infrastructure. Net income from operations totaled \$6,170,578, an improvement from the prior year which had net operating income of \$4,119,271. Revenue from sales increased by 19.5%, while operating expenses (labor, materials, services, etc.) rose by 4.5%. During FY 2010, the City Council approved increased water and waste water rates to support system infrastructure needs as well as to bolster the fiscal integrity of those funds. The new rate structure became effective in January 2010 and provides for annual increases each January through 2014. The most recent increase in water rates, which became effective half way through fiscal year, contributed to the results which will be used to fund planned capital improvements to the utility's infrastructure, estimated at \$27.4 million over the next five years.

The Waste Water fund net operating income for FY 2012-2013 was \$1,436,254 versus \$1,416,545 in FY 2011-2012 – a net increase of \$19,709, or 1.4%. Revenue from sales increased \$320,746 (10.4%) while operating expenses increased \$300,695 (18%). This improvement is primarily due to new waste water rates implemented along with the water rates in January 2013. Similar to the water utility, the new rates are being utilized to fund needed capital improvements to the waste water system.

Refuse Fund net income from operations totaled \$256,880 in FY 2012-2013, an increase of \$84,016 from the prior year. Operating expenses decreased by \$23,065 (.6%) while operating revenues rose by \$62,451 (1.4%). The implementation of a new refuse hauling contract in late fiscal year 2011 along with a new rate structure contributed to the results.

The Street Lighting Fund continues to run deficits each year. For FY 2012-2013, expenditures exceeded revenues by \$241,817. Because there is no fund balance to draw upon, the General Fund contributed the entire amount needed for continued operations. These contributions will be necessary until a Proposition 218 assessment vote is successful in raising the assessment rates and revenues.

The Stormwater Fund operating loss in FY 2012-2013 totaled \$57,093, an increase of \$340,761 from the FY 2011-2012 net loss of \$397,854. A grant for \$500,000 was received in FY 2012-2013 for the Greenbelt Flow Diversion project. Without the grant, the fund would have sustained a net loss of \$54,915. The combination of fixed assessments and rising costs currently requires a General Fund subsidy of administrative overhead, and ultimately will require cash subsidies. Additionally, capital improvements due to legislative mandates will also result in increased costs. A Proposition 218 assessment vote will be necessary to properly fund operations going forward.

Trust and Agency Funds

In several cases, the City acts as a custodian of funds held for the benefit of others which mostly relates to the administration of employee pension and 401(a) deferred compensation plans. All such plan funding requirements have been maintained. City Plans include the supplemental retirement and single highest year programs - dormant plans which were previously offered by the City. It is significant to note that this financial report does not include the value of trust holdings in the employees' 457 deferred compensation plan at June 30, 2013, thus recognizing enacted legislation establishing the City as a plan trustee and protecting these employee-owned assets from external creditors.

The trust and agency fund group also includes debt service funds held in trust on behalf of the undergrounding assessment districts. This fund accounts for assessment collections and the related debt service payments. The cash held as of June 30, 2013, will be used to pay bondholders in FY 2012-2013.

Bond Refunding

Several outstanding bond issues were refunded or defeased during the fiscal year. This action will result in substantial savings over the next 20 years. Please refer to the Footnotes, Management Discussion & Analysis and Continuing Disclosure sections for further elaboration.

CURRENT TRENDS AND EVENTS

While there are lingering effects of the last economic recession, the local economy continues to improve. In prior fiscal year (2010-2011), the City's biggest General Fund revenue source, property tax, declined from prior year receipts by 1.1%, primarily due to a decline in secured property tax collections. However, with real estate sales continuing to improve, and historically low interest rates spurring buyers, FY 2011-2012 property tax revenues grew 3.1%. This trend is expected to continue in FY 2012-2013.

Retail sales activity is improving as well, and with it, sales tax revenues, which were up from the prior year. Transient Occupancy Tax revenues declined this past year due to planned renovations at two local hotels. However, the combination of those hotels returning to full operation, and the general improvement in the economy, tourism and travel, improvement is expected in this revenue. Building related fees such as building permits and plan check fees, which gained in FY 2011-2012, are expected to continue to increase as well.

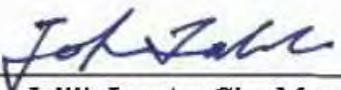
As a service organization, labor accounts for majority of costs - approximately 70% in the General Fund. The previous long term labor agreements with the three existing bargaining units (Police, Fire and Miscellaneous), which expired in 2011, were extended to December 2012. On-going labor negotiations are expected to result in three year labor agreements with the bargaining units, effective in early 2013. Negotiations with a newly-formed collective bargaining unit representing Police Management (Captains and Lieutenants) will commence in early 2013 as well.

During the recent economic downturn, the City controlled and reduced expenditures through belt tightening and elimination of vacant positions. With the economy improving, several positions were reinstated in the FY 2012-2013 budget, including two police officers, jail staff and an Associate Planner in the building department. A new Police lieutenant position was also added.

While the past few years have been challenging, Manhattan Beach has weathered the storm and remains in sound financial condition. Established reserves remain funded, and the City continues to operate efficiently and effectively, all while continuing to provide outstanding services for the community.

OTHER INFORMATION

Acknowledgments: This report was made possible through the efforts and teamwork of the highly dedicated Finance staff. Special thanks to Henry Mitzner, Jeanne O'Brien, Eden Serina, Eugene Wee and Julie Chan. Appreciation is also expressed to the City Council and City Treasurer for their interest and support, which made this presentation possible, and to the City's auditing firm of Lance, Soll & Lunghard, LLP for their professional and diligence in preparing this year end financial report.



John Jalili, Interim City Manager



Bruce Moe, Finance Director

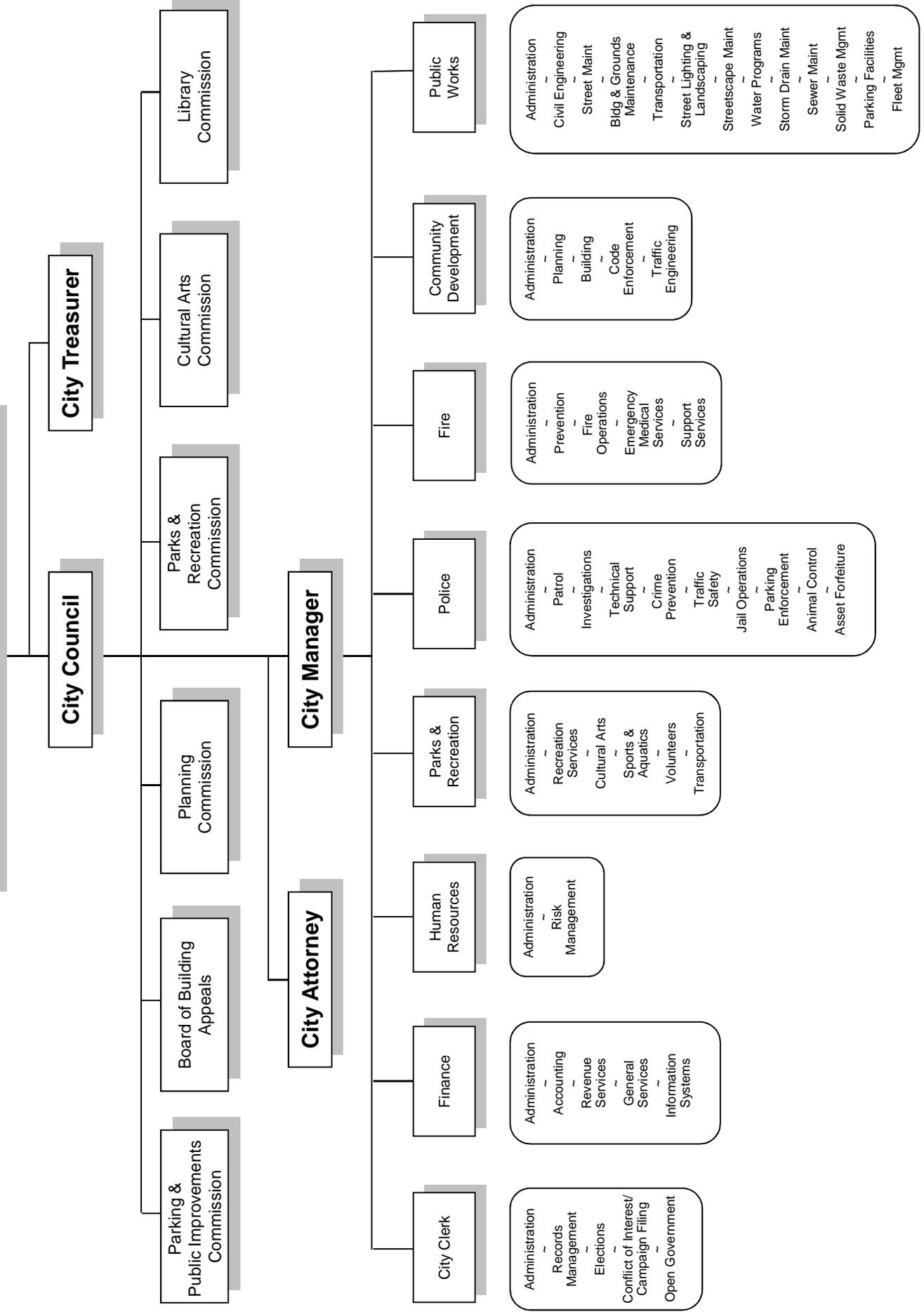
ELECTED OFFICIALS & EXECUTIVE STAFF

ELECTED OFFICIALS		TERM ENDS
<i>Mayor</i>	David J. Lesser	March 2015
<i>Mayor Pro-Tem</i>	Amy Howorth	March 2015
<i>City Councilmembers</i>	Wayne Powell Mark Burton Tony D'Errico	March 2017 March 2017 March 2017
<i>City Treasurer</i>	Tim Lilligren	March 2017

EXECUTIVE STAFF

<i>City Manager</i>	David N. Carmany
<i>City Clerk</i>	Liza Tamura
<i>City Attorney</i>	Quinn M. Barrow
<i>Director of Finance</i>	Bruce Moe
<i>Director of Human Resources</i>	Cathy Hanson
<i>Director of Parks & Recreation</i>	Mark Leyman
<i>Chief of Police</i>	Eve R. Irvine
<i>Fire Chief</i>	Robert Espinosa
<i>Director of Community Development</i>	Richard Thompson
<i>Interim Director of Public Works</i>	Vince Mastrosimone

CITIZENS OF MANHATTAN BEACH





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Manhattan Beach
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



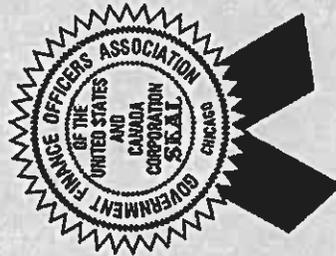
The Government Finance Officers Association
of the United States and Canada

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Finance Department
City of Manhattan Beach, California



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

Executive Director

Date August 29, 2013



Financial Section

INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Manhattan Beach, California, (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manhattan Beach, California, as of June 30, 2013, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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



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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Lance, Solt & Loughard, LLP

Brea, California
January 27, 2014



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CITY OF MANHATTAN BEACH

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Manhattan Beach, we offer our readers of these financial statements this narrative overview and analysis of the financial activities of the City of Manhattan Beach for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i to viii of this report.

FINANCIAL HIGHLIGHTS

Government Wide Financial Basis

- As of June 30, 2013, the City's total net position citywide (including all governmental and business type activities) totaled \$196,362,490. This is an increase from the prior fiscal year of \$14,187,838, or 7.8%.
 - Governmental net position for the fiscal year increased \$5,980,393 or 4.5%.
 - Business type activity net position increased by \$8,207,445 (17.1%).
- Unrestricted net position, which may be used to meet the government's on-going obligations within certain parameters and requirements, totaled \$52,812,472. This is an increase of \$5,646,145 (12.0%) from FY 2011-2012 levels. Net income from utilities (water, wastewater and refuse) as well as revenues exceeding expenditures in the General fund contributed to this increase.
- Citywide capital assets (land, work in progress, depreciable) net of depreciation increased by \$6,221,598. Governmental net capital assets increased by \$1,826,279; capital additions of \$5,558,928 were offset by accumulated depreciation plus net loss on disposal of \$3,732,649. Business type net capital assets increased by \$4,395,319; additions were \$5,386,423 and accumulated depreciation was \$991,104. Please refer to Note 5 of the financials.
- The City's bond debt decreased by \$5,475,000 during FY 2012-2013. This decrease is attributable to the defeasance water/wastewater, parking and police/fire certificates of participation and the scheduled principal pay down of issued bonds by both governmental activities (\$3,640,000) and business type activities (\$1,835,000). Capital lease obligations increased from \$0 in fiscal 2012 to \$903,841 in fiscal 2013 due to the purchase of a fire truck and sewer truck. Please refer to Note 6.
- Long-term liability and workers compensation insurance claim reserves decreased by \$788,465. Settlement of liability claims resulted in a reserve decrease of \$1,217,295, offset by an increase in workers compensation reserves of \$428,830.

Fund Financial Basis – Governmental Funds

- As of June 30, 2013, the General Fund balance was \$19,588,760. Fund revenues exceeded expenditures by \$2,769,401.
- Total Governmental Fund revenue totaled \$61,583,445, an increase of \$2,147,862 (3.6%) from the prior year. An improving economic climate contributed to higher tax revenue.
- Governmental Fund expenditures totaled \$59,490,350, up \$1,980,803 (3.4%) from FY 2011-2012. This rise was driven by increased operational expenditures in General and Special Revenue Funds and redemption (\$1,445,000) of South Bay Regional Public Communications Authority bonds.

- General Fund transfers-out totaled \$3,241,817. This included transfers to the Capital Improvement Project (CIP) Fund of \$3 million and the Street Lighting Fund of \$241,817. General Fund transfers-in equaled \$200,583 from the County Parking Fund.

USING THIS ANNUAL REPORT

Overview of the Financial Statements

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

Reporting on the City as a Whole

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

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

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

The government wide statement of activities has two components:

Governmental Activities

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

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

Business Type Activities

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

The government-wide financial statements can be found on pages 21 to 23 of this report.

Reporting on the City’s Most Significant Funds

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 25 to 29 of this report.

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

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

The combining statements referred to earlier in connection with non-major governmental funds, proprietary and internal service funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 81 to 109 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39 to 79 of this report.

The City as Trustee

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net position (assets plus deferred outflows minus deferred inflows and liabilities) may serve over time as a useful indicator of a government's financial position. In the case of the City of Manhattan Beach, net position totaled \$196,362,490 at June 30, 2013.

By far, the largest portion of the City's net position (68%) reflects its net investment in capital assets (e.g., land, infrastructure, buildings and equipment) net of related debt and reflects the extent to which the City uses its internally generated funds to support capital infrastructure. The City uses these capital assets in the provision of services to citizens.

City of Manhattan Beach Net Position

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current Assets	\$56,480,103	\$53,966,277	\$24,678,591	\$20,582,766	\$81,158,694	\$74,549,043
Total Capital Assets Net of Depreciation	117,471,890	115,645,611	47,054,148	42,658,829	164,526,038	158,304,440
Other Non-Current Assets	4,801,033	6,686,935	389,946	1,923,535	5,190,979	8,610,470
Total Assets	\$178,753,026	\$176,298,823	\$72,122,685	\$65,165,130	\$250,875,711	\$241,463,953
Deferred Outflow of Resources	\$595,473	-	-	-	\$595,473	-
Current Liabilities	\$14,866,917	\$15,216,304	\$3,276,251	\$3,245,447	\$18,143,168	\$18,461,751
Non-Current Liabilities	24,296,617	26,877,947	12,668,909	13,949,603	36,965,526	40,827,550
Total Liabilities	\$39,163,534	\$42,094,251	\$15,945,160	\$17,195,050	\$55,108,694	\$59,289,301
Invested in Capital Assets Net of Related Debt	\$98,930,447	\$93,795,301	\$33,902,701	\$28,293,829	\$132,833,148	\$122,089,130
Restricted	10,196,356	11,185,142	520,514	1,734,053	10,716,870	12,919,195
Unrestricted	31,058,162	29,224,129	21,754,310	17,942,198	52,812,472	47,166,327
Total Net Assets	\$140,184,965	\$134,204,572	\$56,177,525	\$47,970,080	\$196,362,490	\$182,174,652

For comparison purposes to the prior year, note the Governmental Activities restatement of net position in FY 2011-12 to reflect a change in the accounting treatment of previously pre-funded pension liabilities.

Net position of the City's *Governmental* activities amounted to \$140.2 million, an increase from the prior year of \$5,980,393. Of the \$140.2 million, \$98.9 million is net investment in capital assets such as land, buildings, machinery, infrastructure, equipment and other improvements; \$10.2 million is restricted for debt service or for Special Revenue Fund resources that are subject to external restrictions on use. The balance of unrestricted net position (\$31.1 million) is available to the City. A subset of this amount equal to \$25.1 million is reflected by the total of General Fund unassigned balance and the Capital Improvement Fund committed balance. A significant portion of this remaining balance is subject to internal policy reserves regarding working capital.

Net position of the City's *Business-type* activities totaled \$56.2 million. This represents an increase from FY 2011-2012 of \$8.2 million. \$33.9 million is net investment in capital assets (land, buildings, machinery, equipment, etc.), while \$520,514 is reserved for business improvement district use. \$21.8 million represents available working capital.

The City's total change in net position amounts to an increase of \$14,187,838. This change is primarily due to utility (water, wastewater and refuse services) net income as well as revenues exceeding expenditures in the General Fund. The following is the condensed Statement of Activities and Change in Net Position for the fiscal years ending June 30, 2013 and June 30, 2012:

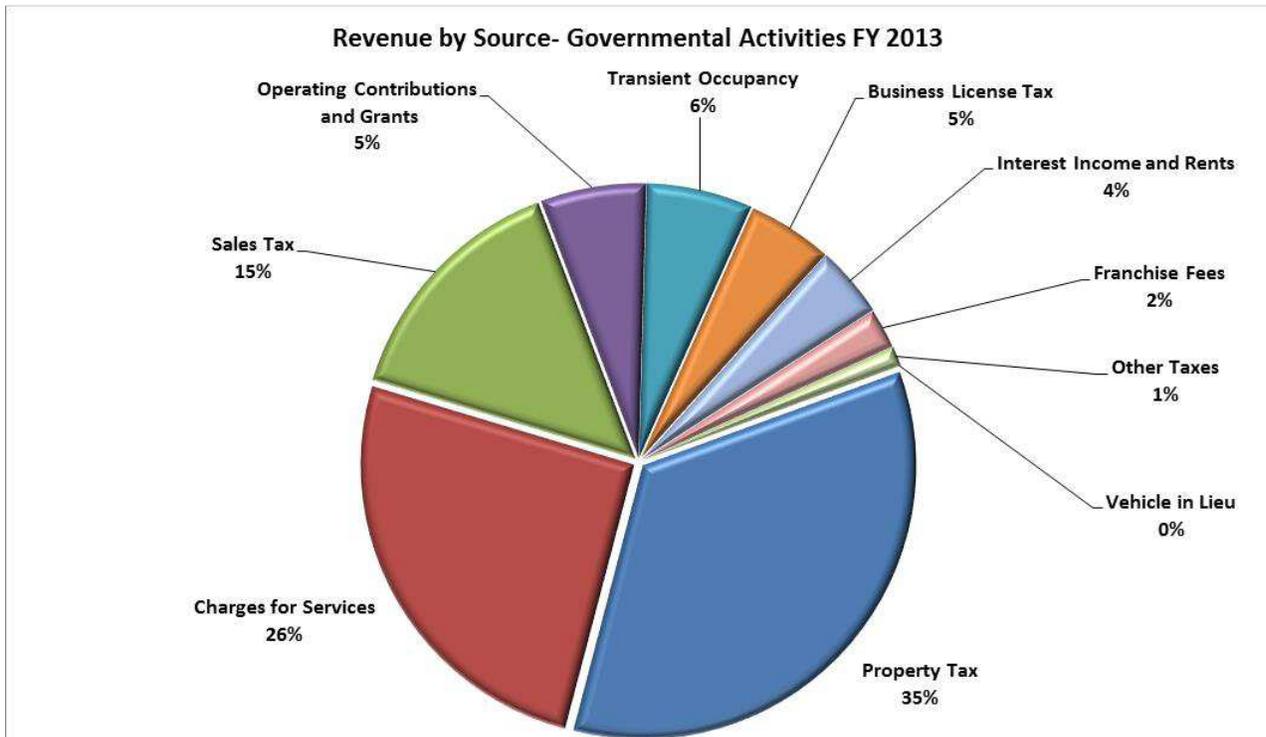
City of Manhattan Beach Changes in Net position

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program Revenues:						
Charges for Services	\$15,970,540	\$15,946,883	\$26,600,680	\$23,779,406	\$42,571,220	\$39,726,289
Operating Contributions and Grants	1,847,316	1,183,103	69,937	33,209	1,917,253	1,216,312
Capital Contributions and Grants	2,032,724	2,554,310	500,000	-	2,532,724	2,554,310
General Revenues:						
Property Taxes	21,626,173	20,408,314	-	-	21,626,173	20,408,314
Other Taxes	18,319,187	17,055,448	-	-	18,319,187	17,055,448
Motor Vehicle in Lieu	18,887	95,915	-	-	18,887	95,915
Interest and Rents	2,633,125	2,690,982	56,266	144,701	2,689,391	2,835,683
Gain on Sale of Capital Assets	-	-	19,521	-	19,521	-
Total Revenues	\$62,447,952	\$59,934,955	\$27,246,404	\$23,957,316	\$89,694,356	\$83,892,271
Expenses:						
General Government	\$8,659,381	\$9,489,937	-	-	\$8,659,381	\$9,489,937
Public Safety	33,374,733	32,190,597	-	-	33,374,733	32,190,597
Public Works	8,044,071	8,369,506	-	-	8,044,071	8,369,506
Culture & Recreation	5,798,599	5,761,135	-	-	5,798,599	5,761,135
Interest on Long-Term Debt	791,358	820,494	-	-	791,358	820,494
Water, Waste, Storm	-	-	11,285,510	11,016,162	11,285,510	11,016,162
Refuse	-	-	4,167,310	4,205,443	4,167,310	4,205,443
Parking	-	-	3,385,556	2,888,269	3,385,556	2,888,269
Total Expenses	\$56,668,142	\$56,631,669	\$18,838,376	\$18,109,874	\$75,506,518	\$74,741,543
Revenues Over Expenses	5,779,810	3,303,286	8,408,028	5,847,442	14,187,838	9,150,728
Transfers In (Out)	200,583	99,884	(200,583)	(99,884)	-	-
Increase (Decrease) in Net Position	\$5,980,393	\$3,403,170	\$8,207,445	\$5,747,558	\$14,187,838	\$9,150,728
Net Position - Beginning	\$134,204,572	\$134,788,251	\$47,970,080	\$42,222,522	\$182,174,652	\$177,010,773
Restatement of Net Position	-	(\$3,986,849)	-	-	-	(3,986,849)
Net Position - June 30 (Year End)	\$140,184,965	\$134,204,572	\$56,177,525	\$47,970,080	\$196,362,490	\$182,174,652

Changes in Net position - Governmental Activities

The City's governmental activities in FY 2012-2013 increased net position by \$5,980,393 (4.5%) from FY 2011-2012.

Total governmental activities revenue of \$62,447,952 is broken out as follows:



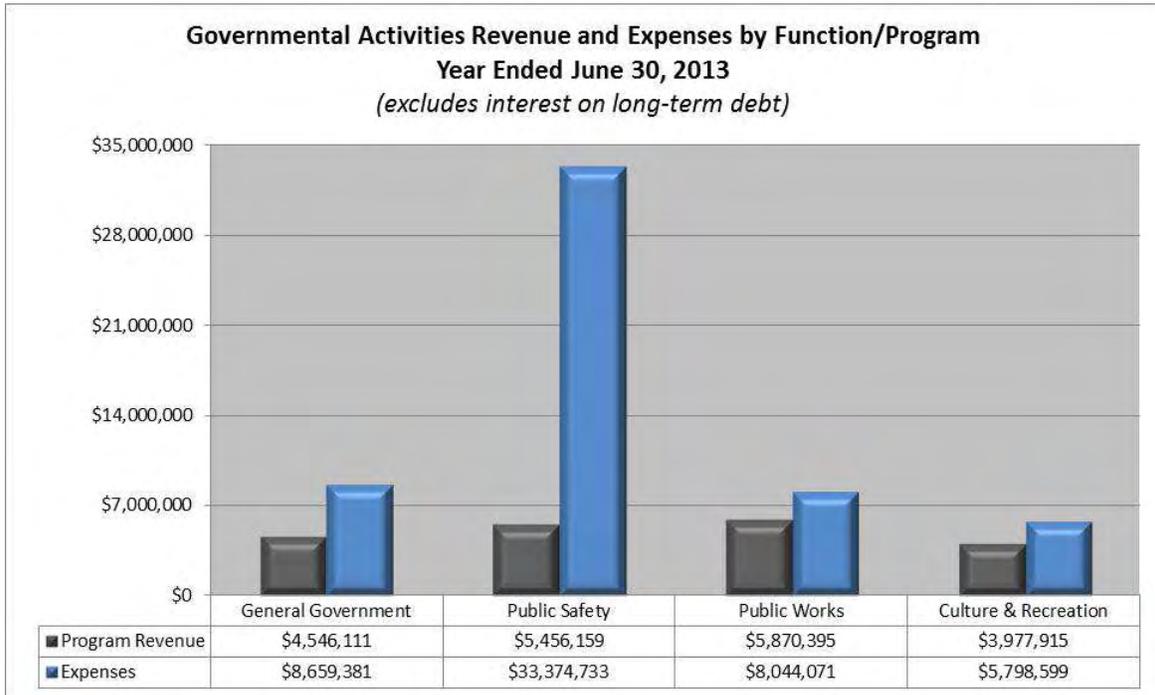
Functional expenses (excluding interest on debt) for the years ending June 30, 2013 and 2012 were as follows:

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
General Government	8,659,381	9,489,937	(4,113,270)	(5,252,583)
Public Safety	33,374,733	32,190,597	(27,918,574)	(26,884,488)
Public Works	8,044,071	8,369,506	(2,173,676)	(1,647,322)
Culture and Recreation	5,798,599	5,761,135	(1,820,684)	(2,342,486)
Total	\$55,876,784	\$55,811,175	(\$36,026,204)	(\$36,126,879)

Excludes interest on long-term debt.

The total cost of services increased from the prior year by \$65,609 (0.1%), while the net cost of services decreased by \$100,675 (0.3%) from the prior year. Total cost of services for Public Safety increased by \$1,184,136, Culture and Recreation increased \$37,464. General Government decreased by \$830,556 while Public Works decreased by \$325,435.

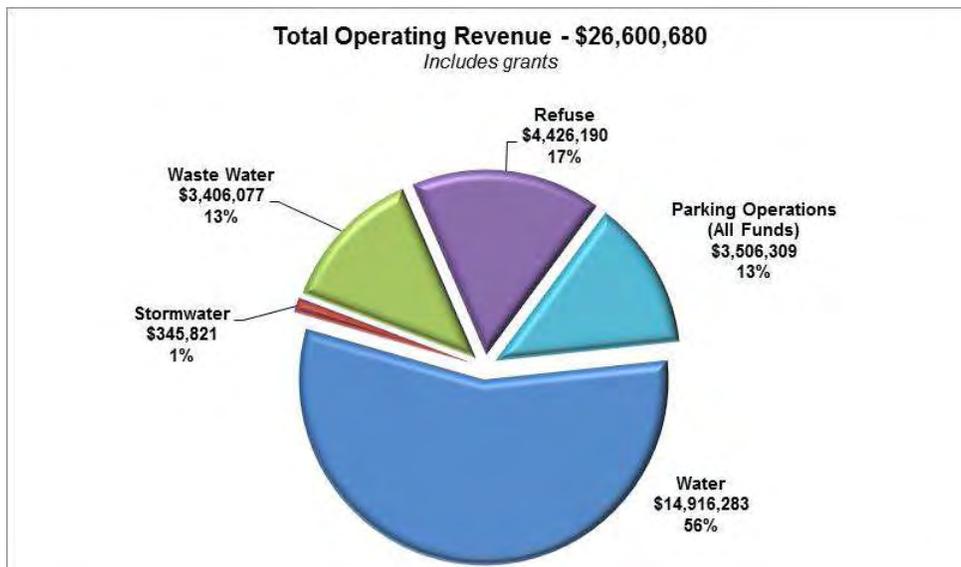
The following chart illustrates governmental revenues and expenses by function for the year ended June 30, 2013.



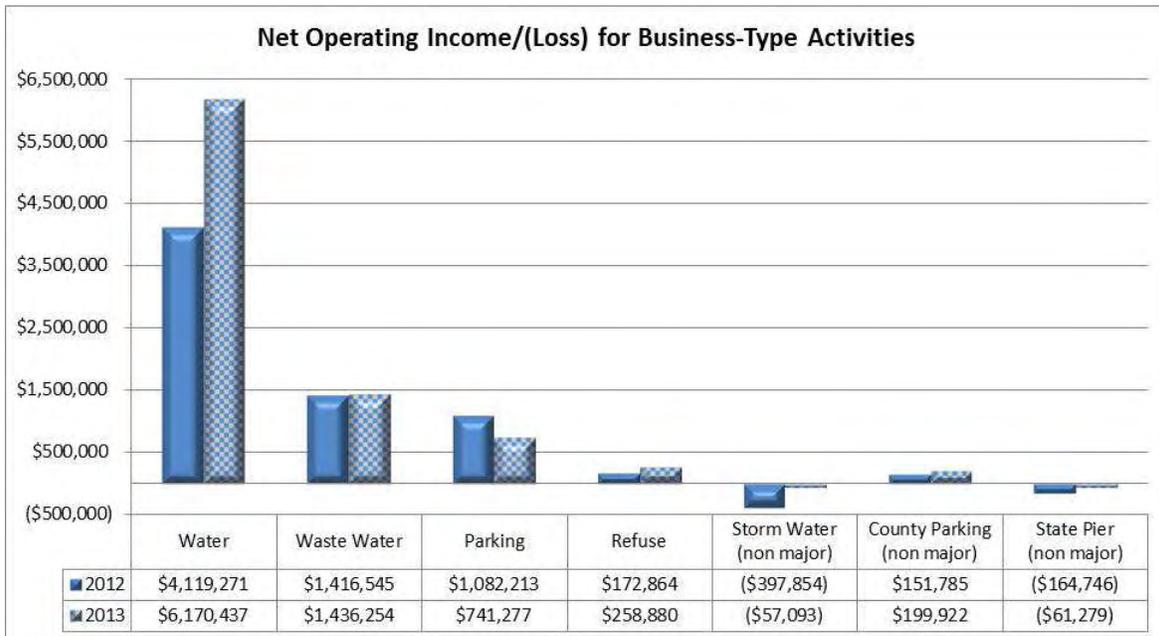
Change in Net Position - Business Type Activities

In fiscal year 2012-2013, total revenues for the City’s business type activities amounted to \$27,246,404. Program revenues totaled \$27,170,617, while general revenues totaled \$75,787. Expenses totaled \$18,838,376 of which operating expenses equaled \$17,912,282, and non-operating expenses (primarily debt interest expense and costs associated with bond refunding activities) totaled \$926,094. Total income from operations was \$8,688,398, while net income before transfers was \$8,408,028. After net transfers-out totaling \$200,583, net position increased by \$ 8,207,445.

Operating Revenues by Source - Business Type Activities FY 2013



Operating Income varied across the business-type activities in FY 2013. A year-over-year comparison is presented below. Further analysis of the major funds is discussed later in this report.



FUND FINANCIAL STATEMENTS

Governmental Funds

As of the end of the 2013 fiscal year, the City's governmental funds ending fund balances totaled \$37.9 million, an increase of \$2.5 million (6.9%) in comparison with the prior year.

Approximately \$18.0 million (47%) of the Governmental Funds total constitutes unassigned fund balance. The remainder of the fund balance (\$19.9 million) is non-spendable, restricted or committed to indicate that it is not available for new spending because it has already been committed for on-going capital projects, advanced to other funds, for legally restricted use, or for legally-required debt service reserves.

Notwithstanding Governmental Accounting Standards Board (GASB) pronouncements, the City Council has established earmarks within the unassigned category for working capital and budgetary capital planning initiatives. Of the \$18.0 million unassigned governmental fund balance noted above, \$14.6 million has been designated by City Council policy.

General Fund

The General Fund is the chief operating fund of the City of Manhattan Beach. At the end of the 2012-2013 fiscal year, unassigned fund balance of the General Fund was \$18.0 million, while total fund balance was \$19.6 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 2.7 months of total General Fund expenditures, while total fund balance represents 3.0 months of General Fund expenditures.

During the year, General Fund revenues exceeded expenditures by \$2,769,401.

Net transfer activity in this fund totaled negative \$3,041,234 and included the following transfers:

- \$3,000,000 was transferred to the CIP Fund for general infrastructure improvements
- \$241,817 was transferred to the Street Lighting Fund to relieve a deficit fund balance
- \$200,583 of excess reserves from the County Lot Fund was transferred to the General Fund in line with the contract with the County of Los Angeles

Please see Note 4 for more information.

Capital Improvement Fund

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

At the end of fiscal year 2013, total fund balance of the Capital Improvement Fund was \$8,645,220. Of the total fund balance, \$514,252 includes non-spendable funds in the form of advances to other funds and loans to outside parties for the City's Underground Loan Program, and \$8,122,690 committed to capital projects (please see Note 7 to these financial statements).

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

- \$2,240,000 for Downtown Streetscape improvements
- \$1,864,818 for the Strand Stairs project
- \$1,196,941 for Safe Routes to School program grants
- \$736,667 for Marine Avenue Park Synthetic Grass Field

During Fiscal Year 2012-2013, the Capital Improvement Project Fund balance increased by \$2,780,213 (47.4%) due to a General Fund transfer of \$3 million.

Revenues to the Capital Improvement Fund totaled \$2,358,010. Certain dedicated revenues described below amounted to \$1,374,023 in FY 2012-2013. These revenues are earmarked for funding general government capital improvement projects in the effort to maintain and enhance City infrastructure. A breakdown of these follows:

Hotel Tax: 15% of the Transient Occupancy Tax has been dedicated to funding CIP's. This has resulted in the generation of \$568,424 in revenue for the year. This is \$96,913 (20.6%) above prior year levels. The increase was due to improved travel and tourism as well as completion of a remodeling project at the Marriott which has boosted revenues from the prior years.

Parking Meter Rates: A twenty-five cent per hour increment of on-street parking meter rates, dedicated to capital improvements, generated revenue of \$683,571 this fiscal year. This was down \$6,806 or 1.0% from the prior year levels.

Parking Citation Rates: Four dollars of most parking citations is dedicated to the CIP fund. For FY 2012-2013, revenue of \$122,028 was realized; an increase of \$6,060 (5.2%) from the prior year.

This fund realized \$983,987 in permits, interest, franchise and other revenue, which included a private party contribution of \$845,000 for the construction of a new synthetic athletic field.

Capital Improvement Fund expenditures equaled \$2,737,019 which included:

- \$1,656,376 for debt service
- \$494,518 to renovate City facilities
- \$381,409 to install a synthetic turf field at Marine Avenue Park
- \$132,274 for fencing at Marine Avenue and Sand Dune parts

During FY 2012-2013, the City refunded outstanding certificates of participation (COPs) for the Police/Fire facility. The transaction involved advance refunding of existing COPs by issuing new COPs, the proceeds of which were deposited with a trustee until the call date of January 2014 of the original COPs. This transaction (described in Note 6) resulted in Other Financing Sources of \$11.0 million and Other Financing Uses of \$10.9 million.

Other Governmental Funds

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

The Street Lighting Fund continues to run deficits each year. For FY 2012-2013, expenditures exceeded revenues by \$241,817. Because there is no fund balance to draw upon, the General Fund contributed \$241,817 to make up for the deficit in the Street Lighting Fund. These contributions will be necessary until a Proposition 218 assessment vote is successful in raising the assessment rates and revenues.

Proprietary Funds

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

Enterprise Funds

At year-end, total net position of all enterprise funds amounted to \$56,177,525. \$21.8 million of the total is unrestricted. The remaining balance is net investment in capital assets (\$33.9 million) and restricted for business improvement district funds (\$0.5 million).

Overall, enterprise funds combined net income was \$8,408,028 before transfers. Net position increased for all enterprise funds by \$8,207,445. This includes an operating transfer-out of \$200,583 from the County Parking Lots enterprise fund to the General Fund.

Several enterprise funds are worth noting this year:

- The Water Fund continues to build the resources for planned capital improvements needed to sustain the utility's operation and infrastructure. Net income from operations totaled \$6,170,437, an improvement from the prior year which had net operating income of \$4,119,271. Revenue from sales increased by 19.4%, while operating expenses (labor, materials, services, etc.) rose

by 4.5%. During FY 2010, the City Council approved increased water and waste water rates to support system infrastructure needs as well as to bolster the fiscal integrity of those funds. The new rate structure became effective in January 2010 and provides for annual increases each January through 2014. The most recent increase in water rates, which became effective half way through fiscal year, contributed to the results which will be used to fund planned capital improvements to the utility's infrastructure, estimated at \$33.1 million over the next five years.

- The Waste Water fund net operating income for FY 2012-2013 was \$1,436,254 versus \$1,416,545 in FY 2011-2012 – a net increase of \$19,709, or 1.4%. Revenue from sales increased \$322,746 (10.5%) while operating expenses increased \$300,695 (18.0%). This improvement is primarily due to new waste water rates implemented along with the water rates in January 2013. Similar to the water utility, the new rates are being utilized to fund needed capital improvements to the waste water system.
- Refuse Fund net income from operations totaled \$258,880 in FY 2012-2013, an increase of \$86,016 from the prior year. Operating expenses decreased by \$23,565 (0.6%) while operating revenues rose by \$62,451 (1.4%). The implementation of a new refuse hauling contract in late fiscal year 2011 along with a new rate structure contributed to the results. In FY 2013-2014, the City voluntarily commenced issuing refunds for a limited amount of past street sweeping charges collected on the utility bill. Those refunds will affect FY 2013-2014 fund balance.
- The Stormwater Fund net operating (loss) in FY 2012-2013 totaled \$57,093, an improvement from the FY 2011-2012 net loss of \$397,854. The fund received a grant for \$500,000 in FY 2012-2013 for a capital project low flow infiltration below the City's greenbelt parkland. Without the grant, the fund would have sustained a negative change in net position of \$54,915. The combination of fixed assessments and rising costs currently requires a General Fund subsidy of administrative overhead, and ultimately will require cash subsidies. Additionally, capital improvements due to legislative mandates will also result in increased costs. A Proposition 218 assessment vote will be necessary to properly fund operations going forward.

Internal Service Funds

Unrestricted net position of the internal service funds at the end of the year amounted to \$4.2 million with net position total of \$7.7 million. Total net position increased by \$1,091,712 (16.6%).

Net position in the Insurance Fund increased by 28.6% or \$219,147 to \$986,580. FY 2012-2013 workers compensation and liability claims expense totaled \$3.77 million, compared to \$4.96 million in FY 2011-2012, \$3.59 million in FY 2010-11, \$1.69 million in FY 2009-10, \$2.98 million in FY 2008-09, and \$3.5 million in FY 2007-08. The unpredictable nature of workers compensation and liability causes these fluctuations in claims expense from year to year. The City continually looks for ways to proactively manage risk and reduce these costs.

Net position in the Fleet Fund increased by \$975,101 to \$6.2 million, reflecting departmental charge-outs (revenues to the fund) for vehicles in advance of purchase. Capital purchases totaled \$2.8 million in FY 2012-2013 versus \$339,152 in FY 2011-2012, as the City continued to catch-up on overdue vehicle purchases suspended during difficult economic conditions in previous years.

General Fund Budgetary Highlights

Estimated Revenues

Total revenues totaled \$56,162,831 and outperformed the final budget by \$2,783,402. Tax revenues exceeded budget by \$2,769,205. Charges for Services underperformed budget by \$80,829, while Licenses and Permits came in \$6,425 over budget. Miscellaneous revenue came in \$608,140 ahead of budget primarily due to greater than anticipated reimbursements from the Insurance Fund for workers

compensation salary continuation (the Insurance Fund reimburses the General Fund for salaries paid to qualified injured workers while disabled). Fines and Forfeitures underperformed the final budget by \$473,663 mainly due to parking citation revenue.

Appropriations

The final amended budget reflects a net increase of \$1,845,156 over the adopted appropriations.

Significant budget adjustments included:

- \$1,339,533 to pay off the South Bay Regional Public Communications Authority debt
- \$229,234 for open purchase orders from the prior year
- \$170,452 in Homeland Security Grants (Police and Fire)

Capital Asset and Debt Administration

Capital Assets: Government wide, the City's investment in capital assets (net of accumulated depreciation) as of June 30, 2013 is \$164,526,038. This is an increase from the prior year of \$6,221,598 or 3.9%. This investment in capital assets includes land, buildings, park improvements, roadways, sewer, storm drains, vehicles, computer equipment, furniture and other equipment.

City of Manhattan Beach Capital Assets (Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$34,072,066	\$34,072,066	\$1,757,434	\$1,757,434	\$35,829,500	\$35,829,500
Buildings	35,602,493	36,471,519	15,638,089	15,613,175	51,240,582	52,084,694
Machinery & Equipment	1,183,125	1,289,830	489,922	541,902	1,673,047	1,831,732
Vehicles	4,342,773	2,059,164	-	-	4,342,773	2,059,164
Infrastructure	37,780,741	34,420,515	22,358,052	23,028,930	60,138,793	57,449,445
Invested in Joint Venture (RCC)	1,838,931	1,943,302	-	-	1,838,931	1,943,302
Work in Progress	2,651,761	5,389,215	6,810,651	1,717,388	9,462,412	7,106,603
Total	\$117,471,890	\$115,645,611	\$47,054,148	\$42,658,829	\$164,526,038	\$158,304,440

Governmental

During Fiscal Year 2012-2013, governmental capital expenditures included:

- \$1,080,643 for the renovation and improvement of City facilities
- \$684,713 for curb and gutter replacement projects
- \$365,277 for the street slurry seal program
- \$397,819 for the Sepulveda bridge project

Business Type

During the fiscal year, Business Type capitalized expenditures totaled \$5,386,423. Major items were: \$3,202,185 in water system improvements; \$1,313,894 in wastewater improvements; \$660,134 in Storm Water system projects; and \$210,210 in new parking meter technology. These increases were offset by depreciation of \$991,104, resulting in a net increase in assets of \$4,395,319.

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

Long-Term Liabilities: Total long-term liabilities citywide (excluding unamortized bond premiums) equal \$44,698,411, a decrease of \$5,167,186 from fiscal 2011-2012. Governmental liabilities decreased by \$3,335,695 (9.4%) while business type liabilities decreased by \$1,831,491 (12.7%). The following table is a condensation of footnote 6.

City of Manhattan Beach Outstanding Liabilities

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Marine Avenue COPs	\$7,235,000	\$7,480,000	-	-	\$7,235,000	\$7,480,000
Capital Equipment Lease	903,841	-	-	-	903,841	-
Police & Fire Facility COPs	-	11,450,000	-	-	-	11,450,000
Police & Fire Facility Refunding COPs	10,510,000	-	-	-	10,510,000	-
Accrued Employee Leave & Benefits	2,675,484	2,486,555	63,256	\$59,747	2,738,740	2,546,302
Supplemental Leave	4,607	4,607	-	-	4,607	4,607
Water and Wastewater COPs	-	-	-	3,240,000	-	3,240,000
Water and Wastewater Refunding COPs	-	-	2,680,000	-	2,680,000	-
Metlox Parking COPs	-	-	-	11,125,000	-	11,125,000
Metlox Parking Refunding COPs	-	-	9,850,000	-	9,850,000	-
Pension Obligation Bonds	1,860,000	-	-	-	1,860,000	-
So Bay Communications (RCC)	-	1,445,000	-	-	-	1,445,000
Insurance Claim Reserves	8,916,223	9,704,688	-	-	8,916,223	9,704,688
Total Long Term Liabilities	\$32,105,155	\$32,570,850	\$12,593,256	\$14,424,747	\$44,698,411	\$46,995,597
Current portion of Long Term (due within one year)	8,296,203	8,695,673	545,794	475,144	8,841,997	9,170,817
Long Term Liabilities - Non Current	\$23,808,952	\$23,875,177	\$12,047,462	\$13,949,603	\$35,856,414	\$37,824,780

Governmental

Principal obligations for existing long-term bonded debt were reduced in accordance with existing debt service schedules as well as by the defeasance of bonds issued for the construction of the Police/Fire facility, and for the South Bay Regional Public Communications Authority. The total decrease in debt was \$3,640,000.

Business Type

Business type principal obligations for existing long-term bonded debt were reduced in accordance with existing debt service schedules as well as by the defeasance of bonds issued for the construction of the Metlox, and Water and Wastewater system improvements. The total decrease in debt was \$1,835,000.

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 3.75% of its total assessed valuation. The current debt limitation for the City of Manhattan Beach (fiscal year 2012-2013) is \$476,749,866.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council adopted the FY 2013-14 General Fund operating budget in June 2013. The original budget estimates General Fund revenues at \$57,528,730 and expenditures of \$58,938,080, resulting in a use of fund balance of \$1,409,350. The imbalance is due to the planned use of accumulated funds (\$1,409,350) to support a recently adopted technology plan.

The City's major General Fund revenue sources continue to improve after the lasting effects of the recession. Property tax, the single biggest General Fund revenue source, which dramatically slowed with the housing market, is expected to increase in FY 2013-2014 by 2-3% over FY 2012-2013 actual receipts. Sales tax is also projected to increase 2% from FY 2012-2013 as the economy and retail sales environment continue to recover. Building-related activity is expected to generate additional building permit and plan check revenues.

As a service organization, labor accounts for most of our costs - approximately 65% in the General Fund. New labor agreements with three bargaining units (Police Officers, Fire and Miscellaneous) were approved in FY 2012-2013. A new Police Management unit was formed in FY 2012-2013, with a new labor agreement in place in FY 2013-2014. Each agreement provides predictability in labor costs through December 2015.

The City continues its focus on capital improvements. \$99.07 million (including carryover projects) is planned over the next five years for utility, street and facility projects. \$48.9 million of that amount is for water, wastewater, and stormwater projects. An additional \$36.5 million has been budgeted for street and roadway needs, and \$13.7 for general facilities (including parking facilities). These projects will ensure continued functionality of vital systems, traffic flow and community facilities.

Requests for Information

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



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Government-Wide Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
Assets:			
Cash and investments	\$ 50,777,211	\$ 23,361,063	\$ 74,138,274
Receivables:			
Accounts	1,037,098	1,574,832	2,611,930
Taxes	3,059,783	-	3,059,783
Accrued interest	221,918	-	221,918
Internal balances	469,200	(469,200)	-
Prepaid costs	33,489	-	33,489
Due from other governments	771,521	-	771,521
Inventories	109,883	211,896	321,779
Total Current Assets	56,480,103	24,678,591	81,158,694
Restricted assets:			
Cash with fiscal agent	1,706,922	220,956	1,927,878
Notes and loans receivable	477,052	-	477,052
Prepaid other post-employment benefits	2,617,059	168,990	2,786,049
Capital assets not being depreciated	36,723,827	8,568,085	45,291,912
Capital assets, net of depreciation	80,748,063	38,486,063	119,234,126
Total Noncurrent Assets	122,272,923	47,444,094	169,717,017
Total Assets	178,753,026	72,122,685	250,875,711
Deferred Outflow of Resources:			
Deferred charges on refunding	595,473	-	595,473
Total Deferred Outflow of Resources	595,473	-	595,473
Liabilities:			
Accounts payable	2,952,069	2,337,256	5,289,325
Accrued liabilities	1,865,951	65,795	1,931,746
Accrued Interest	177,326	220,956	398,282
Unearned revenues	730,138	-	730,138
Deposits payable	845,230	106,450	951,680
Long-term liabilities due within one year:			
Leases payable	184,499	-	184,499
Bonds payable	1,830,000	530,000	2,360,000
Accrued workers comp/liability claims and judgments	5,727,204	-	5,727,204
Accrued employee benefits	554,500	15,794	570,294
Total Current Liabilities	14,866,917	3,276,251	18,143,168
Noncurrent liabilities:			
Long term liabilities due in more than one year			
Leases payable	719,342	-	719,342
Bonds payable	18,262,665	12,621,447	30,884,112
Accrued workers comp/liability claims and judgments	3,189,019	-	3,189,019
Accrued employee benefits	2,125,591	47,462	2,173,053
Total Non Current Liabilities	24,296,617	12,668,909	36,965,526
Total Liabilities	39,163,534	15,945,160	55,108,694
Net Position:			
Net investment in capital assets	98,930,447	33,902,701	132,833,148
Restricted for:			
Public safety	1,073,788	-	1,073,788
Parks and recreation	179,663	-	179,663
Public works	7,812,471	-	7,812,471
Debt service	1,130,434	-	1,130,434
Business improvement districts	-	520,514	520,514
Unrestricted	31,058,162	21,754,310	52,812,472
Total Net Position	\$ 140,184,965	\$ 56,177,525	\$ 196,362,490

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Primary Government				
Governmental Activities:				
General government	\$ 8,659,381	\$ 4,535,499	\$ 10,612	\$ -
Public safety	33,374,733	5,172,443	283,716	-
Culture and recreation	5,798,599	2,470,359	1,507,556	-
Public works	8,044,071	3,792,239	45,432	2,032,724
Interest on long-term debt	791,358	-	-	-
Total Governmental Activities	56,668,142	15,970,540	1,847,316	2,032,724
Business-Type Activities:				
Water	8,857,744	14,916,283	-	-
Stormwater	402,914	345,821	-	500,000
Wastewater	2,024,852	3,406,077	-	-
Refuse	4,167,310	4,426,190	11,647	-
Parking	2,323,238	2,305,348	58,290	-
County parking lot	471,954	671,876	-	-
State pier and parking lot	590,364	529,085	-	-
Total Business type Activity	18,838,376	26,600,680	69,937	500,000
Total Primary Government	\$ 75,506,518	\$ 42,571,220	\$ 1,917,253	\$ 2,532,724

General Revenues:

Taxes:

- Property taxes, levied for general purposes
- Transient occupancy taxes
- Sales taxes
- Franchise taxes
- Business licenses taxes
- Other taxes

Intergovernmental, unrestricted:

- Motor vehicle in lieu
- Homeowner property tax
- Investment earnings and rent
- Gain on sale of capital assets

Transfers

Total General Revenues & Transfers

Change in net position

Net Position at Beginning of Year

Net Position at End of Year

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (4,113,270)	\$ -	\$ (4,113,270)
(27,918,574)	-	(27,918,574)
(1,820,684)	-	(1,820,684)
(2,173,676)	-	(2,173,676)
(791,358)	-	(791,358)
(36,817,562)	-	(36,817,562)
-	6,058,539	6,058,539
-	442,907	442,907
-	1,381,225	1,381,225
-	270,527	270,527
-	40,400	40,400
-	199,922	199,922
-	(61,279)	(61,279)
-	8,332,241	8,332,241
(36,817,562)	8,332,241	(28,485,321)
21,626,173	-	21,626,173
3,881,174	-	3,881,174
9,103,160	-	9,103,160
1,471,197	-	1,471,197
3,124,644	-	3,124,644
587,399	-	587,399
18,887	-	18,887
151,613	-	151,613
2,633,125	56,266	2,689,391
-	19,521	19,521
200,583	(200,583)	-
42,797,955	(124,796)	42,673,159
5,980,393	8,207,445	14,187,838
134,204,572	47,970,080	182,174,652
\$ 140,184,965	\$ 56,177,525	\$ 196,362,490



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Fund Financial Statements

CITY OF MANHATTAN BEACH

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General	Capital Projects Funds Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Pooled cash and investments	\$ 19,491,970	\$ 8,501,698	\$ 9,404,557	\$ 37,398,225
Receivables:				
Accounts	915,965	-	111,134	1,027,099
Taxes	3,005,196	54,587	-	3,059,783
Notes and loans	432,000	45,052	-	477,052
Accrued interest	221,918	-	-	221,918
Prepaid costs	42,514	-	-	42,514
Due from other funds	22,488	-	-	22,488
Due from other governments	247,328	99,809	414,384	761,521
Advances to other funds	-	469,200	-	469,200
Restricted assets:				
Cash and investments with fiscal agents	1,177,037	139,000	390,885	1,706,922
Total Assets	\$ 25,556,416	\$ 9,309,346	\$ 10,320,960	\$ 45,186,722
Liabilities, Deferred Inflows of Resources and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,562,741	\$ 433,595	\$ 530,139	\$ 2,526,475
Accrued liabilities	1,813,951	-	-	1,813,951
Unearned revenues	730,138	-	-	730,138
Deposits payable	843,489	-	1,741	845,230
Due to other funds	-	-	22,488	22,488
Interest payable	46,603	130,723	-	177,326
Total Liabilities	4,996,922	564,318	554,368	6,115,608
Deferred Inflow of Resources:				
Unavailable revenues	970,734	99,808	136,566	1,207,108
Total Deferred Inflow of Resources	970,734	99,808	136,566	1,207,108
Fund Balances:				
Nonspendable:				
Prepaid costs	42,514	-	-	42,514
Notes and loans	432,000	45,052	-	477,052
Advanced to other funds	-	469,200	-	469,200
Restricted for:				
Public safety	-	-	1,073,789	1,073,789
Culture and recreation	-	-	179,663	179,663
Public works	-	-	4,826,828	4,826,828
Capital projects	-	-	3,572,234	3,572,234
Debt service	1,130,434	8,278	-	1,138,712
Committed to:				
Capital projects	-	8,122,690	-	8,122,690
Unassigned	17,983,812	-	(22,488)	17,961,324
Total Fund Balances	19,588,760	8,645,220	9,630,026	37,864,006
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 25,556,416	\$ 9,309,346	\$ 10,320,960	\$ 45,186,722

CITY OF MANHATTAN BEACH

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Fund balances of governmental funds		\$ 37,864,006
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.		113,129,117
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
COPS payable	\$ (17,745,000)	
Pension obligation bonds payable	(1,860,000)	
Supplemental leave allowance	(4,607)	
Compensated absences	(2,675,484)	
Unamortized bonds premium	<u>(487,666)</u>	(22,772,757)
Revenues reported as unavailable revenue in the governmental funds and recognized in the Statement of Activities.		1,207,108
For bond refundings, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred charges on refunding in the statement of net position.		595,473
Governmental funds report all other post-retirement benefit obligation as expenditure, however, in the statement of net position, excess contributions over the annual required contribution (ARC) are reported prepaid other post-employment benefit obligation.		2,507,022
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>7,654,996</u>
Net position of governmental activities		<u><u>\$ 140,184,965</u></u>

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Project Funds Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes and assessments	\$ 39,663,273	\$ 668,425	\$ 1,941,968	\$ 42,273,666
Licenses and permits	1,499,285	14,536	-	1,513,821
Intergovernmental	395,087	-	1,204,734	1,599,821
Charges for services	8,488,659	683,571	30,206	9,202,436
Use of money and property	2,538,827	24,450	69,847	2,633,124
Fines and forfeitures	2,466,837	122,028	-	2,588,865
Miscellaneous Revenues	910,280	845,000	16,432	1,771,712
Total Revenues	55,962,248	2,358,010	3,263,187	61,583,445
Expenditures:				
Current:				
General Government	9,101,953	-	-	9,101,953
Public Safety	30,223,354	-	247,213	30,470,567
Culture and recreation	4,790,731	38,199	851,071	5,680,001
Public works	5,936,723	-	1,218,569	7,155,292
Capital outlay	198,952	1,042,444	1,243,631	2,485,027
Debt service:				
Principal retirement	2,700,000	285,000	-	2,985,000
Interest and administrative fees	241,134	399,279	-	640,413
Cost of issuance	-	150,944	-	150,944
Payment to refunded bond escrow agent	-	821,153	-	821,153
Total Expenditures	53,192,847	2,737,019	3,560,484	59,490,350
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,769,401	(379,009)	(297,297)	2,093,095
Other Financing Sources (Uses):				
Transfers in	200,583	3,000,000	569,986	3,770,569
Transfers out	(3,241,817)	-	(328,169)	(3,569,986)
Refunding bond issued	-	10,510,000	-	10,510,000
Bond Premium	-	500,846	-	500,846
Payment to bond escrow agent	-	(10,851,624)	-	(10,851,624)
Total Other Financing Sources (Uses)	(3,041,234)	3,159,222	241,817	359,805
Net Change in Fund Balance	(271,833)	2,780,213	(55,480)	2,452,900
Fund Balances, Beginning of Year	19,860,593	5,865,007	9,685,506	35,411,106
Fund Balances, End of Year	\$ 19,588,760	\$ 8,645,220	\$ 9,630,026	\$ 37,864,006

CITY OF MANHATTAN BEACH

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2013**

Net change in fund balances - total governmental funds \$ 2,452,900

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

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

Cost of assets capitalized	\$ 2,485,027	
Depreciation expense	(2,941,972)	
Loss on disposal of capital assets	<u>(385)</u>	(457,330)

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. Issuance of bond principal is another financing source and repayment is an expenditures in the governmental funds, but issuance increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net position. 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	530,000
Pension obligation bonds	1,010,000
Revenue bonds	1,445,000

Bond issued:

Police Fire Facility bonds refunding	(10,510,000)
Bond premium	(500,846)

Deceased bonds:

Police Fire Facility bonds deceased	11,165,000
Amortization of bond premium - Police Fire Facility bonds refunding	13,181
Amortization of bond discount - Pension obligation bonds	(18,445)
Amortization of deferred charges on refunding	<u>488,230</u>

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. 3,622,120
(188,930)

Certain revenues are reported as unavailable revenue in the governmental funds and recognized in the Statement of Activities. (13,131)

Governmental funds report all Other Post-Retirement Benefit Obligation as expenditure, however, in the statement of net position, excess contributions over the annual required contribution (ARC) are reported a prepaid other post-employment benefit obligation and amortized. (526,948)

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities. 1,091,712

Change in net position of governmental activities \$ 5,980,393

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 19,860,593	\$ 19,860,593	\$ 19,860,593	\$ -
Resources (Inflows):				
Taxes and assessments	36,894,068	36,894,068	39,663,273	2,769,205
Licenses and permits	1,492,860	1,492,860	1,499,285	6,425
Intergovernmental	211,000	398,138	395,087	(3,051)
Charges for services	8,549,488	8,569,488	8,488,659	(80,829)
Use of money and property	2,708,362	2,708,362	2,538,827	(169,535)
Fines and forfeitures	2,940,500	2,940,500	2,466,837	(473,663)
Miscellaneous	302,140	302,140	910,280	608,140
Transfers in	73,373	73,373	200,583	127,210
Proceeds from sale of capital asset	500	500	-	(500)
Amounts Available for Appropriation	73,032,884	73,240,022	76,023,424	2,783,402
Charges to Appropriation (Outflow):				
General government	9,493,684	9,618,972	9,101,953	517,019
Public safety	30,471,345	30,680,179	30,223,354	456,825
Culture and recreation	5,398,572	5,416,124	4,790,731	625,393
Public works	5,804,831	5,911,545	5,936,723	(25,178)
Capital outlay	-	-	198,952	(198,952)
Debt service:				
Principal retirement	1,304,998	2,699,998	2,700,000	(2)
Interest and fiscal charges	520,827	512,595	241,134	271,461
Transfers out	3,195,555	3,195,555	3,241,817	(46,262)
Total Charges to Appropriation	56,189,812	58,034,968	56,434,664	1,600,304
Budgetary Fund Balance, June 30	\$ 16,843,072	\$ 15,205,054	\$ 19,588,760	\$ 4,383,706

CITY OF MANHATTAN BEACH

STATEMENT OF FUND NET POSITION
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2013

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Wastewater</u>	<u>Refuse</u>	<u>Parking</u>
Assets:				
Current:				
Cash and investments	\$ 12,646,524	\$ 3,237,550	\$ 1,082,743	\$ 2,771,244
Receivables:				
Accounts	948,684	249,716	310,701	4,603
Prepaid costs	-	-	-	-
Inventories	211,896	-	-	-
Total Current Assets	13,807,104	3,487,266	1,393,444	2,775,847
Noncurrent:				
Prepaid other post-employment benefits	108,074	25,544	11,791	9,432
Restricted:				
Cash with fiscal agent	31,217	15,358	-	174,381
Capital assets - net of accumulated depreciation	18,593,188	6,874,808	-	17,569,828
Total Noncurrent Assets	18,732,479	6,915,710	11,791	17,753,641
Total Assets	\$ 32,539,583	\$ 10,402,976	\$ 1,405,235	\$ 20,529,488
Liabilities and Net Position:				
Liabilities:				
Current:				
Accounts payable	\$ 1,298,633	\$ 313,611	\$ 335,050	\$ 85,890
Accrued interest	31,217	15,358	-	174,381
Deposits payable	2,435	-	-	104,015
Workers' compensation claim	-	-	-	-
Accrued compensated absences	15,794	-	-	-
Accrued claims and judgments	-	-	-	-
Bonds payable	107,240	52,760	-	370,000
Lease payable	-	-	-	-
Total Current Liabilities	1,455,319	381,729	335,050	734,286
Noncurrent:				
Advances due to other funds	-	-	-	469,200
Workers' compensation claims	-	-	-	-
Accrued compensated absences	47,462	-	-	-
Accrued claims and judgments	-	-	-	-
Bonds payable	1,810,139	890,556	-	9,920,752
Lease payable	-	-	-	-
Total Noncurrent Liabilities	1,857,601	890,556	-	10,389,952
Total Liabilities	3,312,920	1,272,285	335,050	11,124,238
Net Position:				
Net investment in capital assets	16,675,809	5,931,492	-	7,279,076
Restricted for business improvement district	-	-	-	520,514
Unrestricted	12,550,854	3,199,199	1,070,185	1,605,660
Total Net Position	29,226,663	9,130,691	1,070,185	9,405,250
Total Liabilities and Net Position	\$ 32,539,583	\$ 10,402,976	\$ 1,405,235	\$ 20,529,488

CITY OF MANHATTAN BEACH

STATEMENT OF FUND NET POSITION
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
	Other Enterprise Funds	Totals	
Assets:			
Current:			
Cash and investments	\$ 3,623,002	\$ 23,361,063	\$ 13,378,987
Receivables:			
Accounts	61,128	1,574,832	10,000
Prepaid cost	-	-	975
Inventories	-	211,896	109,883
Total Current Assets	3,684,130	25,147,791	13,499,845
Noncurrent:			
Prepaid other post-employment benefits	14,149	168,990	110,037
Restricted:			
Cash with fiscal agent	-	220,956	-
Capital assets - net of accumulated depreciation	4,016,324	47,054,148	4,342,773
Total Noncurrent Assets	4,030,473	47,444,094	4,452,810
Total Assets	\$ 7,714,603	\$ 72,591,885	\$ 17,952,655
Liabilities and Net Position:			
Liabilities:			
Current:			
Accounts payable	\$ 369,867	\$ 2,403,051	\$ 477,595
Accrued interest	-	220,956	-
Deposits payable	-	106,450	-
Workers' compensation claim	-	-	4,995,269
Accrued compensated absences	-	15,794	-
Accrued claims and judgments	-	-	731,935
Bonds payable	-	530,000	-
Lease payable	-	-	184,499
Total Current Liabilities	369,867	3,276,251	6,389,298
Noncurrent:			
Advances from other funds	-	469,200	-
Workers' compensation claims	-	-	2,792,830
Accrued compensated absences	-	47,462	-
Accrued claims and judgments	-	-	396,189
Bonds payable	-	12,621,447	-
Lease payable	-	-	719,342
Total Noncurrent Liabilities	-	13,138,109	3,908,361
Total Liabilities	369,867	16,414,360	10,297,659
Net Position:			
Net investment in capital assets	4,016,324	33,902,701	3,438,932
Restricted for business improvement district	-	520,514	-
Unrestricted	3,328,412	21,754,310	4,216,064
Total Net Position	7,344,736	56,177,525	7,654,996
Total Liabilities and Net Position	\$ 7,714,603	\$ 72,591,885	\$ 17,952,655

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Refuse	Parking
Operating Revenues:				
Sales and service charges	\$ 14,913,986	\$ 3,392,659	\$ 4,426,190	\$ 2,284,092
Miscellaneous	2,297	13,418	-	21,256
Total Operating Revenues	14,916,283	3,406,077	4,426,190	2,305,348
Operating Expenses:				
Salaries	731,478	221,127	61,092	52,999
Employee benefits	303,816	78,509	31,194	23,748
Contract and professional services	4,412,466	122,501	3,663,172	413,907
Materials and services	1,107,891	524,166	49,104	404,125
Utilities	364,339	26,239	371	95,008
Administrative service charges	1,387,129	825,770	362,377	337,008
Leases and rents	-	-	-	-
Claims expense	-	-	-	-
Depreciation expense	438,727	171,511	-	237,276
Total Operating Expenses	8,745,846	1,969,823	4,167,310	1,564,071
Operating Income (Loss)	6,170,437	1,436,254	258,880	741,277
Nonoperating Revenues (Expenses):				
Interest revenue	27,518	6,711	2,238	13,787
Interest expense	(111,898)	(55,029)	-	(759,167)
Grant revenue	-	-	11,647	58,290
Gain (loss) on disposal of capital assets	19,521	-	-	-
Total Nonoperating Revenues (Expenses):	(64,859)	(48,318)	13,885	(687,090)
Income (Loss) Before Transfers	6,105,578	1,387,936	272,765	54,187
Transfers out	-	-	-	-
Changes in Net Position	6,105,578	1,387,936	272,765	54,187
Net Position:				
Beginning of Year	23,121,085	7,742,755	797,420	9,351,063
End of Fiscal Year	\$ 29,226,663	\$ 9,130,691	\$ 1,070,185	\$ 9,405,250

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
	Other Enterprise Funds	Totals	
Operating Revenues:			
Sales and service charges	\$ 1,546,782	\$ 26,563,709	\$ 9,750,481
Miscellaneous	-	36,971	38
Total Operating Revenues	1,546,782	26,600,680	9,750,519
Operating Expenses:			
Salaries	36,598	1,103,294	1,062,646
Employee benefits	20,278	457,545	412,195
Contract and professional services	388,995	9,001,041	1,016,196
Materials and services	307,315	2,392,601	1,765,479
Utilities	62,689	548,646	110,703
Administrative service charges	136,236	3,048,520	-
Leases and rents	369,531	369,531	-
Claims expense	-	-	3,770,133
Depreciation expense	143,590	991,104	519,906
Total Operating Expenses	1,465,232	17,912,282	8,657,258
Operating Income (Loss)	81,550	8,688,398	1,093,261
Nonoperating Revenues (Expenses):			
Interest revenue	6,012	56,266	-
Interest expense	-	(926,094)	(3,586)
Grant revenue	500,000	569,937	-
Gain (loss) on disposal of capital assets	-	19,521	(7,963)
Total Nonoperating Revenues (Expenses):	506,012	(280,370)	(1,549)
Income (Loss) Before Transfers	587,562	8,408,028	1,091,712
Transfers out	(200,583)	(200,583)	-
Changes in Net Position	386,979	8,207,445	1,091,712
Net Position:			
Beginning of Year	6,957,757	47,970,080	6,563,284
End of Fiscal Year	\$ 7,344,736	\$ 56,177,525	\$ 7,654,996

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds			
	<u>Water</u>	<u>Wastewater</u>	<u>Refuse</u>	<u>Parking</u>
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 14,969,136	\$ 3,389,706	\$ 4,446,411	\$ 2,458,035
Cash received from/(paid to) interfund service provided	(1,784,817)	(1,297,388)	(391,644)	(372,937)
Cash paid to suppliers for goods and services	(5,377,509)	(269,661)	(3,684,338)	(1,016,015)
Cash paid to employees for services	(986,077)	(291,171)	(88,632)	(73,349)
Net Cash Provided (Used) by Operating Activities	6,820,733	1,531,486	281,797	995,734
Cash Flows from Non-Capital Financing Activities:				
Repayment of advances due to other funds	-	-	-	(301,900)
Transfer to other funds	-	-	-	-
Grant subsidy	-	-	11,647	58,290
Net Cash Provided (Used) by Non-Capital Financing Activities	-	-	11,647	(243,610)
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(3,202,185)	(1,279,090)	-	(210,210)
Principal paid on capital debt	(2,228,578)	(1,096,422)	-	(11,485,000)
Interest paid on capital debt	(85,241)	(41,926)	-	(701,666)
Refunding bond proceeds	1,984,038	976,112	-	10,674,576
Cash from sale of property	19,521	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,512,445)	(1,441,326)	-	(1,722,300)
Cash Flows from Investing Activities:				
Interest received	27,518	6,711	2,238	13,787
Net Cash Provided (Used) by Investing Activities	27,518	6,711	2,238	13,787
Net Increase (Decrease) in Cash and Cash Equivalents	3,335,806	96,871	295,682	(956,389)
Cash and Cash Equivalents at the Beginning of the Year	9,341,935	3,156,037	787,061	3,902,014
Cash and Cash Equivalents at the End of the Year	\$ 12,677,741	\$ 3,252,908	\$ 1,082,743	\$ 2,945,625
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (loss)	\$ 6,170,437	\$ 1,436,254	\$ 258,880	\$ 741,277
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	438,727	171,511	-	237,276
(Increase) decrease in accounts receivable	48,037	(13,502)	22,091	(2,653)
(Increase) decrease in prepaid expense	-	-	-	-
(Increase) decrease in inventory	(97,510)	-	-	-
(Increase) decrease in prepaid other post employee benefi	22,716	5,369	2,478	1,982
(Increase) decrease in accounts payable	234,717	(68,146)	(1,652)	18,672
(Increase) decrease in deposits payable	100	-	-	(820)
(Increase) decrease in compensated absences	3,509	-	-	-
(Increase) decrease in claims payable	-	-	-	-
Total Adjustments	650,296	95,232	22,917	254,457
Net Cash Provided (Used) by Operating Activities	\$ 6,820,733	\$ 1,531,486	\$ 281,797	\$ 995,734
Non cash investing, capital, and financing activities:				
Capital lease purchase of fire truck and sewer truck	\$ -	\$ -	\$ -	\$ -

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		
	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 1,501,615	\$ 26,764,903	\$ 112,898
Cash received from/(paid to) interfund service provided	(195,943)	(4,042,729)	8,481,380
Cash paid to suppliers for goods and services	(1,220,861)	(11,568,384)	(6,073,147)
Cash paid to employees for services	(52,101)	(1,491,330)	(1,399,633)
Net Cash Provided (Used) by Operating Activities	32,710	9,662,460	1,121,498
Cash Flows from Non-Capital Financing Activities:			
Repayment of Advances due to other funds	-	(301,900)	-
Transfer to other funds	(200,583)	(200,583)	-
Grant subsidy	500,000	569,937	10,000
Net Cash Provided (Used) by Non-Capital Financing Activities	299,417	67,454	10,000
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(660,134)	(5,351,619)	(1,861,965)
Principal paid on capital debt	-	(14,810,000)	(45,672)
Interest paid on capital debt	-	(828,833)	(3,586)
Refunding bond proceeds	-	13,634,726	-
Cash from sale of property	-	19,521	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(660,134)	(7,336,205)	(1,911,223)
Cash Flows from Investing Activities:			
Interest received	6,014	56,268	-
Net Cash Provided (Used) by Investing Activities	6,014	56,268	-
Net Increase (Decrease) in Cash and Cash Equivalents	(321,993)	2,449,977	(779,725)
Cash and Cash Equivalents at the Beginning of the Year	3,944,995	21,132,042	14,158,712
Cash and Cash Equivalents at the End of the Year	\$ 3,623,002	\$ 23,582,019	\$ 13,378,987
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (loss)	\$ 81,550	\$ 8,688,398	\$ 1,093,261
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	143,590	991,104	519,906
(Increase) decrease in accounts receivable	(45,168)	8,805	(10,000)
(Increase) decrease in prepaid expense	-	-	30,580
(Increase) decrease in inventory	-	(97,510)	247
(Increase) decrease in prepaid other post employee benefits	2,974	35,519	23,128
(Increase) decrease in accounts payable	(150,236)	33,355	252,841
(Increase) decrease in deposits payable	-	(720)	-
(Increase) decrease in compensated absences	-	3,509	-
(Increase) decrease in claims payable	-	-	(788,465)
Total Adjustments	(48,840)	974,062	28,237
Net Cash Provided (Used) by Operating Activities	\$ 32,710	\$ 9,662,460	\$ 1,121,498
Non cash investing, capital, and financing activities:			
Capital lease purchase of fire truck and sewer truck	\$ -	\$ -	\$ 949,513

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2013

	Agency Funds	Pension Trust Fund
Assets:		
Pooled cash and investments	\$ 1,280,777	\$ 298,191
Receivables:		
Accounts	18,916	135,963
Restricted assets		
Cash and investments with fiscal agent	3,221,476	-
Total Assets	\$ 4,521,169	434,154
Liabilities:		
Accounts payable	\$ 13,657	-
401(a) plan deposits	2,249,203	-
Deposits payable	463,342	-
Due bondholders	1,794,967	-
Total Liabilities	\$ 4,521,169	-
Net Position:		
Held in trust for pension benefits		434,154
Total Net Position		\$ 434,154

CITY OF MANHATTAN BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2013

	Pension Trust Fund
Additions	
Refund of contributions	\$ 135,963
Investment earnings	15,537
	<hr/>
Total additions	151,500
	<hr/>
Deductions	
Benefits	204,339
	<hr/>
Total deductions	204,339
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Change in net position	(52,839)
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Net Position - Beginning of Year	486,993
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Net Position - End of Year	\$ 434,154



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Notes to Financial Statements

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

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

Blended Component Unit

Manhattan Beach Capital Improvements Corporation - The Manhattan Beach Capital Improvements Corporation (the Corporation) is a nonprofit public benefits corporation, organized under the laws of the State of California in September 1996, pursuant to the Nonprofit Public Benefit Corporation Laws (Title I, Division 2, Part 2, Section 5110). The sole purpose of the Corporation is to issue debt for capital improvements. Certificates of participation are debt issued by the Corporation providing the holder an interest, i.e. the right to participate in the lease payments paid by the City to the Corporation. In September of 1996, this entity issued \$4,615,000 of debt in the form of Certificates of Participation (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 401(a) plan deposits, utility development deposits, art development fees and other miscellaneous items.

d. Basis of Accounting/Measurement Funds

Government-Wide Financial Statements

The City government-wide financial statements include a Statement of Net 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.

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

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

e. Property Tax Calculator

Property tax revenue is recognized on the basis of GASB Code Section P70, that is, in the fiscal year for which the taxes have been levied providing they become available. Available means due or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of Los Angeles collects property taxes for the City. Tax liens attach annually as of 12:01 AM on the first day in January prior to the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property, as it exists on that date. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, by December 10 and April 10, respectively. Unsecured personal property taxes become due on March 1 each year and are delinquent, if unpaid, on August 31.

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 401(a) plan; 125 medical flex plan; outstanding Water and Wastewater; Marine Avenue Sports Field; and Metlox, Police & Fire Facility bonded debt, which are held by outside trustees. City employees individually direct their investments in the 401(a) plan.

Investments

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

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 \$5,727,204 and \$3,189,019 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, 2013, the total accrued liability for this benefit amounted to \$4,607, based on accumulated hours for months in service during the time period from January 1, 1990 to December 4, 1994, as specified in the parameters of the plan. Upon termination, the employee will be paid for any unused leave and as such the total amount of the liability is accrued as a long-term item (see Note 6).

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, 2013

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

r. Adoption of new accounting standards

The City implemented GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65, among other things, amends prior guidance with respect to the treatment of debt issuance costs. Debt issuance costs should be recognized in the period incurred rather than reported on the statement of net position as deferred charges and recognized systematically over the life of the debt.

Note 2: Budgets and Budgetary Accounting

a. Budgetary Basis of Accounting

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

b. Excess Expenditures

For the year ended June 30, 2013, the following funds had expenditures in excess of budget:

Fund	Expenditures	Appropriations	Excess
General Fund			
Public Works	\$ 5,936,723	\$ 5,911,545	\$ (25,178)
Debt Service: Principal retirement	2,700,000	2,699,998	(2)
Street Lighting & Landscaping			
Public Works	638,567	597,899	(40,668)

c. 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.

Note 3: Cash and Investments

As of June 30, 2013, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 39,105,146
Internal Service	13,378,987
Business-type activities	23,582,019
Agency	4,502,253
Pension Trust	298,191
	<hr/>
Total Cash and Investments	<u>\$ 80,866,596</u>

Note 3: Cash and Investments (Continued)

The City pools all cash and investments that is available for use for all funds, including fiduciary funds. 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, 2013, the carrying amount of the City's deposits was \$1,737,215 and the bank balance was \$2,475,608. The \$738,393 difference represents outstanding checks and other reconciling items.

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

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

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

b. Authorized Investments

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

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

Note 3: Cash and Investments (Continued)

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

c. Investments Authorized by Debt Agreements

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

d. Investments in State Investment Pool

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

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

The City is required to disclose its methods and assumptions used to estimate the fair value of its holdings in LAIF. The City relied upon information provided by the State Treasurer in estimating the City's fair value position of its holdings in LAIF. The City had a contractual withdrawal value of \$35,750,000 whose pro-rata share of fair value was estimated by the State Treasurer to be \$35,759,767.

e. Cash and Investments - 401 (a) Plan

The City contributes to a 401(a) plan for its management confidential employees into which these employees can make voluntary contributions. The fair value of the plan assets at June 30, 2013, was \$2,249,203.

f. 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.

g. GASB Statement No. 31

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

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

Note 3: Cash and Investments (Continued)

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, 2013, the book value exceeded the fair value of investments by \$618,241.

h. Credit Risk

The City's investment policy limits investments in medium-term notes (MTN's) to those rated in the top three rating categories by two of the three largest nationally recognized rating services at time of purchase. As of June 30, 2013, the City's investment in medium-term notes consisted of investments with Wells Fargo & Company, General Electric Capital, Union Bank, Berkshire Hathaway Inc. 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.

i. Custodial Credit Risk

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

As of June 30, 2013, none of the City's deposits or investments was exposed to custodial credit risk.

j. Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer for the following types of investments. With respect to concentration of credit risk, as of June 30, 2013, the City is in compliance with its investment policy's restrictions.

In accordance with GASB Statement No. 40, if the city has invested more than 5% of its total investments in any one issuer then it is exposed to credit risk. The following issuers are above the 5% of total investments: Federal Home Loan Bank (8.6%), Federal Farm Credit (6.4%), Federal National Mortgage Association (7.5%) and Federal Home Loan Mortgage Corporation (7.6%). These government-sponsored investments are backed by the federal government and are below the City's investment policy limit of 33.33% of total investments.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 3: Cash and Investments (Continued)

k. Interest Rate Risk

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

As of June 30, 2013, the City had the following investments and original maturities:

	Remaining Investment Maturities				Fair Value
	6 months or less	6 months to 1 year	1 to 3 years	More than 3 years	
<u>Pooled Investments:</u>					
Local Government Fund	\$ 35,786,415	\$ -	\$ -	\$ -	\$ 35,786,415
Certificate of Deposit	-	492,156	1,969,227	3,177,077	5,638,460
US Treasury and agency notes	3,021,380	-	13,421,240	7,949,280	24,391,900
Medium-term notes	-	-	5,661,885	2,499,755	8,161,640
	<u>\$ 38,807,795</u>	<u>\$ 492,156</u>	<u>\$ 21,052,352</u>	<u>\$ 13,626,112</u>	<u>73,978,415</u>
<u>Investment with Fiscal Agents:</u>					
Utility Undergrounding					1,359,648
Water/Wastewater, Metlox Refunding bonds					220,956
Marine certificates of participation					16,267
Police & Fire certificate of participation refunding bonds					139,000
Police & Fire pension bonds					1,160,769
					<u>2,896,640</u>
Demand deposits					1,737,215
Other deposits					3,510
Petty cash					1,613
					<u>1,742,338</u>
<u>Other Funds and Deposits:</u>					
401(a) employee plan					2,249,203
					<u>2,249,203</u>
Grand Total					<u>\$ 80,866,596</u>

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 4: Interfund Transactions

Due To/From Other Funds

	<u>Due To Other Funds</u> Nonmajor Governmental Funds
<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

	<u>Advance to Other Funds</u> Capital Improvement Fund
<u>Advances From Other Funds</u> Parking Fund	<u>\$ 469,200</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 \$771,100. Payment to the Capital Improvement Fund of \$301,900 reduced the advance to \$469,200 as of June 30, 2013.

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, 2013, are presented below:

	Transfers In			Total
	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	
<u>Transfers Out</u>				
General Fund	\$ -	\$ 3,000,000	\$ 241,817	\$ 3,241,817
Nonmajor Governmental Funds	-	-	328,169	328,169
Nonmajor Proprietary Funds	200,583	-	-	200,583
Total	<u>\$ 200,583</u>	<u>\$ 3,000,000</u>	<u>\$ 569,986</u>	<u>\$ 3,770,569</u>

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

- The County Parking Lot fund transferred \$200,583 to the General Fund for recreation purposes.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 4: Interfund Transactions (Continued)

- The General Fund transferred \$241,817 to the Street Lighting Fund to relieve a deficit fund balance.
- The General Fund transferred \$3,000,000 to Capital Improvement Fund for ongoing capital improvement projects.
- The Measure R Fund transferred \$328,169 to the Prop A Fund for the purchase of busses.

Note 5: Capital Assets and Depreciation

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Position. The City elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructure reporting, whereby depreciation expense and accumulated depreciation have been recorded. The following table presents the capital assets activity for the year ended June 30, 2013:

	Beginning Balance July 1, 2012	Increases additions	Decreases (deletions)	Transfers	Ending Balance June 30, 2013
Governmental Activities:					
Land	\$ 34,072,066	\$ -	\$ -	\$ -	\$ 34,072,066
Construction-in-progress					
Streets / Roadways	2,209,980	1,243,632	-	(1,372,996)	2,080,616
Recreation	3,172,250	1,036,174	-	(3,650,533)	557,891
Buildings	6,985	6,269	-	-	13,254
Total Capital Assets, Not Being Depreciated	39,461,281	2,286,075	-	(5,023,529)	36,723,827
Buildings and Structures	43,412,146	-	-	-	43,412,146
Machinery and Equipment	6,206,704	181,166	(66,730)	-	6,321,140
Vehicles	7,843,449	3,073,902	(1,116,991)	-	9,800,360
Infrastructure					
Streets / Roadways	49,837,170	-	-	1,372,996	51,210,166
Parks & Recreation	13,721,730	-	-	3,650,533	17,372,263
Investment in Joint Venture (RCC)	2,870,253	17,785	-	-	2,888,038
Total Capital Assets, Being Depreciated	123,891,452	3,272,853	(1,183,721)	5,023,529	131,004,113
Less Accumulated Depreciation:					
Buildings and Structures	(6,940,627)	(869,026)	-	-	(7,809,653)
Machinery and Equipment	(4,916,874)	(287,486)	66,345	-	(5,138,015)
Vehicles	(5,784,285)	(790,293)	1,116,991	-	(5,457,587)
Infrastructure					
Streets / Roadways	(24,468,250)	(1,388,990)	-	-	(25,857,240)
Parks & Recreation	(4,670,135)	(274,313)	-	-	(4,944,448)
Investment in Joint Venture (RCC)	(926,951)	(122,156)	-	-	(1,049,107)
Total Accumulated Depreciation	(47,707,122)	(3,732,264)	1,183,336	-	(50,256,050)
Total Capital Assets, Being Depreciated, Net	76,184,330	(459,411)	(385)	5,023,529	80,748,063
Governmental Activities Capital Assets, Net	\$ 115,645,611	\$ 1,826,664	\$ (385)	\$ -	\$ 117,471,890

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 5: Capital Assets and Depreciation (Continued)

	Beginning Balance July 1, 2012	Increases additions	Decreases (deletions)	Transfers	Ending Balance June 30, 2013
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	1,717,388	5,386,423	-	(293,160)	6,810,651
Total Capital Assets, Not Being Depreciated	3,474,822	5,386,423	-	(293,160)	8,568,085
Capital assets, being depreciated:					
Buildings and structures - parking	16,976,393	-	-	210,210	17,186,603
Machinery and equipment - parking	1,137,266	-	-	-	1,137,266
Water	24,566,657	-	-	73,682	24,640,339
Storm water	6,871,403	-	-	-	6,871,403
Wastewater	10,671,298	-	-	9,268	10,680,566
Total Capital Assets, Being Depreciated	60,223,017	-	-	293,160	60,516,177
Less Accumulated Depreciation:					
Buildings and structures - parking	(1,363,218)	(185,296)	-	-	(1,548,514)
Machinery and equipment - parking	(595,364)	(51,980)	-	-	(647,344)
Water	(10,176,746)	(438,727)	-	-	(10,615,473)
Storm water	(3,379,350)	(143,590)	-	-	(3,522,940)
Wastewater	(5,524,332)	(171,511)	-	-	(5,695,843)
Total Accumulated Depreciation	(21,039,010)	(991,104)	-	-	(22,030,114)
Total Capital Assets, Being Depreciated, Net	39,184,007	(991,104)	-	293,160	38,486,063
Business-Type Activities Capital Assets, Net	\$ 42,658,829	\$ 4,395,319	\$ -	\$ -	\$ 47,054,148

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

Governmental Activities:	
General government	\$ 111,899
Public safety	1,084,997
Public works	1,729,551
Parks and recreation	285,911
Internal service funds	519,906
Total Depreciation Expense - Governmental Activities	\$ 3,732,264
Business-Type Activities:	
Water	\$ 438,727
Wastewater	171,511
Parking	237,276
Storm water	143,590
Total Depreciation Expense - Business-Type Activities	\$ 991,104

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Note 6: Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Deletions	Advance Refunding	Balance June 30, 2013	Due in One Year
Governmental Activities:						
Long-term Debt:						
Marine Ave Park COP	\$ 7,480,000	\$ -	\$ (245,000)	\$ -	\$ 7,235,000	\$ 255,000
2001 South Bay Revenue Bond	1,445,000	-	-	(1,445,000)	-	-
2004 Police and Fire COP	11,450,000	-	-	(11,450,000)	-	-
2007 Pension Obligation Bonds	2,870,000	-	-	(1,010,000)	1,860,000	1,095,000
2013 Police and Fire Refunding COP	-	10,510,000	-	-	10,510,000	480,000
Lease Purchase Fire and Sewer Truck	-	949,513	(45,672)	-	903,841	184,499
Other:						
Supplemental Leave Allowance	4,607	-	-	-	4,607	-
Compensated Absences	2,486,555	1,967,378	(1,778,450)	-	2,675,483	554,500
Workers Compensation Claims	7,359,269	3,749,445	(3,320,615)	-	7,788,099	4,995,269
General Liability Claims	2,345,419	716,441	(1,933,736)	-	1,128,124	731,935
Total Governmental	\$ 35,440,850	\$ 17,892,777	\$ (7,323,473)	\$ (13,905,000)	32,105,154	\$ 8,296,203
Unamortized premium					487,666	
					<u>\$ 32,592,820</u>	
Business-Type Activities:						
Long-term Debt:						
1996 Water and Wastewater COP	\$ 3,240,000	\$ -	\$ -	\$ (3,240,000)	\$ -	\$ -
2003 Metlox Parking COP	11,125,000	-	-	(11,125,000)	-	-
2012 Metlox & Water/Wastewater Refunding COP	-	12,975,000	(445,000)	-	12,530,000	530,000
Other long term liabilities:						
Compensated Absences	59,747	45,557	(42,048)	-	63,256	15,794
Total Business Type	\$ 14,424,747	\$ 13,020,557	\$ (487,048)	\$ (14,365,000)	12,593,256	\$ 545,794
Unamortized premium					621,447	
					<u>\$ 13,214,703</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, 2013

Note 6: 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
2014	\$ 255,000	\$ 288,484	\$ 543,484
2015	265,000	277,758	542,758
2016	270,000	267,231	537,231
2017	280,000	255,094	535,094
2018	290,000	243,707	533,707
2019-2023	1,630,000	1,025,129	2,655,129
2024-2028	1,935,000	659,094	2,594,094
2029-2033	2,310,000	222,621	2,532,621
Total	<u>\$ 7,235,000</u>	<u>\$ 3,239,118</u>	<u>\$ 10,474,118</u>

b. 2001 South Bay Regional Public Communications Authority Revenue Bonds

On January 16, 2001, the City issued \$2,180,000 in South Bay Regional Public Communications Authority Variable Rate Demand Revenue Bonds, 2001 Series C, for the purpose of financing a portion of the costs of the project for use, in part, by the City, pay capitalized interest on the Series C Bonds through May 1, 2002, fund a reserve account for the Series C Bonds, and pay certain costs of issuance of the Series C Bonds. The bonds mature annually each January 1, 2003 to 2031. In October 2012, the City redeemed the \$1,445,000 outstanding balance with City cash.

c. 2004 Police and Fire Facility Certificates of Participation

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

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 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. At June 30, 2013, the outstanding 2004 COP (including prior refunded amounts) of \$11,450,000 are considered to be defeased and the liability of the 2004 COP has been removed from the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next 19 years by \$3,608,790 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding COPs) of \$1,647,160.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 6: Long-Term Liabilities (Continued)

d. 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 9 Mandatory Police and Fire Risk Pooling). The bonds mature annually in amounts ranging from \$695,000 to \$1,095,000, bearing interest at 5.011%.

The annual requirements to amortize the 2007 Taxable Pension Obligation Bonds outstanding at June 30, 2013, were as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 1,095,000	\$ 65,769	\$ 1,160,769
2015	765,000	19,168	784,168
Totals	<u>\$ 1,860,000</u>	<u>\$ 84,937</u>	<u>\$ 1,944,937</u>

e. 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, 2013 includes an unamortized bond premium of \$487,666 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.

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
2014	\$ 480,000	\$ 300,004	\$ 780,004
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
2019-2023	2,650,000	1,235,313	3,885,313
2024-2028	3,120,000	752,713	3,872,713
2029-2033	2,410,000	178,569	2,588,569
Total	<u>\$ 10,510,000</u>	<u>\$ 3,714,201</u>	<u>\$ 14,224,201</u>

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Note 6: Long-Term Liabilities (Continued)

f. Fire and Sewer Truck Capital Leases

During the fiscal year, 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, 2013, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 184,499	\$ 13,361	\$ 197,860
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>\$ 903,841</u>	<u>\$ 36,199</u>	<u>\$ 940,040</u>

g. 1996 Water and Wastewater Certificates of Participation

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

In July 2012, the City of Manhattan Beach issued \$2,765,000 of Certificates of Participation, Series 2012 to refund the 1996 Water and Wastewater Improvement Project Certificates of Participation. As a result, the 1996 Water and Wastewater Improvement Project Certificates of Participation are considered to be defeased and the liability has been removed from the statement of net position.

h. 2003 Metlox Parking Certificate of Participation

In January 2003, the City of Manhattan Beach issued \$10,210,000 of fixed rate Certificates of Participation (COP) to finance the construction of a public parking structure at the City owned Metlox site. This site is located adjacent to City Hall in the downtown district and the structure's construction was completed in January 2004. Interest rates on the certificates range from 2% to 5% and mature through 2033. These certificates evidence and represent the proportionate interests of the registered owners thereof in lease payments to be made by the City as rent for use of certain real property and improvements thereon. City Hall and adjacent land are encumbered as security for the COP.

In July 2012, the City of Manhattan Beach issued \$10,210,000 of Certificates of Participation, Series 2012 to refund the 2003 Metlox Parking Certificate of Participation. As a result, the 2003 Metlox Parking Certificate of Participation are considered to be defeased and the liability has been removed from the statement of net position.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 6: Long-Term Liabilities (Continued)

i. 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 \$621,447 at June 30, 2013 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.

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
2014	\$ 107,239	\$ 62,433	\$ 169,672	\$ 52,761	\$ 30,717	\$ 83,478
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
2019-2023	710,461	165,819	876,280	349,539	81,581	431,120
2024-2028	499,341	35,389	534,730	245,659	17,411	263,070
Total	\$ 1,796,268	\$ 477,182	\$ 2,273,450	\$ 883,732	\$ 234,768	\$ 1,118,500

Fiscal Year Ending June 30,	Metlox			Total		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 370,000	\$ 348,762	\$ 718,762	\$ 530,000	\$ 441,912	\$ 971,912
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
2019-2023	2,360,000	1,236,613	3,596,613	3,420,000	1,484,013	4,904,013
2024-2028	2,850,000	786,875	3,636,875	3,595,000	839,675	4,434,675
2029-2033	2,660,000	246,600	2,906,600	2,660,000	246,600	2,906,600
Total	\$ 9,850,000	\$ 3,891,300	\$ 13,741,300	\$ 12,530,000	\$ 4,603,250	\$ 17,133,250

j. Compensated Absences

At June 30, 2013, the total citywide accrued liability for compensated absences amounted to \$2,738,739 which is comprised of \$2,284,030 and \$454,709 of vested vacation and sick leave, respectively. \$2,675,483 of this compensated leave liability is related to general government services with the remaining \$63,256 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.

Note 6: Long-Term Liabilities (Continued)

k. Workers' Compensation Claims

As of June 30, 2013, reserves for open workers compensation claims have been established in accordance with analysis by a third party claims administrator. The value of these claims is \$4,995,269. In addition, reserves of \$2,792,830 have been set aside for incurred but not reported claims. Total reserves are \$7,788,099.

l. General Liability Claims

As of June 30, 2013, 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 \$731,935. In addition, reserves of \$396,189 have been set aside for incurred but not reported claims. Total reserves are \$1,128,124. These reserves are \$1,217,295 less than that as of June 30, 2012, and are due to unexpected claim activity during the prior year.

Note 7: Non-City Obligation

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

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

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

Note 8: 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.

Note 8: Retirement Plans and Other Post Employment Benefits (Continued)

Miscellaneous Employees Plan

Plan Description

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

Plan Benefits

Standard Service Retirement

The basic benefit formula is number of years of service times single highest year compensation times 2% 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.

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 Valuation Report as of June 30, 2010, determined the required employer contribution rate for fiscal year 2012-2013 to be 9.680% 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, 2010
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	21 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market

Actuarial Assumptions:

Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 8: Retirement Plans and Other Post Employment Benefits (Continued)

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

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		
6/30/2010	\$ 64,076,720	\$ 59,824,270	\$ 4,252,450	93.4%	73.10%	\$ 11,728,887	36.3%
6/30/2011	71,498,265	63,418,351	8,079,914	88.7%	73.10%	13,463,033	60.0%
6/30/2012	74,098,516	66,623,300	7,475,216	89.9%	75.00%	12,847,411	58.2%

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, 2013, was as follows:

Three-Year Trend Information for PERS Miscellaneous Plan			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	\$ 1,018,107	100%	\$ -
6/30/2012	1,265,396	100%	-
6/30/2013	1,249,505	100%	-

Note 8: Retirement Plans and Other Post Employment Benefits (Continued)

Safety Employees Plan – Pooled Participation

Plan Description

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

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

At the time that the City joined the risk pool, existing unfunded liabilities for both plans were transferred to the PERS "Side Fund". In March 2007, the City issued taxable pension bonds to pay off the side fund. The City 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 6e.

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 Valuation Report as of June 30, 2010, determined the required employer contribution rate for fiscal year 2012-2013 was, 26.416%, and 22.744% for police and fire sworn employees, respectively. These rates reflect the payment of the side fund liability.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 8: Retirement Plans and Other Post Employment Benefits (Continued)

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, 2010
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	19 Years – Police; 18 Years – Fire as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market

Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

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, 2013, was as follows:

<u>Fiscal Year</u>	<u>Annual pension cost</u>	<u>Percent of APC contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	\$ 1,522,884	100.00%	\$ -
6/30/2012	1,951,952	100.00%	-
6/30/2013	2,127,387	100.00%	-

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Note 8: Retirement Plans and Other Post Employment Benefits (Continued)

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, 2013, was as follows:

<u>Fiscal Year</u>	<u>Annual pension cost</u>	<u>Percent of APC contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	\$ 723,898	100.00%	\$ -
6/30/2012	995,621	100.00%	-
6/30/2013	1,016,353	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, 2013, the City of Manhattan Beach's annual pension payment was \$4,393,245 for the Police, Fire and Miscellaneous Plans combined, and was equal to the City's required contribution. The City also contributed \$1,888,384 for the 2012-2013 fiscal year on behalf of the employees. Employee payments by group are as follows: Miscellaneous – \$862,440, Fire - \$391,860, Police – \$634,084. The City's payroll for employees covered by the plans for the year ended June 30, 2013, was \$23,817,945. The total payroll for the year was 27,016,614 and includes compensation not subject to PERS such as overtime and part time personnel enrolled in PARS.

b. City Funded Pension Plans

Supplemental Retirement Plan

The Supplemental Retirement Plan is a single-employer defined benefit pension plan that covers Police, Fire and Management/Confidential employees who retired prior to January 1995. The plan provides the employee the difference between the benefit provided by the California Public Employees Retirement System (PERS) calculated under the life annuity option and the PERS benefit had the City adopted the Police Officers' Standards and Training (POST) widows and orphans salary continuation plan. The plan states, "The City shall pay each retiring officer, sergeant, lieutenant, firefighter and management employee upon retirement, a monthly amount which would make up the difference for that option of which the officer will receive from PERS under Government Code Section 21330 through 21335 and what only the officer would have received while alive had the City adopted the Police Officers' Standards and Training (POST) widows and orphans salary continuation plan. The payment shall be made to the officer only while the officer is alive and will cease upon death. Upon retirement, the right to their payment shall be regarded as a vested pension benefit to the same extent as the individual's retirement allowance." The benefit is payable for the life of the employee. The benefit is subject to a 2% annual cost-of-living increase. This plan is currently dormant as discussed in the next paragraph. The Supplemental Retirement Plan does not have a separate annual financial report.

The City 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 FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 8: Retirement Plans and Other Post Employment Benefits (Continued)

The number of participants covered under the plan as of June 30, 2013, was as follows:

Retirees and beneficiaries receiving benefits Management/Confidential	<u><u>5</u></u>
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The financial statements are prepared using the accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

Investments of the plan are reported at fair value. The City does not charge an administrative fee to the benefit plan.

Schedules of Funding Progress for Supplemental Plan					
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Overfunded) Accrued Liability	Covered Payroll	UAAL as a % of Payroll
6/30/2002	\$ 234,488	\$ 200,915	\$ (33,573)	N/A	N/A
6/30/2003	224,064	200,915	(23,149)	N/A	N/A
6/30/2004	196,711	196,289	(422)	N/A	N/A
6/30/2005	183,066	196,289	13,223	N/A	N/A
6/30/2006	192,805	192,805	-	N/A	N/A
6/30/2007	183,185	192,805	9,620	N/A	N/A
6/30/2008	193,627	189,506	(4,121)	N/A	N/A
6/30/2009	175,571	189,506	13,935	N/A	N/A
6/30/2010	169,591	136,197	(33,394)	N/A	N/A
6/30/2011	158,035	136,197	(21,838)	N/A	N/A
6/30/2012	133,653	133,183	(470)	N/A	N/A
6/30/2013	118,255	133,183	14,928	N/A	N/A

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

Valuation Date	June 30, 2012
Actuarial cost method	Projected Unit Cost Credit method
Amortization period	N/A plan is dormant
Remaining amortization period	N/A plan is dormant
Asset valuation method	N/A plan is dormant
 Actuarial Assumptions:	
Investment rate of return	5.0%
Discount rate	4.0%
Projected salary increases	N/A plan is dormant
Includes inflation at	N/A plan is dormant
Cost-of-living adjustments	2%

Single Highest Year Plan

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

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 8: Retirement Plans and Other Post Employment Benefits (Continued)

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, 2013, was as follows:

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

The financial statements are prepared using the accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan. Investments of the plan are reported at fair value. The City does not charge an administrative fee to the benefit plan.

Date	Assets	Liability	Liability	Payroll	Payroll
6/30/2002	\$ 602,569	\$ 516,298	\$ (86,271)	N/A	N/A
6/30/2003	582,400	516,298	(66,102)	N/A	N/A
6/30/2004	499,227	498,155	(1,072)	N/A	N/A
6/30/2005	472,367	498,155	25,788	N/A	N/A
6/30/2006	444,497	444,497	-	N/A	N/A
6/30/2007	428,561	444,497	15,936	N/A	N/A
6/30/2008	461,030	432,935	(28,095)	N/A	N/A
6/30/2009	424,128	432,935	8,807	N/A	N/A
6/30/2010	405,545	377,004	(28,541)	N/A	N/A
6/30/2011	376,174	377,004	830	N/A	N/A
6/30/2012	353,340	373,634	20,294	N/A	N/A
6/30/2013	315,899	373,634	57,735	N/A	N/A

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 8: Retirement Plans and Other Post Employment Benefits (Continued)

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

Valuation Date	June 30, 2012
Actuarial cost method	Projected Unit Cost Credit Method
Amortization period	N/A plan is dormant
Remaining amortization period	N/A plan is dormant
Asset valuation method	N/A plan is dormant
Actuarial Assumptions:	
Investment rate of return	5.0%
Discount Rate	4.0%
Projected salary increases	N/A plan is dormant
Includes inflation at	N/A plan is dormant
Cost-of-living adjustments	2%

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

Statement of Fiduciary Net Position

	<u>Supplemental</u>	<u>Single Highest Year</u>	<u>Total</u>
Assets			
Cash & investments	\$ 81,222	\$ 216,969	\$ 298,191
Accounts receivable	37,034	98,929	135,963
Total Assets	\$ 118,256	\$ 315,898	\$ 434,154
Net Position:			
Held in trust for pension benefits	\$ 118,256	\$ 315,898	\$ 434,154

Statement of Changes in Fiduciary Net Position

Plan Activity	<u>Supplemental</u>	<u>Single Highest Year</u>	<u>Total</u>
Additions:			
Interest	\$ 4,249	\$ 11,288	\$ 15,537
Total Additions	4,249	11,288	15,537
Deductions:			
Benefits	19,646	48,730	68,376
Total Deductions	19,646	48,730	68,376
Change in net position	(15,397)	(37,442)	(52,839)
Net Position Held in Trust for Pension Benefits:			
Opening balance July 1, 2012	133,653	353,340	486,993
Ending balance June 30, 2013	\$ 118,256	\$ 315,898	\$ 434,154

Note 8: Retirement Plans and Other Post Employment Benefits (Continued)

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 2013, the City paid \$135,963 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 2013, the City contribution paid to PERS was \$104,863. Plan members receiving benefits paid \$682,567.

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 2013. Therefore, the City will be reimbursed for \$240,826.

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.

Note 8: Retirement Plans and Other Post Employment Benefits (Continued)

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, 2011. The next valuation will be as of July 1, 2013.

In the July 1, 2011, 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, 2011, reduced by decrements to an ultimate rate of 5% by 2016, and a fixed population of active participants. 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, 2013. 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 ending June 30, 2013, the City conducted an updated actuarial analysis of these two plans in order to be in conformance with GASB 45. The valuation date was July 1, 2011.

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.

The updated valuation resulted in a fiscal 2012-2013 projected normal cost of \$408,000 and amortization of unfunded actuarial accrued liability of (\$172,000) resulting in an actuarially required contribution for fiscal 2012-2013 of \$236,000. Actuarial valuations are performed biannually. The next actuarial valuation date will be July 1, 2013, and based on that report, a revised ARC for fiscal 2013-2014 will be determined as well as a projected ARC for fiscal 2014-2015.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 8: Retirement Plans and Other Post Employment Benefits (Continued)

The City's annual OPEB cost, the amount of annual OPEB cost contributed to the plan and the NOO for fiscal year 2012-2013, 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
6/30/2011	\$ 949,884	\$ 451,000	\$ (3,918,625)	47.48%
6/30/2012	755,979	209,000	(3,371,646)	27.65%
6/30/2013	821,596	236,000	(2,786,050)	28.72%
Annual required contributions (ARC)			\$ 236,000	
Interest on net OPEB			(238,038)	
Amortization of OPEB			<u>823,635</u>	
Annual OPEB cost			821,597	
Less: Annual contributions made			<u>236,000</u>	
Increase (decrease) in net OPEB obligation			585,597	
Net OPEB obligation (asset) - beginning of year			<u>(3,371,646)</u>	
Net OPEB obligation (asset) - end of year			<u><u>\$ (2,786,049)</u></u>	

Funded Status and Funding Programs

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

Actuarial valuations take a long-term perspective that involves the use of techniques designed to reduce volatility.

The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. 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, 2013, was \$8,312,499, which reflects a gain of \$648,025 from the prior fiscal year 2011-2012.

CITY OF MANHATTAN BEACH

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Note 8: Retirement Plans and Other Post Employment Benefits (Continued)

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
6/30/2008	Actual	7/1/2007	\$ 5,709,000	\$ -	\$ 5,709,000	0.0%	\$ 18,654,000	30.6%
6/30/2009	Estimated	7/1/2007	5,709,000	6,420,450	(711,450)	112.5%	18,654,000	(3.8%)
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%	22,191,000	(6.1%)

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, 2013, 100% of contribution is derived from employee deduction.

Total payroll for employees covered by this plan for the year was \$1,163,053. The amount of employee contribution was \$87,229.

Note 9: 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.

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.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 9: Risk Management (Continued)

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, 2013, the amount of these liabilities was \$8,916,223. The amount represents an estimate of \$5,727,204 for reported claims through June 30, 2013, and \$3,189,019 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, 2013, 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
2012	\$ 7,543,856	\$ 4,259,325	\$ (2,098,493)	\$ 9,704,688
2013	9,704,688	4,894,823	(5,683,288)	8,916,223

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, 2013, which can be obtained from Independent Cities Risk Management Authority, 1100 W. Town and Country Road Suite 1550 Orange, California 92868.

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, 2013, was 22.7%.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

Summarized audited financial information for SBRPCA at June 30, 2012*, is presented below:

Statement of Net Position

Assets	
Current assets	\$ 2,626,514
Due from other governments	8,103,883
Total Assets	<u>10,730,397</u>
Liabilities	
Current liabilities	292,806
Noncurrent liabilities	<u>737,513</u>
Total Liabilities	<u>1,030,319</u>
Net Position	<u>\$ 9,700,078</u>

Statement of Activities

Operating Revenues	\$ 8,273,036
Operating Expenses	<u>(8,889,620)</u>
Excess of Expenses Over Revenues	<u>(616,584)</u>
Non operating revenues (expenses)	
Interest earnings	<u>11,861</u>
Non operating revenues (expenses)	<u>11,861</u>
Change in net position	(604,723)
Net Position - June 30, 2012	<u>10,304,801</u>
Net Position - June 30, 2013	<u>\$ 9,700,078</u>

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

b. Jointly Governed Organization

Los Angeles Interagency Metropolitan Police Apprehension Crime Task Force

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

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

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

Summarized audited financial information for L.A. IMPACT at June 30, 2012*, is presented below:

Statement of Net Position

Assets

Current assets	\$ 7,780,576
Noncurrent assets	814,521
Total Assets	<u>8,595,097</u>

Liabilities

Current liabilities	1,931,381
Noncurrent liabilities	462,988
Total liabilities	<u>2,394,369</u>

Net Position	<u>\$ 6,200,728</u>
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Statement of Activities

Revenues	\$ 7,353,156
Expenses	<u>(8,724,601)</u>
Excess of Expenditures Over Revenues	<u>(1,371,445)</u>

Non operating revenues (expenses)

Investment earnings	18,064
Interest expense	<u>(40,414)</u>
Non operating revenues (expenses)	<u>(22,350)</u>

Change in net position	(1,393,795)
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Net Position - June 30, 2011	<u>7,594,523</u>
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Net Position - June 30, 2012	<u>\$ 6,200,728</u>
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*Most current information available. LA Impact has issued its own separate financial statements, which are available at 5700 S. Eastern Avenue, Commerce, California 90040.

Note 11: Employee 401(a) Plan

The City contributes to a 401(a) plan for its management confidential employees into which employees can make voluntary post-tax contributions. The market value of the plan assets at June 30, 2013, was \$2,249,203.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 12: 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, 2013:

Project Name	Contract Amount	Expenditures to date as of June 30, 2013	Remaining Commitments
Annual Slurry Seal 2012	\$ 390,155	\$ 337,060	\$ 53,095
Dual left-turn at Manhattan Beach Blvd and Sepulveda	39,600	12,700	26,900
Sepulveda Bridge Widening Prop C and Safetea-Lu	1,474,449	398,681	1,075,768
2011-12 Water Main Replacement	2,500,918	2,401,460	99,458
2012-13 Water Main Replacement	1,243,700	1,229,303	14,397
2nd Street Booster Pump	60,866	25,976	34,890
Water Main Repl Sepulveda Blvd & 2nd St	125,021	112,426	12,595
Pipe Repl & Fire Hydrant Install (Area 2)	112,633	13,846	98,787
Marine Ave Park Synthetic Turf	811,887	380,133	431,754
Strand Stairs Improvements	200,885	53,867	147,018
Facilities Condition Assessment	95,440	-	95,440
Greenbelt Low flow Infiltration	72,220	54,787	17,433
2012-13 Gravity Sewer Main Rehab	524,124	427,791	96,333
2011-12 through 2014-15 Sewer Manhole Rehab	277,673	57,423	220,250
2010-11 Gravity Sewer Main Rehab	172,675	139,681	32,994
Utility Underground Assessment Dist 12, 13, 14	202,300	97,515	104,785
	\$ 8,304,546	\$ 5,742,649	\$ 2,561,897

Note 13: Subsequent Events

Sale of City Manager's Home

Subsequent to the end of fiscal year 2012-2013, the jointly owned home was sold. Escrow closed on December 27, 2013. The final sale price was \$1,485,000, before a \$20,000 credit to the buyer for repairs. After accounting for costs of sale, the City received \$1,125,491, which included repayment of the loan to the City Manager (\$432,000), the City's equity in the home (\$540,000), and its share of the appreciation (\$151,871). The City Manager's loan (and accrued interest) was repaid to the General Fund.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 13: Subsequent Events (Continued)

Street Sweeping Fees Refund

In July 2013, the City discontinued collection of street sweeping fees, and commenced refunding of all fees collected between 2009 and 2013. This course of action was undertaken after legal review of the validity of such fees. The initial four year refund period coincided with the broadest interpretation of the statute of limitations. On January 21, 2014, the City Council voted to expand the street sweeping refund period from the initial four years to the period of time in which all fees were collected dating back to 2004. Those seeking refunds must complete a claim form and a release in order to receive the refund. As of December 31, 2013, approximately 2,800 refunds for the initial four year period had been processed for a total cost of \$280,491, with an average refund value of \$100.18. The process to expand the refunds from four years to the entire collection period of nine years is under review. The ultimate amount of the refunds is indeterminable at this time. However, the total potential value of all claims dating back to 2004 is estimated to be \$3.3 million. Refunds are paid from the Refuse Fund, which collected the fees since inception in 2004. To the extent the Refuse Fund cannot accommodate the total refunds, General Fund moneys are available for this purpose.



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Combining Financial Statements & Schedules

CITY OF MANHATTAN BEACH

JUNE 30, 2013

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

JUNE 30, 2013

NONMAJOR ENTERPRISE FUNDS

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

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

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

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

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds			
	Street Lighting and Landscape	Gas Tax	Asset Forfeiture	Public Safety Grants
Assets:				
Pooled cash and investments	\$ 34,725	\$ 3,074,973	\$ 928,040	\$ 156,567
Receivables:				
Accounts	6,153	104,981	-	-
Due from other governments	-	73,809	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 40,878	\$ 3,253,763	\$ 928,040	\$ 156,567
Liabilities, Deferred Inflow of Resources and Fund Balances:				
Liabilities:				
Accounts payable	\$ 40,878	\$ 35,267	\$ 10,818	\$ -
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	40,878	35,267	10,818	-
Deferred Inflow of Resources:				
Unavailable revenues	-	-	-	-
Total deferred Inflow of Resources	-	-	-	-
Fund Balances:				
Restricted for:				
Public safety	-	-	917,222	156,567
Culture and recreation	-	-	-	-
Public works	-	3,218,496	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	-	3,218,496	917,222	156,567
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 40,878	\$ 3,253,763	\$ 928,040	\$ 156,567

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

(CONTINUED)

	Special Revenue Funds			
	Federal and State Grants	Prop A	Prop C	AB 2766
Assets:				
Pooled cash and investments	\$ -	\$ 194,121	\$ 3,522,073	\$ 420,672
Receivables:				
Accounts	-	-	-	-
Due from other governments	22,488	-	306,957	11,131
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	<u>\$ 22,488</u>	<u>\$ 194,121</u>	<u>\$ 3,829,030</u>	<u>\$ 431,803</u>
Liabilities, Deferred inflow of resources and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 14,458	\$ 142,718	\$ 286,000
Deposits payable	-	-	-	-
Advances from other funds	22,488	-	-	-
Total Liabilities	<u>22,488</u>	<u>14,458</u>	<u>142,718</u>	<u>286,000</u>
Deferred inflow of resources:				
Unavailable revenues	22,488	-	114,078	-
Total deferred inflow of resources	<u>22,488</u>	<u>-</u>	<u>114,078</u>	<u>-</u>
Fund Balances:				
Restricted for:				
Public safety	-	-	-	-
Culture and recreation	-	179,663	-	-
Public works	-	-	-	145,803
Capital projects	-	-	3,572,234	-
Unassigned	<u>(22,488)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>(22,488)</u>	<u>179,663</u>	<u>3,572,234</u>	<u>145,803</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 22,488</u>	<u>\$ 194,121</u>	<u>\$ 3,714,952</u>	<u>\$ 431,803</u>

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	Measure R	Underground Assessment District	
Assets:			
Pooled cash and investments	\$ 875,937	\$ 197,449	\$ 9,404,557
Receivables:			
Accounts	-	-	111,134
Due from other governments	-	-	414,385
Restricted assets:			
Cash and investments with fiscal agents	-	390,884	390,884
Total Assets	\$ 875,937	\$ 588,333	\$ 10,320,960
Liabilities, Deferred inflow of resources and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 530,139
Deposits payable	-	1,741	1,741
Due to other funds	-	-	22,488
Total Liabilities	-	1,741	554,368
Deferred inflow of resources:			
Unavailable revenues	-	-	136,566
Total deferred inflow of resources	-	-	136,566
Fund Balances:			
Restricted for:			
Public safety	-	-	1,073,789
Culture and recreation	-	-	179,663
Public works	875,937	586,592	4,826,828
Capital projects	-	-	3,572,234
Unassigned	-	-	(22,488)
Total Fund Balances	875,937	586,592	9,630,026
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 875,937	\$ 588,333	\$ 10,320,960

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Special Revenue Funds			
	Street Lighting and Landscape	Gas Tax	Asset Forfeiture	Public Safety Grants
Revenues:				
Taxes and assessments	\$ 376,587	\$ 171,535	\$ -	\$ -
Intergovernmental	-	831,559	25,798	100,000
Charges for services	20,163	-	-	-
Use of money and property	-	22,866	6,745	897
Miscellaneous revenues	-	-	-	-
Total Revenues	396,750	1,025,960	32,543	100,897
Expenditures:				
Current:				
Public safety	-	-	109,957	137,256
Culture and recreation	-	-	-	-
Public works	638,567	284,895	-	-
Capital outlay	-	842,748	-	-
Total Expenditures	638,567	1,127,643	109,957	137,256
Excess (Deficiency) of Revenues Over (Under) Expenditures	(241,817)	(101,683)	(77,414)	(36,359)
Other Financing Sources (Uses):				
Transfers in	241,817	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	241,817	-	-	-
Net Change in Fund Balance	-	(101,683)	(77,414)	(36,359)
Fund Balances, Beginning of Year	-	3,320,179	994,636	192,926
Fund Balances, End of Year	\$ -	\$ 3,218,496	\$ 917,222	\$ 156,567

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

(CONTINUED)

	Special Revenue Funds			
	Federal and State Grants	Prop A	Prop C	AB 2766
Revenues:				
Taxes and assessments	\$ -	\$ 568,233	\$ 472,536	\$ -
Intergovernmental	-	-	204,867	42,510
Charges for services	-	10,043	-	-
Use of money and property	-	429	26,183	3,013
Miscellaneous revenues	-	16,432	-	-
Total Revenues	-	595,137	703,586	45,523
Expenditures:				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	851,071	-	-
Public works	-	-	-	295,107
Capital outlay	-	-	400,883	-
Total Expenditures	-	851,071	400,883	295,107
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(255,934)	302,703	(249,584)
Other Financing Sources (Uses):				
Transfers in	-	328,169	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	328,169	-	-
Net Change in Fund Balance	-	72,235	302,703	(249,584)
Fund Balances, Beginning of Year	(22,488)	107,428	3,269,531	395,387
Fund Balances, End of Year	\$ (22,488)	\$ 179,663	\$ 3,572,234	\$ 145,803

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds Underground Assessment District</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Measure R</u>		
Revenues:			
Taxes and assessments	\$ 353,077	\$ -	\$ 1,941,968
Intergovernmental	-	-	1,204,734
Charges for services	-	-	30,206
Use of money and property	8,161	1,553	69,847
Miscellaneous revenues	-	-	16,432
Total Revenues	361,238	1,553	3,263,187
Expenditures:			
Current:			
Public safety	-	-	247,213
Culture and recreation	-	-	851,071
Public works	-	-	1,218,569
Capital outlay	-	-	1,243,631
Total Expenditures	-	-	3,560,484
Excess (Deficiency) of Revenues Over (Under) Expenditures	361,238	1,553	(297,297)
Other Financing Sources (Uses):			
Transfers in	-	-	569,986
Transfers out	(328,169)	-	(328,169)
Total Other Financing Sources (Uses)	(328,169)	-	241,817
Net Change in Fund Balance	33,069	1,553	(55,480)
Fund Balances, Beginning of Year	842,868	585,039	9,685,506
Fund Balances, End of Year	\$ 875,937	\$ 586,592	\$ 9,630,026

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE
STREET LIGHTING AND LANDSCAPE
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Taxes and assessments	378,681	378,681	376,587	(2,095)
Charges for services	20,163	20,163	20,163	-
Transfers in	195,555	195,555	241,817	46,262
Amounts Available for Appropriation	594,399	594,399	638,567	44,168
Charges to Appropriation (Outflow):				
Public works	594,399	597,899	638,567	(40,668)
Total Charges to Appropriation	594,399	597,899	638,567	(40,668)
Budgetary Fund Balance, June 30	\$ -	\$ (3,500)	\$ -	\$ 3,500

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE

GAS TAX

YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,320,179	\$ 3,320,179	\$ 3,320,179	\$ -
Resources (Inflows):				
Taxes and assessments	155,000	155,000	171,535	16,535
Use of money and property	23,000	23,000	22,866	(134)
Intergovernmental	1,309,617	1,309,617	831,559	(478,058)
Amounts Available for Appropriation	4,807,796	4,807,796	4,346,139	(461,657)
Charges to Appropriation (Outflow):				
Public works	284,895	284,895	284,895	-
Capital outlay	585,105	3,867,180	842,748	3,024,432
Total Charges to Appropriation	870,000	4,152,075	1,127,643	3,024,432
Budgetary Fund Balance, June 30	\$ 3,937,796	\$ 655,721	\$ 3,218,496	\$ 2,562,775

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 ASSET FORFEITURE
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 994,636	\$ 994,636	\$ 994,636	\$ -
Resources (Inflows):				
Use of money and property	8,862	8,862	6,745	(2,117)
Intergovernmental	-	10,000	25,798	15,798
Amounts Available for Appropriation	1,003,498	1,013,498	1,027,179	13,681
Charges to Appropriation (Outflow):				
Public safety	216,833	275,698	109,957	165,741
Total Charges to Appropriation	216,833	275,698	109,957	165,741
Budgetary Fund Balance, June 30	\$ 786,665	\$ 737,800	\$ 917,222	\$ 179,422

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 PUBLIC SAFETY GRANTS
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 192,926	\$ 192,926	\$ 192,926	\$ -
Resources (Inflows):				
Use of money and property	1,502	1,502	897	(605)
Intergovernmental	-	50,000	100,000	50,000
Amounts Available for Appropriation	194,428	244,428	293,823	49,395
Charges to Appropriation (Outflow):				
Public safety	-	218,957	137,256	81,701
Total Charges to Appropriation	-	218,957	137,256	81,701
Budgetary Fund Balance, June 30	\$ 194,428	\$ 25,471	\$ 156,567	\$ 131,096

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION A
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 107,428	\$ 107,428	\$ 107,428	\$ -
Resources (Inflows):				
Taxes and assessments	526,390	526,390	568,233	41,843
Use of money and property	431	431	429	(2)
Charges for services	11,000	11,000	10,043	(957)
Miscellaneous	14,380	14,380	16,432	2,052
Transfers in	70,092	70,092	328,169	258,077
Amounts Available for Appropriation	729,721	729,721	1,030,734	301,013
Charges to Appropriation (Outflow):				
Culture and recreation	734,141	1,079,043	851,071	227,972
Total Charges to Appropriation	734,141	1,079,043	851,071	227,972
Budgetary Fund Balance, June 30	\$ (4,420)	\$ (349,322)	\$ 179,663	\$ 528,985

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION C
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,269,531	\$ 3,269,531	\$ 3,269,531	\$ -
Resources (Inflows):				
Taxes and assessments	436,627	436,627	472,536	35,909
Use of money and property	23,789	23,789	26,183	2,394
Intergovernmental	8,094,000	8,094,000	204,867	(7,889,133)
Amounts Available for Appropriation	11,823,947	11,823,947	3,973,117	(7,850,830)
Charges to Appropriation (Outflow):				
Capital outlay	8,715,937	10,517,694	400,883	10,116,811
Total Charges to Appropriation	8,715,937	10,517,694	400,883	10,116,811
Budgetary Fund Balance, June 30	\$ 3,108,010	\$ 1,306,253	\$ 3,572,234	\$ 2,265,981

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE

AB 2766

YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 395,387	\$ 395,387	\$ 395,387	\$ -
Resources (Inflows):				
Use of money and property	2,915	2,915	3,013	98
Intergovernmental	42,000	42,000	42,510	510
Amounts Available for Appropriation	440,302	440,302	440,910	608
Charges to Appropriation (Outflow):				
Public works	358,068	373,806	295,107	78,699
Total Charges to Appropriation	358,068	373,806	295,107	78,699
Budgetary Fund Balance, June 30	\$ 82,234	\$ 66,496	\$ 145,803	\$ 79,307

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 MEASURE R
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 842,868	\$ 842,868	\$ 842,868	\$ -
Resources (Inflows):				
Taxes and assessments	292,240	292,240	353,077	60,837
Use of money and property	2,891	2,891	8,161	5,270
Amounts Available for Appropriation	1,137,999	1,137,999	1,204,106	66,107
Charges to Appropriation (Outflow):				
Transfers out	300,092	300,092	328,169	(28,077)
Total Charges to Appropriation	300,092	300,092	328,169	(28,077)
Budgetary Fund Balance, June 30	\$ 837,907	\$ 837,907	\$ 875,937	\$ 38,030

CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,865,007	\$ 5,865,007	\$ 5,865,007	\$ -
Resources (Inflows):				
Taxes and assessments	489,662	489,662	668,425	178,763
Licenses and permits	7,000	7,000	14,536	7,536
Intergovernmental	629,497	1,142,197	-	(1,142,197)
Charges for services	658,120	658,120	683,571	25,451
Use of money and property	43,177	43,177	24,450	(18,727)
Fines and forfeitures	119,689	119,689	122,028	2,339
Miscellaneous	-	845,000	845,000	-
Transfers in	3,000,000	3,000,000	3,000,000	-
Refunding bonds issued	-	10,510,000	10,510,000	-
Bond premium	-	500,846	500,846	-
Amounts Available for Appropriation	10,812,152	23,180,698	22,233,863	(946,835)
Charges to Appropriation (Outflow):				
Culture and recreation	38,199	38,199	38,199	-
Capital outlay	4,921,242	7,894,818	1,042,444	6,852,374
Debt service:				
Principal retirement	285,000	285,000	285,000	-
Interest and administrative fees	536,050	663,495	399,279	264,216
Cost of issuance	-	159,221	150,944	8,277
Advance refunding escrow	-	821,153	821,153	-
Payment to refunded bond escrow agent	-	10,851,624	10,851,624	-
Total Charges to Appropriation	5,780,491	20,713,510	13,588,643	7,124,867
Budgetary Fund Balance, June 30	\$ 5,031,661	\$ 2,467,188	\$ 8,645,220	\$ 6,178,032

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE
 UNDERGROUND ASSESSMENT DISTRICT
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 585,039	\$ 585,039	\$ 585,039	\$ -
Resources (Inflows):				
Use of money and property	219	219	1,553	1,334
Amounts Available for Appropriation	585,258	585,258	586,592	1,334
Budgetary Fund Balance, June 30	\$ 585,258	\$ 585,258	\$ 586,592	\$ 1,334

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF FUND NET POSITION
 NON-MAJOR ENTERPRISE FUNDS
 YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds			Totals
	Stormwater	County Parking Lot	State Pier and Parking Lot	
Assets:				
Current:				
Cash and investments	\$ 1,253,279	\$ 274,913	\$ 2,094,810	\$ 3,623,002
Receivables:				
Accounts	61,128	-	-	61,128
Total Current Assets	1,314,407	274,913	2,094,810	3,684,130
Noncurrent:				
Prepaid other post-employment benefits	7,861	3,144	3,144	14,149
Capital assets - net of accumulated depreciation	4,016,324	-	-	4,016,324
Total Noncurrent Assets	4,024,185	3,144	3,144	4,030,473
Total Assets	\$ 5,338,592	\$ 278,057	\$ 2,097,954	\$ 7,714,603
Liabilities and Net Position:				
Liabilities:				
Current:				
Accounts payable	\$ 46,031	\$ 274,913	\$ 48,923	\$ 369,867
Total Current Liabilities	46,031	274,913	48,923	369,867
Total Liabilities	46,031	274,913	48,923	369,867
Net Position:				
Net investment in capital assets	4,016,324	-	-	4,016,324
Unrestricted	1,276,237	3,144	2,049,031	3,328,412
Total Net Position	5,292,561	3,144	2,049,031	7,344,736
Total Liabilities and Net Position	\$ 5,338,592	\$ 278,057	\$ 2,097,954	\$ 7,714,603

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NON-MAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds			
	<u>Stormwater</u>	<u>County Parking Lot</u>	<u>State Pier and Parking Lot</u>	<u>Totals</u>
Operating Revenues:				
Sales and service charges	\$ 345,821	\$ 671,876	\$ 529,085	\$ 1,546,782
Total Operating Revenues	345,821	671,876	529,085	1,546,782
Operating Expenses:				
Salaries	13,064	11,767	11,767	36,598
Employee benefits	7,742	6,268	6,268	20,278
Contract and professional services	97,659	26,832	264,504	388,995
Materials and services	128,237	14,995	164,083	307,315
Utilities	12,622	4,761	45,306	62,689
Administrative service charges	-	37,800	98,436	136,236
Leases and rents	-	369,531	-	369,531
Depreciation expense	143,590	-	-	143,590
Total Operating Expenses	402,914	471,954	590,364	1,465,232
Operating Income (Loss)	(57,093)	199,922	(61,279)	81,550
Nonoperating Revenues (Expenses):				
Interest revenue	2,178	-	3,834	6,012
Grant revenue	500,000	-	-	500,000
Total Nonoperating Revenues (Expenses):	502,178	-	3,834	506,012
Income (Loss) Before Transfers	445,085	199,922	(57,445)	587,562
Transfers out	-	(200,583)	-	(200,583)
Changes in Net Position	445,085	(661)	(57,445)	386,979
Net Position:				
Beginning of Year	4,847,476	3,805	2,106,476	6,957,757
End of Fiscal Year	\$ 5,292,561	\$ 3,144	\$ 2,049,031	\$ 7,344,736

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds			
	Stormwater	County Parking Lot	State Pier and Parking Lot	Totals
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 300,654	\$ 671,877	\$ 529,084	\$ 1,501,615
Cash received from/(paid to) interfund service provided	(26,387)	(40,016)	(129,540)	(195,943)
Cash paid to suppliers for goods and services	(200,953)	(360,011)	(659,897)	(1,220,861)
Cash paid to employees for services	(18,122)	(16,989)	(16,990)	(52,101)
Net Cash Provided (Used) by Operating Activities	55,192	254,861	(277,343)	32,710
Cash Flows from Non-Capital Financing Activities:				
Cash transfers from (to) other funds	-	(200,583)	-	(200,583)
Grant subsidy	500,000	-	-	500,000
Net Cash Provided (Used) by Non-Capital Financing Activities	500,000	(200,583)	-	299,417
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(660,134)	-	-	(660,134)
Net Cash Provided (Used) by Capital and Related Financing Activities	(660,134)	-	-	(660,134)
Cash Flows from Investing Activities:				
Interest received	2,179	-	3,835	6,014
Net Cash Provided (Used) by Investing Activities	2,179	-	3,835	6,014
Net Increase (Decrease) in Cash and Cash Equivalents	(102,763)	54,278	(273,508)	(321,993)
Cash and Cash Equivalents at the Beginning of the Year	1,356,042	220,635	2,368,318	3,944,995
Cash and Cash Equivalents at the End of the Year	\$ 1,253,279	\$ 274,913	\$ 2,094,810	\$ 3,623,002
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (loss)	\$ (57,093)	\$ 199,922	\$ (61,279)	\$ 81,550
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	143,590	-	-	143,590
(Increase) decrease in accounts receivable	(45,168)	-	-	(45,168)
(Increase) decrease in prepaid other post employment benefits	1,652	661	661	2,974
(Increase) decrease in accounts payable	12,211	54,278	(216,725)	(150,236)
Total Adjustments	112,285	54,939	(216,064)	(48,840)
Net Cash Provided (Used) by Operating Activities	\$ 55,192	\$ 254,861	\$ (277,343)	\$ 32,710

Non cash investing, capital, and financing activities:

During the fiscal year ending June 30, 2013, there was no noncash investing, capital, or financial activities



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CITY OF MANHATTAN BEACH

JUNE 30, 2013

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 FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2013

	Governmental Activities - Internal Service Funds				Totals
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	
Assets:					
Current:					
Cash and investments	\$ 9,896,808	\$ 390,058	\$ 3,053,423	\$ 38,698	\$ 13,378,987
Due from other governments	-	-	10,000	-	10,000
Prepaid cost	-	-	975	-	975
Inventories	-	-	-	109,883	109,883
Total Current Assets	9,896,808	390,058	3,064,398	148,581	13,499,845
Noncurrent:					
Prepaid other post-employment benefits	15,720	31,439	31,439	31,439	110,037
Capital assets - net of accumulated depreciation	-	-	4,342,773	-	4,342,773
Total Noncurrent Assets	15,720	31,439	4,374,212	31,439	4,452,810
Total Assets	\$ 9,912,528	\$ 421,497	\$ 7,438,610	\$ 180,020	\$ 17,952,655
Liabilities and Net Position:					
Liabilities:					
Current:					
Accounts payable	\$ 9,725	\$ 39,843	\$ 345,851	\$ 82,176	\$ 477,595
Lease Payable	-	-	184,499	-	184,499
Worker's compensation claims	4,995,269	-	-	-	4,995,269
Accrued claims and judgments	731,935	-	-	-	731,935
Total Current Liabilities	5,736,929	39,843	530,350	82,176	6,389,298
Noncurrent:					
Lease Payable	-	-	719,342	-	719,342
Workers' compensation claims	2,792,830	-	-	-	2,792,830
Accrued claims and judgments	396,189	-	-	-	396,189
Total Noncurrent Liabilities	3,189,019	-	719,342	-	3,908,361
Total Liabilities	8,925,948	39,843	1,249,692	82,176	10,297,659
Net Position:					
Net investment in capital assets	-	-	3,438,932	-	3,438,932
Unrestricted	986,580	381,654	2,749,986	97,844	4,216,064
Total Net Position	986,580	381,654	6,188,918	97,844	7,654,996
Total Liabilities and Net Position	\$ 9,912,528	\$ 421,497	\$ 7,438,610	\$ 180,020	\$ 17,952,655

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2013

	Governmental Activities - Internal Service Funds				Totals
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	
Operating Revenues:					
Sales and service charges	\$ 4,600,819	\$ 1,218,174	\$ 2,512,740	\$ 1,418,748	\$ 9,750,481
Miscellaneous	38	-	-	-	38
Total Operating Revenues	4,600,857	1,218,174	2,512,740	1,418,748	9,750,519
Operating Expenses:					
Salaries	103,509	530,902	215,161	213,074	1,062,646
Employee benefits	50,020	153,099	125,222	83,854	412,195
Contract and professional services	46,566	218,895	64,057	686,678	1,016,196
Materials and services	403,229	364,869	611,744	385,637	1,765,479
Utilities	8,253	2,612	-	99,838	110,703
Claims expense	3,770,133	-	-	-	3,770,133
Depreciation expense	-	-	519,906	-	519,906
Total Operating Expenses	4,381,710	1,270,377	1,536,090	1,469,081	8,657,258
Operating Income (Loss)	219,147	(52,203)	976,650	(50,333)	1,093,261
Nonoperating Revenues (Expenses):					
Gain (loss) on disposal of capital assets	-	-	(7,963)	-	(7,963)
Interest expense	-	-	(3,586)	-	(3,586)
Grant revenue	-	-	10,000	-	10,000
Total Nonoperating Revenues (Expenses):	-	-	(1,549)	-	(1,549)
Changes in Net Position	219,147	(52,203)	975,101	(50,333)	1,091,712
Net Position:					
Beginning of Year	767,433	433,857	5,213,817	148,177	6,563,284
End of Fiscal Year	\$ 986,580	\$ 381,654	\$ 6,188,918	\$ 97,844	\$ 7,654,996

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2013

	Governmental Activities - Internal Service Funds				Totals
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	
Cash Flows from Operating Activities:					
Cash received from customers and users	\$ 64,908	\$ -	\$ 47,990	\$ -	\$ 112,898
Cash received from/(paid to) interfund service provided	3,777,440	1,151,912	2,310,536	1,241,492	8,481,380
Cash paid to suppliers for goods and services	(4,260,960)	(515,035)	(275,117)	(1,022,035)	(6,073,147)
Cash paid to employees for services	(148,209)	(673,637)	(292,351)	(285,436)	(1,399,633)
Net Cash Provided (Used) by Operating Activities	(566,821)	(36,760)	1,791,058	(65,979)	1,121,498
Cash Flows from Non-Capital Financing Activities:					
Grant subsidy	-	-	10,000	-	10,000
Net Cash Provided (Used) by Non-Capital Financing Activities	-	-	10,000	-	10,000
Cash Flows from Capital and Related Financing Activities:					
Purchase of capital assets	-	-	(1,861,965)	-	(1,861,965)
Principal paid on capital debt	-	-	(45,672)	-	(45,672)
Interest paid on capital debt	-	-	(3,586)	-	(3,586)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(1,911,223)	-	(1,911,223)
Net Increase (Decrease) in Cash and Cash Equivalents	(566,821)	(36,760)	(110,165)	(65,979)	(779,725)
Cash and Cash Equivalents at the Beginning of the Year	10,463,629	426,818	3,163,588	104,677	14,158,712
Cash and Cash Equivalents at the End of the Year	\$ 9,896,808	\$ 390,058	\$ 3,053,423	\$ 38,698	\$ 13,378,987
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating Income (loss)	\$ 219,147	\$ (52,203)	\$ 976,650	\$ (50,333)	\$ 1,093,261
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	-	-	519,906	-	519,906
(Increase) decrease in due from other governments	-	-	(10,000)	-	(10,000)
(Increase) decrease in prepaid expense	-	2,300	28,280	-	30,580
(Increase) decrease in inventory	-	-	-	247	247
(Increase) decrease in prepaid post employment benefits	3,304	6,608	6,608	6608	23,128
(Increase) decrease in accounts payable	(807)	6,535	269,614	(22,501)	252,841
(Increase) decrease in claims payable	(788,465)	-	-	-	(788,465)
Total Adjustments	(785,968)	15,443	814,408	(15,646)	28,237
Net Cash Provided (Used) by Operating Activities	\$ (566,821)	\$ (36,760)	\$ 1,791,058	\$ (65,979)	\$ 1,121,498
Non cash investing, capital, and financing activities:					
Capital lease purchase of fire truck and sewer truck	\$ -	\$ -	\$ 949,513	\$ -	\$ 949,513

CITY OF MANHATTAN BEACH

JUNE 30, 2013

AGENCY FUNDS

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

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

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

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Assessment Redemption	Special Deposits	Totals
Assets:			
Pooled cash and investments	\$ 807,288	\$ 473,489	\$ 1,280,777
Receivables:			
Accounts	18,916	-	18,916
Restricted assets			
Cash and investments with fiscal agent	968,763	2,252,713	3,221,476
Total Assets	\$ 1,794,967	\$ 2,726,202	\$ 4,521,169
Liabilities:			
Accounts payable	\$ -	\$ 13,657	\$ 13,657
401(a) plan deposits	-	2,249,203	2,249,203
Other Deposits	-	49,185	49,185
Art development fees	-	414,157	414,157
Due Bond Holders	1,794,967	-	1,794,967
Total Liabilities	\$ 1,794,967	\$ 2,726,202	\$ 4,521,169

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CHANGES IN POSITION AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2013

	Balance 7/1/2012	Additions	Deductions	Balance 7/1/2013
<u>Special Assessment Redemption</u>				
Assets:				
Pooled cash and investments	\$ 732,171	\$ 1,037,149	\$ 962,032	\$ 807,288
Receivables				
Accounts	50,892	18,916	50,892	18,916
Restricted assets				
Cash and investments with fiscal agents	968,763	954,113	954,113	968,763
Total Assets	\$ 1,751,826	\$ 2,010,178	\$ 1,967,037	\$ 1,794,967
Liabilities:				
Due to bondholders	\$ 1,751,826	\$ 2,010,178	\$ 1,967,037	\$ 1,794,967
Total Liabilities	\$ 1,751,826	\$ 2,010,178	\$ 1,967,037	\$ 1,794,967
<u>Special Deposits</u>				
Assets:				
Pooled cash and investments	\$ 468,798	\$ 256,734	\$ 252,043	\$ 473,489
Restricted assets				
Cash and investments with fiscal agents	2,049,911	203,480	678	2,252,713
Total Assets	\$ 2,518,709	\$ 460,214	\$ 252,721	\$ 2,726,202
Liabilities:				
Accounts payable	\$ 11,637	\$ 35,157	\$ 33,137	\$ 13,657
401(a) plan deposits	2,045,723	203,480	-	2,249,203
Other deposits	66,552	202,217	219,584	49,185
Art Development Fees	394,797	54,517	35,157	414,157
Total Liabilities	\$ 2,518,709	\$ 495,371	\$ 287,878	\$ 2,726,202
<u>Totals - All Agency Funds</u>				
Assets:				
Pooled cash and investments	\$ 1,200,969	\$ 1,293,883	\$ 1,214,075	\$ 1,280,777
Receivables				
Accounts	50,892	18,916	50,892	18,916
Restricted assets				
Cash and investments with fiscal agents	3,018,674	1,157,593	954,791	3,221,476
Total Assets	\$ 4,270,535	\$ 2,470,392	\$ 2,219,758	\$ 4,521,169
Liabilities:				
Accounts payable	\$ 11,637	\$ 35,157	\$ 33,137	\$ 13,657
401(a) plan deposits	2,045,723	203,480	-	2,249,203
Other deposits	66,552	202,217	219,584	49,185
Art Development Fees	394,797	54,517	35,157	414,157
Due to bondholders	1,751,826	2,010,178	1,967,037	1,794,967
Total Liabilities	\$ 4,270,535	\$ 2,505,549	\$ 2,254,915	\$ 4,521,169



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Statistical Section

Statistical Section (Unaudited)

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

Contents

Exhibits

Financial Trends

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

A-2 to A-5

Revenue Capacity

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

A-6 to A-14

Debt Capacity

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

A-15 to A-18

Demographic and Economic Information

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

A-19 to A-21

Operating & Other Information

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

A-22 to A-25

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



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Statistical Section

Financial Trends

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

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

	Fiscal Year Ending				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities					
Net investment in capital assets	\$ 66,438,114	\$ 70,373,993	\$ 87,848,227	\$ 93,644,407	\$ 94,464,084
Restricted:					
Debt Service & Restricted Cash	1,721,635	19,119,420	10,676,274	2,801,554	3,255,752
Special Revenue Funds	6,007,476	5,493,705	5,659,610	5,209,486	5,291,992
Unrestricted	<u>43,126,116</u>	<u>26,283,278</u>	<u>24,859,010</u>	<u>28,892,839</u>	<u>28,048,237</u>
Total governmental activities net position	<u>\$ 117,293,341</u>	<u>\$ 121,270,396</u>	<u>\$ 129,043,121</u>	<u>\$ 130,548,286</u>	<u>\$ 131,060,065</u>
Business-type activities					
Net investment in capital assets	\$ 17,103,437	\$ 17,903,955	\$ 21,672,031	\$ 23,447,692	24,736,571
Restricted:					
Business Improvement district	396,198	427,607	461,754	536,856	555,569
Debt Service & Restricted Cash	3,922,930	3,648,074	1,400,471	1,210,265	1,210,061
Unrestricted	<u>14,230,043</u>	<u>14,842,196</u>	<u>14,888,040</u>	<u>14,310,331</u>	<u>13,556,500</u>
Total business-type activities net position	<u>\$ 35,652,608</u>	<u>\$ 36,821,832</u>	<u>\$ 38,422,296</u>	<u>\$ 39,505,144</u>	<u>\$ 40,058,701</u>
Primary government					
Net investment in capital assets	\$ 83,541,551	\$ 88,277,948	\$ 109,520,258	\$ 117,092,099	\$ 119,200,655
Restricted:					
Business Improvement district	396,198	427,607	461,754	536,856	555,569
Debt Service & Restricted Cash	5,644,565	22,767,494	12,076,745	4,011,819	4,465,813
Special Revenue Funds	6,007,476	5,493,705	5,659,610	5,209,486	5,291,992
Unrestricted	<u>57,356,159</u>	<u>41,125,474</u>	<u>39,747,050</u>	<u>43,203,170</u>	<u>41,604,737</u>
Total primary government net position	<u>\$ 152,945,949</u>	<u>\$ 158,092,228</u>	<u>\$ 167,465,417</u>	<u>\$ 170,053,430</u>	<u>\$ 171,118,766</u>

Fiscal Year Ending				
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 95,603,960	\$ 94,713,693	\$ 93,795,303	\$ 93,795,301	\$ 98,930,447
2,062,149	1,960,662	1,999,346	2,062,187	1,130,434
6,003,666	6,651,292	7,479,933	9,122,955	9,065,922
<u>27,972,613</u>	<u>29,916,356</u>	<u>31,513,669</u>	<u>29,224,129</u>	<u>31,058,162</u>
<u>\$ 131,642,388</u>	<u>\$ 133,242,003</u>	<u>\$ 134,788,251</u>	<u>\$ 134,204,572</u>	<u>\$ 140,184,965</u>
24,967,604	25,485,791	27,111,091	28,293,829	33,902,701
598,329	508,617	517,072	523,928	520,514
1,213,448	1,221,763	1,208,833	1,210,125	-
<u>12,660,558</u>	<u>12,384,155</u>	<u>13,385,526</u>	<u>17,942,198</u>	<u>21,754,310</u>
<u>\$ 39,439,939</u>	<u>\$ 39,600,326</u>	<u>\$ 42,222,522</u>	<u>\$ 47,970,080</u>	<u>\$ 56,177,525</u>
\$ 120,571,564	\$ 120,199,484	\$ 120,906,394	\$ 122,089,130	\$ 132,833,148
598,329	508,617	517,072	523,928	520,514
3,275,597	3,182,425	3,208,179	3,272,312	1,130,434
6,003,666	6,651,292	7,479,933	9,122,955	9,065,922
<u>40,633,171</u>	<u>42,300,511</u>	<u>44,899,195</u>	<u>47,166,327</u>	<u>52,812,472</u>
<u>\$ 171,082,327</u>	<u>\$ 172,842,329</u>	<u>\$ 177,010,773</u>	<u>\$ 182,174,652</u>	<u>\$ 196,362,490</u>

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

	Fiscal Year Ending				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses					
Governmental activities:					
General government	\$ 6,843,576	\$ 7,814,392	\$ 7,070,028	\$ 9,057,584	\$ 9,090,991
Public Safety	19,786,367	23,756,438	24,270,798	27,134,132	31,752,170
Culture and recreation	4,300,710	4,772,150	4,724,704	5,593,739	6,031,938
Public Works	6,596,160	10,355,400	10,380,032	19,721,241	8,675,214
Interest on long-term debt	137,993	574,108	875,519	990,298	1,178,065
Total governmental activities expenses	<u>37,664,806</u>	<u>47,272,488</u>	<u>47,321,081</u>	<u>62,496,994</u>	<u>56,728,378</u>
Business-type activities:					
Water	6,109,964	6,516,122	6,535,885	7,303,547	7,500,615
Stormwater	244,160	1,071,557	271,364	322,566	418,088
Wastewater	993,326	338,986	1,143,541	1,268,737	1,279,325
Refuse	3,147,820	3,430,815	3,692,611	3,858,401	3,888,615
Parking	1,442,174	1,476,255	1,623,963	1,973,300	2,392,802
Total business-type activities expenses	<u>11,937,444</u>	<u>12,833,735</u>	<u>13,267,364</u>	<u>14,726,551</u>	<u>15,479,445</u>
Total primary government expenses	<u>\$ 49,602,250</u>	<u>\$ 60,106,223</u>	<u>\$ 60,588,445</u>	<u>\$ 77,223,545</u>	<u>\$ 72,207,823</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General Government	\$ 5,218,843	\$ 5,311,693	\$ 5,425,563	\$ 4,535,955	\$ 4,265,277
Public Safety	2,959,681	2,877,951	2,925,278	3,433,570	4,206,318
Parks and recreation	1,726,610	1,945,432	1,965,118	2,261,707	2,336,374
Public works	1,142,592	1,277,149	1,168,167	2,673,037	2,683,443
Operating grants and contributions	2,110,230	2,571,735	2,767,865	1,933,403	2,250,606
Capital grants and contributions	2,449,473	4,795,086	5,598,244	10,923,007	679,865
Total governmental activities program revenues	<u>15,607,429</u>	<u>18,779,046</u>	<u>19,850,235</u>	<u>25,760,679</u>	<u>16,421,883</u>
Business-type activities:					
Charges for services:					
Water	6,847,731	6,776,437	6,976,473	7,227,008	6,860,563
Stormwater	377,119	346,906	345,327	353,929	338,208
Wastewater	1,008,980	1,325,721	1,310,622	1,333,639	1,275,553
Refuse	3,224,821	3,531,951	3,684,121	3,866,381	3,816,699
Parking	1,672,173	1,672,347	1,781,333	2,108,255	2,066,617
Operating grants and contributions	11,230	20,088	19,758	10,861	90,853
Capital grants and contributions	198,959	21,807	-	-	900,000
Total business-type activities program revenues	<u>13,341,013</u>	<u>13,695,257</u>	<u>14,117,634</u>	<u>14,900,073</u>	<u>15,348,493</u>
Total primary government program revenues	<u>\$ 28,948,442</u>	<u>\$ 32,474,303</u>	<u>\$ 33,967,869</u>	<u>\$ 40,660,752</u>	<u>\$ 31,770,376</u>

Exhibit A-3

Fiscal Year Ending				
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 9,528,102	\$ 10,308,925	\$ 9,464,347	\$ 9,489,937	\$ 8,659,381
29,889,347	28,879,836	30,686,086	32,190,597	33,374,733
5,811,982	5,853,076	6,018,205	5,761,135	5,798,599
8,460,078	7,906,172	8,338,105	8,369,506	8,044,071
954,861	811,710	769,374	820,494	791,358
54,644,370	53,759,719	55,276,117	56,631,669	56,668,142
7,844,741	8,214,250	8,326,398	8,523,452	8,857,744
550,234	374,513	410,188	752,257	402,914
1,938,298	1,685,881	1,692,812	1,740,453	2,024,852
4,212,176	4,282,026	4,386,842	4,205,443	4,167,310
2,082,830	2,190,580	2,352,386	2,888,269	3,385,556
16,628,279	16,747,250	17,168,626	18,109,874	18,838,376
\$ 71,272,649	\$ 70,506,969	\$ 72,444,743	\$ 74,741,543	\$ 75,506,518
\$ 3,881,178	\$ 4,085,381	\$ 3,883,959	\$ 4,223,405	\$ 4,535,499
4,299,002	4,576,210	4,765,404	4,783,038	5,172,443
2,449,945	2,577,883	3,029,554	2,805,841	2,470,359
2,492,418	2,512,225	3,440,572	4,134,599	3,792,239
2,078,062	2,224,949	1,322,867	1,183,103	1,847,316
1,105,439	1,399,366	1,504,759	2,554,310	2,032,724
16,306,044	17,376,014	17,947,115	19,684,296	19,850,580
7,380,055	7,887,900	9,557,717	12,578,908	14,916,283
347,162	360,926	347,602	352,860	345,821
1,317,713	1,820,756	2,620,669	3,087,150	3,406,077
4,082,292	4,110,342	4,189,639	4,363,739	4,426,190
2,094,179	2,544,834	3,008,206	3,396,749	3,506,309
458,769	-	19,638	33,209	69,937
-	57,398	-	-	500,000
15,680,170	16,782,156	19,743,471	23,812,615	27,170,617
\$ 31,986,214	\$ 34,158,170	\$ 37,690,586	\$ 43,496,911	\$ 47,021,197

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

	Fiscal Year Ending				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net (Expense)/Revenue					
Governmental activities	\$ (22,057,377)	\$ (28,493,442)	\$ (27,470,846)	\$ (36,736,315)	\$ (40,306,495)
Business-type activities	1,403,569	861,522	850,270	173,522	(130,952)
Total primary government net expense	<u>\$ (20,653,808)</u>	<u>\$ (27,631,920)</u>	<u>\$ (26,620,576)</u>	<u>\$ (36,562,793)</u>	<u>\$ (40,437,447)</u>
General Revenues and Other Changes					
Governmental activities:					
Taxes					
Property taxes	\$ 11,223,986	\$ 11,793,140	\$ 15,666,320	\$ 14,748,616	\$ 18,567,451
Sales taxes	7,262,693	7,903,191	8,072,906	8,104,778	8,230,387
Transient occupancy tax	2,183,162	2,449,326	3,186,359	3,665,741	3,995,411
Motor vehicle in lieu tax	1,634,713	2,472,372	835,709	2,753,900	157,143
Business license tax	2,134,588	2,316,232	2,501,180	2,464,239	2,747,098
Franchise taxes	929,251	903,490	1,149,740	1,200,503	1,168,383
Other taxes	1,009,327	1,003,916	1,001,386	788,348	439,104
Rental income	1,646,647	1,625,068	1,788,242	2,260,408	2,201,037
Investment earnings	667,020	707,298	835,352	2,075,875	2,088,549
Other	265,007	327,376	410,374	-	1,254,482
Transfers	75,000	143,000	(204,000)	26,000	(30,771)
Total governmental activities	<u>29,031,394</u>	<u>31,644,409</u>	<u>35,243,568</u>	<u>38,088,408</u>	<u>40,818,274</u>
Business-type activities:					
Investment earnings	302,082	450,702	546,197	935,323	874,003
Transfers	(75,000)	(143,000)	204,000	(26,000)	30,771
Other	-	-	-	-	-
Total business-type activities	<u>227,082</u>	<u>307,702</u>	<u>750,197</u>	<u>909,323</u>	<u>904,774</u>
Total primary government	<u>\$ 29,258,476</u>	<u>\$ 31,952,111</u>	<u>\$ 35,993,765</u>	<u>\$ 38,997,731</u>	<u>\$ 41,723,048</u>
Change in Net Position					
Governmental activities	\$ 6,974,017	\$ 3,150,967	\$ 7,772,722	\$ 1,352,093	\$ 511,779
Business-type activities	1,630,651	1,169,224	1,600,467	1,082,845	773,822
Total primary government	<u>\$ 8,604,668</u>	<u>\$ 4,320,191</u>	<u>\$ 9,373,189</u>	<u>\$ 2,434,938</u>	<u>\$ 1,285,601</u>

**Exhibit A-3
Continued**

Fiscal Year Ending				
2009	2010	2011	2012	2013
\$ (38,338,326)	\$ (36,383,705)	\$ (37,329,002)	\$ (36,947,373)	\$ (36,817,562)
(948,109)	34,906	2,574,845	5,702,741	8,332,241
<u>\$ (39,286,435)</u>	<u>\$ (36,348,799)</u>	<u>\$ (34,754,157)</u>	<u>\$ (31,244,632)</u>	<u>\$ (28,485,321)</u>
\$ 19,930,492	\$ 20,006,558	\$ 19,791,425	\$ 20,408,314	\$ 21,626,173
7,436,912	7,646,109	8,148,688	8,788,599	9,103,160
3,507,775	3,174,319	3,229,823	3,240,364	3,881,174
105,883	108,815	118,296	95,915	18,887
2,767,070	2,783,641	2,844,066	3,018,177	3,124,644
1,185,406	1,220,171	1,289,443	1,335,815	1,471,197
325,001	356,367	473,275	521,274	587,399
2,021,352	1,925,895	2,029,355	2,087,648	2,406,174
1,385,481	476,463	696,066	603,334	226,951
145,047	150,229	148,451	151,219	151,613
110,230	134,753	106,362	99,884	200,583
<u>38,920,649</u>	<u>37,983,320</u>	<u>38,875,250</u>	<u>40,350,543</u>	<u>42,797,955</u>
439,576	260,234	153,713	144,701	56,266
(110,230)	(134,753)	(106,362)	(99,884)	(200,583)
-	-	-	-	19,521
<u>329,346</u>	<u>125,481</u>	<u>47,351</u>	<u>44,817</u>	<u>(124,796)</u>
<u>\$ 39,249,995</u>	<u>\$ 38,108,801</u>	<u>\$ 38,922,601</u>	<u>\$ 40,395,360</u>	<u>\$ 42,673,159</u>
\$ 582,323	\$ 1,599,615	\$ 1,546,248	\$ 3,403,170	\$ 5,980,393
(618,763)	160,387	2,622,196	5,747,558	8,207,445
<u>\$ (36,440)</u>	<u>\$ 1,760,002</u>	<u>\$ 4,168,444</u>	<u>\$ 9,150,728</u>	<u>\$ 14,187,838</u>

Source: City of Manhattan Beach Finance Department Historical CAFRs

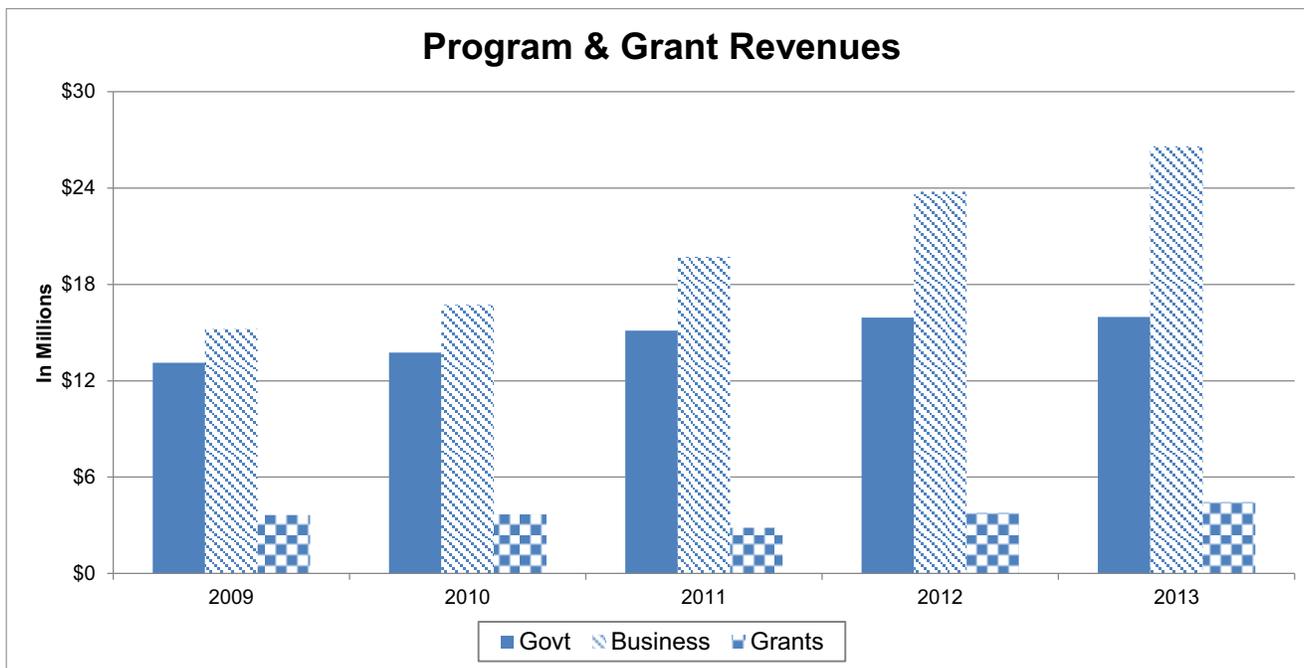


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City of Manhattan Beach
Program Revenues by Function/Program,
Last Five Fiscal Years
(accrual basis of accounting)

Exhibit A-4

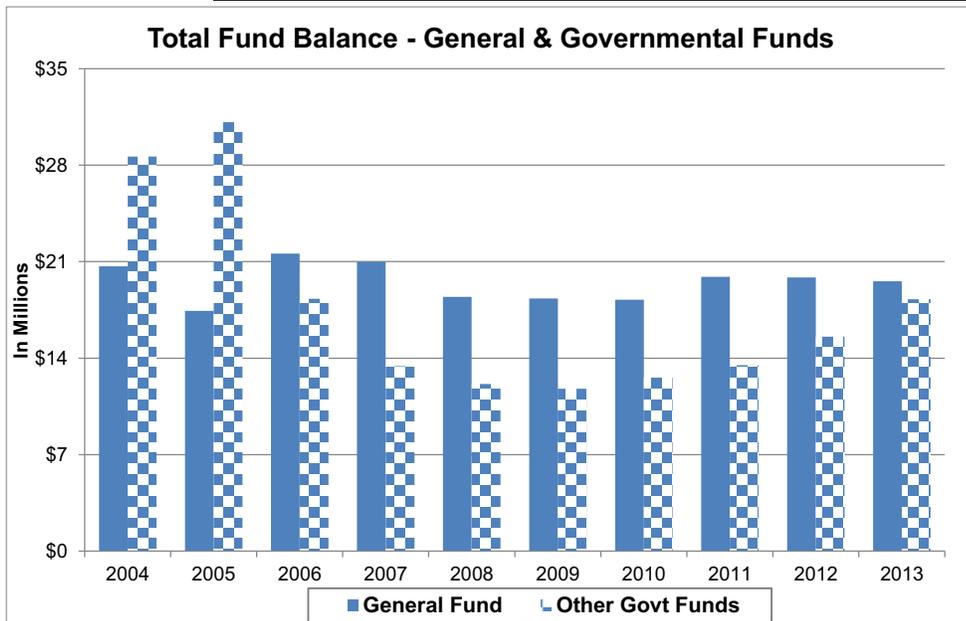
	Fiscal Year				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General Government	\$ 3,881,178	\$ 4,085,381	\$ 3,883,959	\$ 4,223,405	\$ 4,535,499
Public Safety	4,299,002	4,576,210	4,765,404	4,783,038	5,172,443
Culture and recreation	2,449,945	2,577,883	3,029,554	2,805,841	2,470,359
Public works	2,492,418	2,512,225	3,440,572	4,134,599	3,792,239
Operating grants and contributions	2,078,062	2,224,949	1,322,867	1,183,103	1,847,316
Capital grants and contributions	1,105,439	1,399,366	1,504,759	2,554,310	2,032,724
Total governmental activities program revenues	16,306,044	17,376,014	17,947,115	19,684,296	19,850,580
Business-type activities:					
Charges for services:					
Water	7,380,055	7,887,900	9,557,717	12,578,908	14,916,283
Stormwater	347,162	360,926	347,602	352,860	345,821
Wastewater	1,317,713	1,820,756	2,620,669	3,087,150	3,406,077
Refuse	4,082,292	4,110,342	4,189,639	4,363,739	4,426,190
Parking	2,094,179	2,544,834	3,008,206	3,396,749	3,506,309
Operating grants and contributions	458,769	-	19,638	33,209	69,937
Capital grants and contributions	-	57,398	-	-	500,000
Total business-type activities program revenues	15,680,170	16,782,156	19,743,471	23,812,615	27,170,617
Total primary government program revenues	\$ 31,986,214	\$ 34,158,170	\$ 37,690,586	\$ 43,496,911	\$ 47,021,197



Source: City of Manhattan Beach Finance department historical CAFRs

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

	Fiscal Year Ending				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund					
Reserved					
Debt service & restricted cash	\$ 62,496	\$ 49,300	\$ 404,204	\$ 972,422	\$ 1,355,530
Encumbrances & other items	373,242	1,025,189	646,111	507,096	495,646
Unreserved	20,231,796	16,365,761	20,528,738	19,499,495	16,585,982
Nonspendable					
Prepaid costs					
Notes and loans					
Restricted					
Debt service & restricted cash					
Unassigned					
Total General fund	20,667,534	17,440,250	21,579,053	20,979,013	18,437,158
All Other Governmental Funds					
Reserved					
Continuing Projects	3,894,588	7,795,003	9,916,842	6,094,070	4,642,305
Debt service & restricted cash	1,579,976	19,170,120	935,696	817,081	817,076
Encumbrances & other items	268,195	8,148	218,926	9,427	40,925
Unreserved, reported in:					
Special revenue funds	3,022,824	2,438,704	2,111,598	2,842,097	2,748,609
Capital projects funds	19,864,825	1,715,536	5,115,277	3,657,446	3,878,706
Nonspendable					
Notes and loans					
Advances to other funds					
Restricted					
Public safety					
Parks and recreation					
Public works					
Capital projects					
Debt service					
Committed					
Capital projects					
Unassigned					
Total all other governmental funds	28,630,408	31,127,511	18,298,339	13,420,121	12,127,621
Total all governmental funds	\$ 49,297,942	\$ 48,567,761	\$ 39,877,392	\$ 34,399,134	\$ 30,564,779



Source: City of Manhattan Beach Finance department historical CAFRs

		Fiscal Year Ending							
		<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>			
\$	1,244,971	\$	1,143,587						
	373,980		213,938						
	16,710,818		16,888,308						
				\$	19,519	\$	48,989	\$	42,514
					432,000		432,000		432,000
					1,182,271		1,245,112		1,130,434
					18,270,832		18,134,492		17,983,812
	18,329,769		18,245,833		19,904,622		19,860,593		19,588,760
	4,618,592		6,755,397						
	817,178		817,075						
	71,887		393,852						
	2,340,055		2,692,575						
	3,934,840		1,925,704						
					42,744		38,336		45,052
					1,073,000		771,100		469,200
					1,247,014		1,187,562		1,073,789
					80,284		107,428		179,663
					3,324,947		4,558,434		4,826,828
					2,827,688		3,269,531		3,572,234
					817,075		817,075		8,278
					4,089,866		4,823,535		8,122,690
					(22,488)		(22,488)		(22,488)
	11,782,552		12,584,603		13,480,130		15,550,513		18,275,246
\$	30,112,321	\$	30,830,436	\$	33,384,752	\$	35,411,106	\$	37,864,006



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Statistical Section

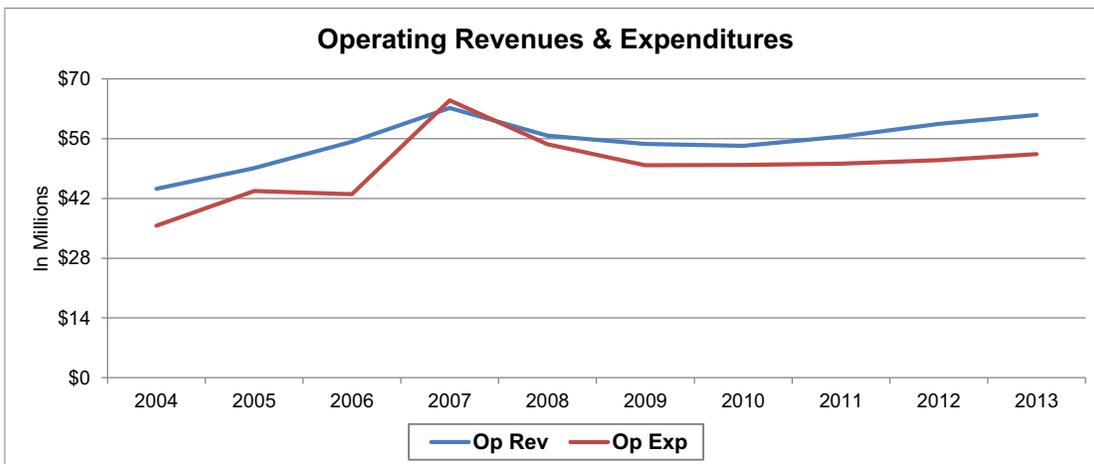
Revenue Capacity

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

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

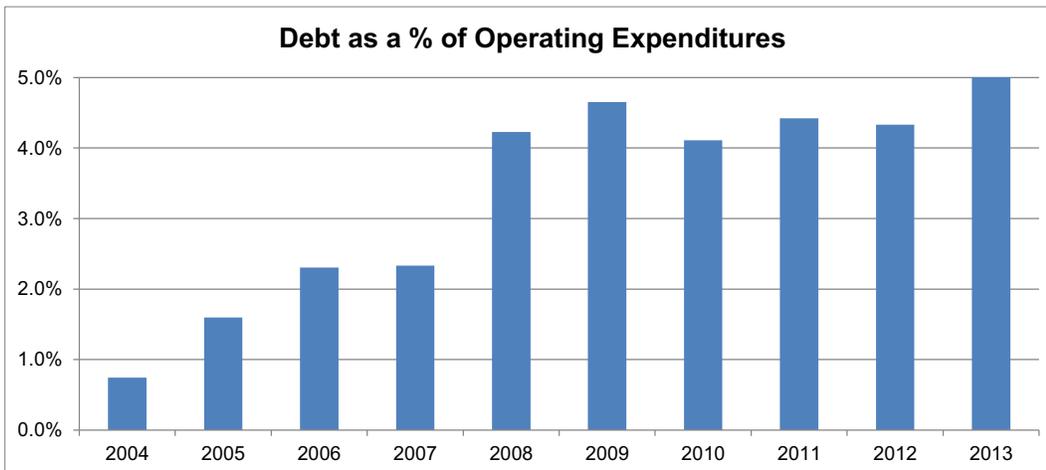
	Fiscal Year Ending				
	2004	2005	2006	2007	2008
Revenues					
Tax and assessments	\$ 27,381,711	\$ 26,907,138	\$ 33,026,089	\$ 35,261,246	\$ 36,933,447
Licenses, fees, and permits	1,643,682	1,560,346	1,810,681	1,686,922	1,463,207
Intergovernmental	3,639,236	4,623,276	2,994,138	3,007,764	2,147,817
Charges for services	6,454,314	7,218,915	7,400,197	7,812,110	8,013,155
Interest and Rents	3,094,363	2,863,553	3,354,041	3,845,001	3,939,191
Fines and forfeitures	2,294,535	1,910,757	1,895,506	2,153,078	2,169,402
Contributions from property owner	-	3,372,891	3,147,739	8,498,306	-
Net change fair value investments	(671,517)	(30,777)	(192,026)	353,642	350,394
Other revenues	436,260	705,588	1,863,937	553,241	1,707,735
Total revenues	44,272,584	49,131,687	55,300,302	63,171,310	56,724,348
Expenditures					
General government	6,636,125	7,120,760	7,452,850	8,646,822	9,808,544
Public Safety	19,719,804	22,735,205	24,020,705	33,302,747	31,354,970
Culture and recreation	3,989,250	4,592,628	4,680,871	5,328,693	6,027,462
Public works	5,297,262	9,303,463	6,819,825	17,737,634	7,500,615
Total operating expenditures	35,642,441	43,752,056	42,974,251	65,015,896	54,691,591
Excess of revenue over expenditures	8,630,143	5,379,631	12,326,051	(1,844,586)	2,032,757
Capital outlay	7,751,990	18,382,798	19,965,439	7,764,994	3,405,258
Debt service					
Interest	87,055	524,158	822,862	1,035,878	1,178,066
Principal	180,000	185,000	190,000	515,000	1,235,000
Cost of Issuance	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Total Non Operating expenditures	8,019,045	19,091,956	20,978,301	9,315,872	5,818,324
Excess of revenues over expenditures	611,098	(13,712,325)	(8,652,250)	(11,160,458)	(3,785,567)
Other financing sources (Uses)					
Bonds issued	-	12,980,000	-	6,634,179	-
Premium on bonds issues	-	186,055	-	163,120	-
Refunding Lease	-	-	-	-	-
Capital Contribution	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	18,919,651	11,647,938	841,116	4,179,102	215,047
Transfers out	(18,844,651)	(12,554,938)	(1,045,116)	(5,497,006)	(263,835)
Other financing sources	-	-	-	-	-
Other financing uses	-	-	-	-	-
Total other financing sources (uses)	75,000	12,259,055	(204,000)	5,479,395	(48,788)
Prior Period Adjustment	-	-	165,882	202,807	-
Net change in fund balances	686,098	(1,453,270)	(8,690,368)	(5,478,256)	(3,834,355)

Debt - % of Operating Expenditures & Debt 0.7% 1.6% 2.3% 2.3% 4.2%



Source: City of Manhattan Beach Finance Department Historical CAFRs

Fiscal Year Ending					
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$	36,839,471	\$ 36,582,239	\$ 37,697,637	\$ 39,389,241	\$ 42,273,666
	1,200,529	1,200,347	1,289,183	1,418,230	1,513,821
	2,072,660	2,638,044	1,749,382	2,566,478	1,599,821
	8,202,164	8,291,275	9,396,606	9,706,289	9,202,436
	3,607,997	2,344,105	2,723,666	2,692,576	2,633,124
	2,400,483	2,984,868	2,867,072	2,805,559	2,588,865
	-	-	-	-	-
	(201,163)	58,253	(21,680)	(21,265)	(95,900)
	634,524	192,965	751,112	878,475	1,867,612
	54,756,665	54,292,096	56,452,978	59,435,583	61,583,445
	9,215,265	9,785,663	8,660,865	8,560,273	9,101,953
	28,727,983	28,461,175	29,176,141	30,449,560	30,470,567
	5,599,052	5,699,228	6,192,471	5,552,632	5,680,001
	6,207,990	5,923,828	6,149,939	6,369,092	7,155,292
	49,750,290	49,869,894	50,179,416	50,931,557	52,407,813
	5,006,375	4,422,202	6,273,562	8,504,026	9,175,632
	3,124,353	1,705,513	1,510,341	4,272,496	2,485,027
	1,192,716	811,711	896,096	820,494	640,413
	1,235,000	1,325,000	1,425,000	1,485,000	2,985,000
	-	-	-	-	150,944
	-	-	-	-	821,153
	5,552,069	3,842,224	3,831,437	6,577,990	7,082,537
	(545,694)	579,978	2,442,125	1,926,036	2,093,095
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	3,006	3,384	5,829	434	-
	331,183	424,211	830,712	3,353,075	3,770,569
	(220,953)	(289,458)	(724,350)	(3,253,191)	(3,569,986)
	-	-	-	-	11,010,846
	-	-	-	-	(10,851,624)
	113,236	138,137	112,191	100,318	359,805
	(20,000)				
	(452,458)	718,115	2,554,316	2,026,354	2,452,900
	4.7%	4.1%	4.4%	4.3%	6.5%



Source: City of Manhattan Beach Finance Department Historical CAFRs



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City of Manhattan Beach
Taxes & Assessment Revenues by Source, Governmental Funds, and Assessment
Last Ten Fiscal Years

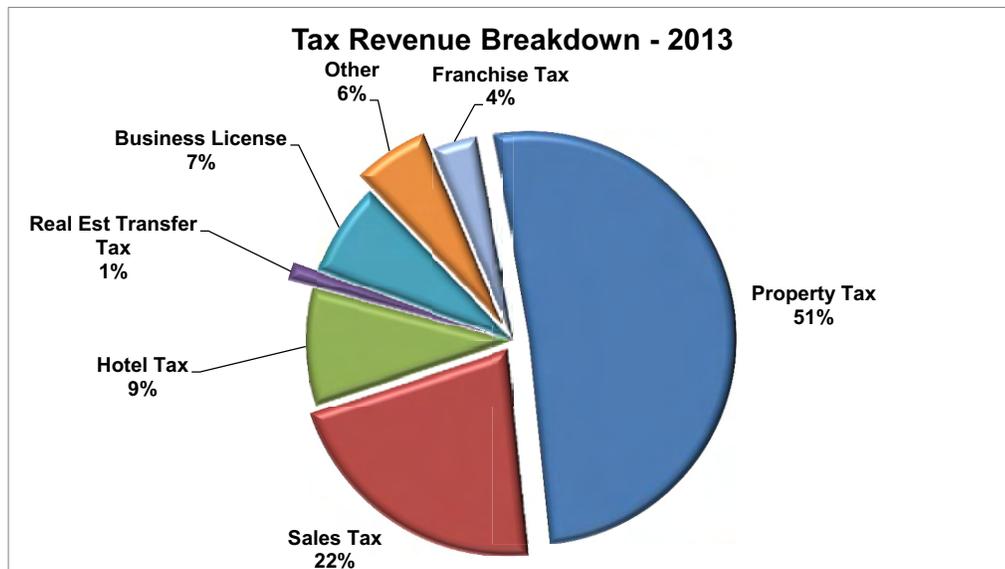
Exhibit A-7

(modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales & Use</u>	<u>Hotel</u>	<u>Franchise</u>	<u>Real Est Transfer</u>	<u>Business License</u>	<u>Admissions</u>	<u>Other Taxes Assessments</u>	<u>Total</u>
2013	\$ 21,626,173	\$ 9,103,160	\$ 3,881,174	\$ 1,471,197	\$ 587,399	\$ 3,124,644	\$ -	\$ 2,479,919	\$ 42,273,666
2012	20,408,314	8,788,599	3,240,364	1,335,815	521,274	3,018,177	-	2,076,698	39,389,241
2011	19,791,425	8,148,688	3,229,823	1,289,443	473,280	2,844,066	-	1,920,912	37,697,637
2010	20,006,558	7,301,378	3,174,319	1,220,171	356,367	2,783,641	-	1,739,805	36,582,239
2009	19,930,492	7,480,516	3,507,774	1,185,406	325,001	2,767,070	-	1,643,212	36,839,471
2008	18,567,451	8,230,387	3,995,411	1,168,383	450,299	2,747,098	-	1,774,418	36,933,447
2007	17,116,975	8,416,844	3,665,741	1,200,503	788,347	2,464,239	-	1,608,597	35,261,246
2006	15,523,154	8,557,986	3,186,359	1,149,740	668,242	2,468,067	-	1,472,541	33,026,089
2005	11,652,108	7,581,885	2,449,326	903,490	688,616	2,285,524	-	1,346,189	26,907,138
2004	11,090,838	7,550,378	2,183,163	929,251	721,502	2,134,588	140	2,771,851	27,381,711

Change
2004-2013

95.0%	20.6%	77.8%	58.3%	-18.6%	46.4%	-100.0%	-10.5%	54.4%
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**City of Manhattan Beach
 Assessed Value and Estimated Actual Value of Taxable Property,
 Last Ten Fiscal Years**

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property	Total Assessed Value
2004	\$ 6,300,479,116	\$ 585,254,193	\$ 247,401,995	\$ 744,055,059	\$ 7,877,190,363
2005	6,895,415,748	369,922,480	260,299,961	1,017,547,074	8,543,185,263
2006	7,674,008,480	714,543,660	265,885,057	753,424,800	9,407,861,997
2007	8,572,299,055	745,453,370	219,928,225	711,825,301	10,249,505,951
2008	9,427,136,444	796,972,539	224,326,781	737,961,261	11,186,397,025
2009	10,136,131,042	847,686,744	280,998,547	758,566,064	12,023,382,397
2010	10,279,360,710	870,969,553	286,618,511	760,569,467	12,197,518,241
2011	10,310,125,299	857,387,446	272,285,842	798,171,374	12,237,969,961
2012	10,639,403,753	900,787,632	355,749,068	624,994,067	12,520,934,520

Exhibit A-8

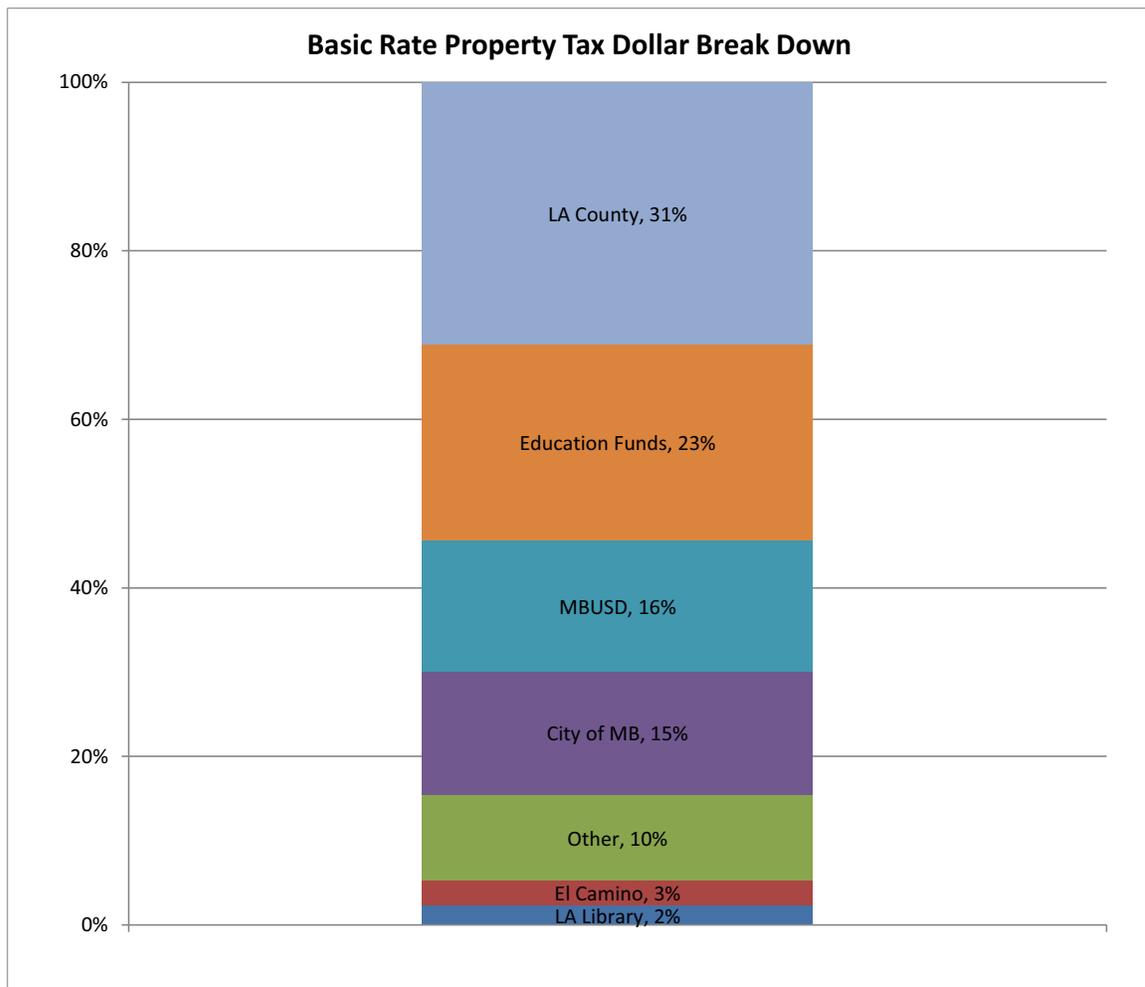
	Tax-Exempt Property	Total Direct Tax Rate	Net Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
\$	305,420,714	0.16632%	\$ 7,554,435,006	104.272%
	305,194,535	0.14283%	8,216,800,523	103.972%
	305,194,535	0.15692%	9,080,889,082	103.601%
	301,140,884	0.15697%	9,925,464,834	103.265%
	301,140,740	0.15793%	10,861,350,753	102.993%
	301,140,740	0.15857%	11,697,899,600	102.782%
	301,140,740	0.15842%	11,871,677,111	102.745%
	301,140,740	0.15619%	11,913,602,319	102.723%
	301,140,740	0.15928%	12,190,853,653	102.708%



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

Fiscal Year	City Direct Rates		Overlapping Rates						
	General Levy (Basic Rate)	Total Direct Rate	LA County	Colleges & School Districts	Metro Water District	Flood Control District	Total Overlap Rate	General Levy	Total Rate
2004	1.00000%	0.16632%	0.00099	0.05938	0.00610	0.00047	0.06694	1.00000	1.06694
2005	1.00000%	0.16664%	0.00092	0.05610	0.00580	0.00024	0.06306	1.00000	1.06306
2006	1.00000%	0.16706%	0.00080	0.05639	0.00520	0.00005	0.06244	1.00000	1.06244
2007	1.00000%	0.16733%	0.00066	0.07425	0.00470	0.00005	0.07966	1.00000	1.07966
2008	1.00000%	0.16758%	0.00000	0.05350	0.00450	0.00000	0.05800	1.00000	1.05800
2009	1.00000%	0.15857%	0.00000	0.11758	0.00430	0.00000	0.12188	1.00000	1.12188
2010	1.00000%	0.15842%	0.00000	0.11146	0.00430	0.00000	0.11576	1.00000	1.11576
2011	1.00000%	0.15619%	0.00000	0.14514	0.00370	0.00000	0.14884	1.00000	1.14884
2012	1.00000%	0.15928%	0.00000	0.11600	0.00370	0.00000	0.11970	1.00000	1.11970
2013	1.00000%	0.15951%	0.00000	0.15541	0.00350	0.00000	0.15891	1.00000	1.15891



Source: HDL Coren Cone

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

<u>Taxpayer</u>	2013	
	<u>Net Value</u>	<u>Percentage of Total City Net Value</u>
Northrop Grumman Systems Corp	\$ 209,152,828	1.65%
Reef America Reit II Corporation BBB	160,724,706	1.26%
CRP MB Studios LLC	138,000,000	1.09%
Parstem Realty Company Inc.	66,855,425	0.53%
Host Marriott Corporation Interstate	64,682,576	0.51%
1230 and 1240 Rosecrans Ave H	58,700,000	0.46%
Sketchers USA Inc.	40,155,113	0.32%
RIMB LLC	30,674,500	0.24%
St. Paul Properties Inc.	30,587,884	0.24%
Hughes Aircraft Employees FCU	27,965,671	0.22%
Top Ten Total	\$ 827,498,703	6.5%
City Total	\$ 12,713,329,765	

<u>Taxpayer</u>	2004	
	Net Value	Percentage of Total City Net Value
Northrop Grumman Systems Corp	\$ 204,799,125	2.71%
Shamrock MBS LLC	135,167,435	1.79%
Reef America Reit II Corporation BBB	104,880,689	1.39%
HSOV Manhattan Towers LP	61,866,280	0.82%
Pastem Realty Company Inc.	57,979,543	0.77%
TRW Inc	53,972,268	0.71%
Host Marriott Corporation Interstate	35,280,000	0.47%
Sanko Nakayama International Inc.	28,754,854	0.38%
St Paul Properties Inc.	26,526,972	0.35%
Sketchers USA	20,695,141	0.27%
	<u>\$ 729,922,307</u>	<u>9.7%</u>
	<u><u>\$ 7,554,435,006</u></u>	

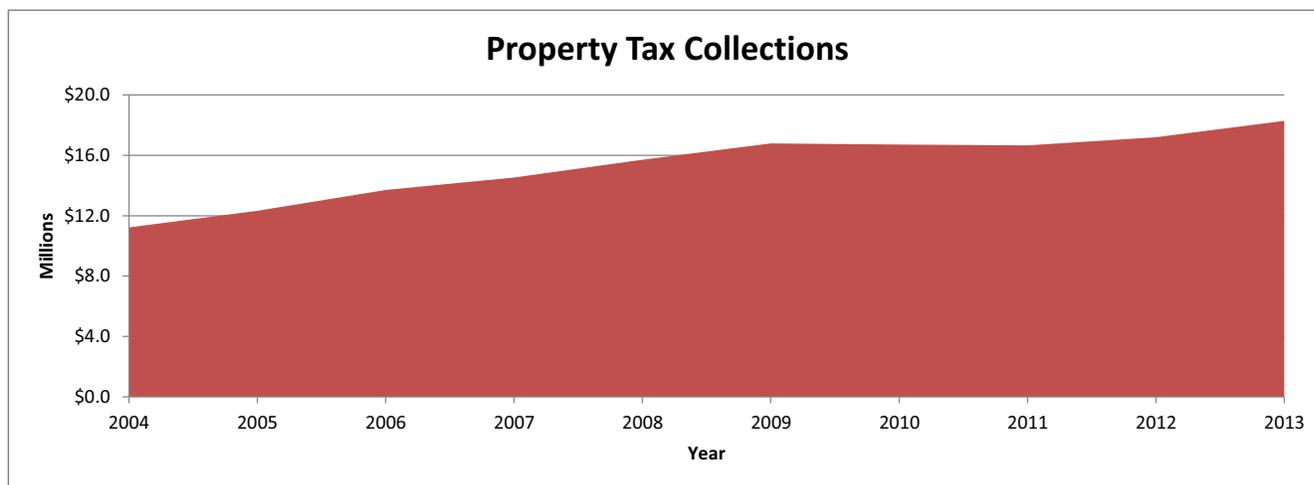


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**City of Manhattan Beach
Property Tax Levies and Collections,
Last Ten Fiscal Years**

Exhibit A-11

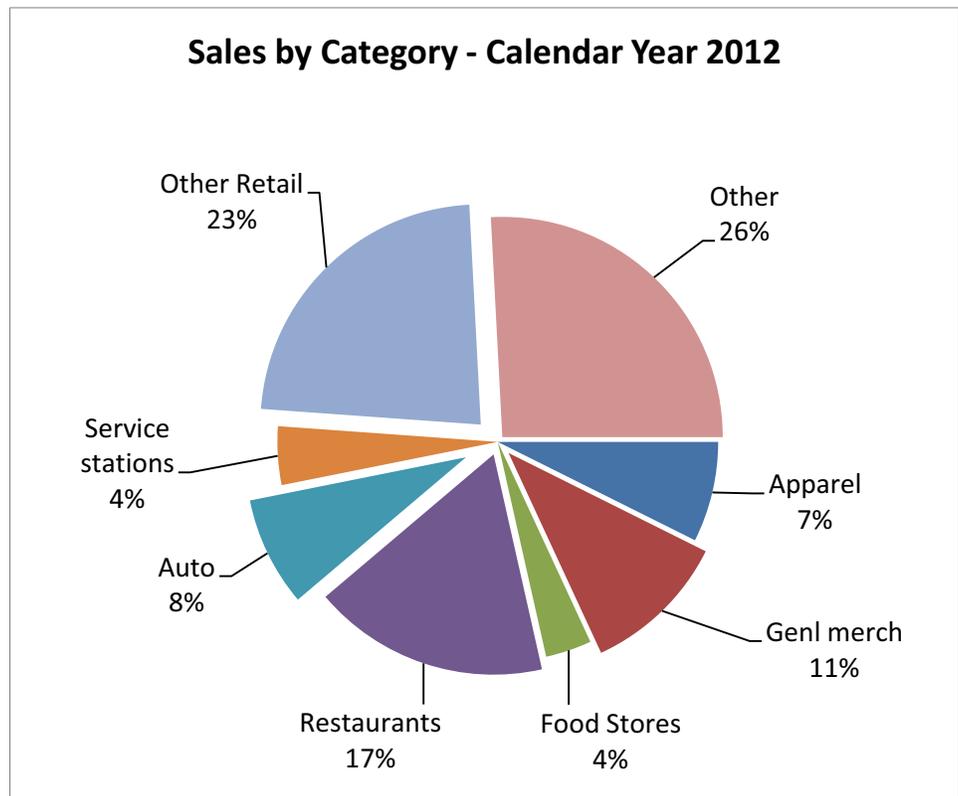
Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Prior Year	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2004	\$ 10,713,583	\$ 10,335,067	96.47%	\$ 750,974	\$ -	\$ 11,223,986	104.76%
2005	11,677,784	11,336,153	97.07%	923,375	-	12,326,299	105.55%
2006	12,944,802	12,527,975	96.78%	1,176,979	-	13,704,954	105.87%
2007	14,197,925	13,311,119	93.75%	1,219,824	-	14,530,943	102.35%
2008	15,564,989	14,643,132	94.08%	1,065,305	-	15,708,437	100.92%
2009	16,795,932	15,888,783	94.60%	902,280	4,869	16,791,063	99.97%
2010	17,041,081	16,054,348	94.21%	661,930	324,804	16,716,278	98.09%
2011	16,836,854	16,056,305	95.36%	604,649	175,900	16,660,953	98.96%
2012	17,529,077	16,865,345	96.21%	334,117	329,615	17,199,461	98.12%
2013	18,294,098	17,716,515	96.84%	569,183	8,400	18,285,698	99.95%



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

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

	Calendar Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Apparel stores	\$ 58,444	\$ 67,461	\$ 70,615	\$ 74,287	\$ 73,592
General merchandise	105,563	108,221	109,957	114,830	118,872
Food stores	30,835	30,922	31,129	32,182	31,484
Eating and drinking establishments	113,063	119,620	128,111	137,008	139,375
Auto dealers and supplies	55,529	75,279	80,594	76,340	78,480
Service stations	24,860	29,620	34,473	34,574	33,605
Other retail stores	202,751	206,341	214,491	225,199	227,525
All other outlets	117,163	127,342	130,812	124,896	124,841
Total	<u>\$ 708,208</u>	<u>\$ 764,806</u>	<u>\$ 800,182</u>	<u>\$ 819,316</u>	<u>\$ 827,774</u>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%



Source: State Board of Equalization HDL Coren Cone

Calendar Year				
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 68,451	\$ 62,034	\$ 66,433	\$ 69,484	\$ 71,573
113,037	104,610	101,306	103,507	104,250
32,029	32,191	31,578	31,958	32,790
144,266	140,603	145,680	156,015	168,416
73,144	63,329	57,912	68,912	78,118
37,505	28,354	29,078	34,709	41,655
220,122	203,130	223,346	225,819	223,704
<u>123,682</u>	<u>104,140</u>	<u>173,205</u>	<u>225,579</u>	<u>250,941</u>
<u>\$ 812,236</u>	<u>\$ 738,391</u>	<u>\$ 828,538</u>	<u>\$ 915,983</u>	<u>\$ 971,447</u>
1.00%	1.00%	1.00%	1.00%	1.00%

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

Exhibit A-13

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>L.A. County</u>
2013	1.00%	.25%
2012	1.00%	.25%
2011	1.00%	.25%
2010	1.00%	.25%
2009	1.00%	.25%
2008	1.00%	.25%
2007	1.00%	.25%
2006	1.00%	.25%
2005	1.00%	.25%
2004	1.00%	.25%

Source: State of California Board of Equalization

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

Exhibit A-14

Tax Remitter

2013

Apple Store
Arco
Barnes & Noble
BevMo
Chevron
Circle K
CVS Pharmacy
Dewitt Petroleum
Frys Electronics
Houston's
Macys
Manhattan Beach Marriott
Manhattan Beach Toyota Scion
Old Navy
Olive Garden
Pottery Barn
Power Pre Owned Auto Center of South Bay
Ralphs
REI
Sephora
Sketchers
Strand House Strandbar
Target
Tin Roof Bistro
Trader Joes

2004

Barnes & Noble
Bristol Farms
California Pizza Kitchen
Chase Auto Leasing Corporation
Chevron
Frys Electronics
Gateway Country
Houston's
Kwik Gas
Macys
Manhattan Beach Marriott
Manhattan Beach Toyota Scion
Mercedes Benz of South Bay
Office Depot
Old Navy
Olive Garden
Ralphs
REI
Sav On
Sketchers
Target
Toyota Motor Credit Corporation
Trader Joes
TRW Space & Electronics
Williams Sonoma

* Listed Alphabetically



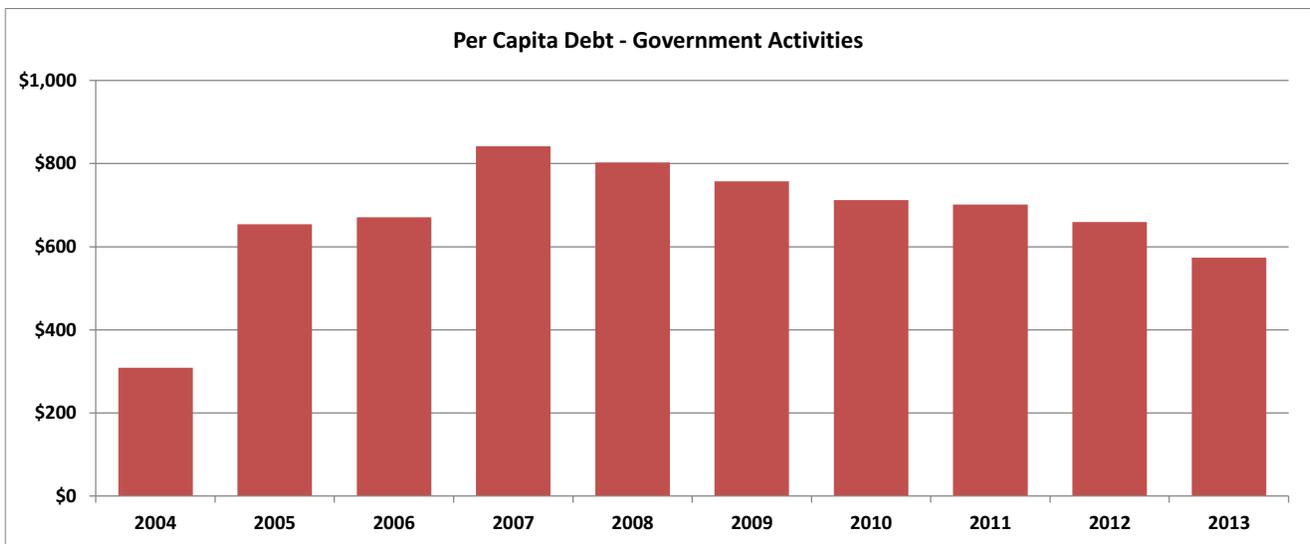
Statistical Section

Debt Capacity

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

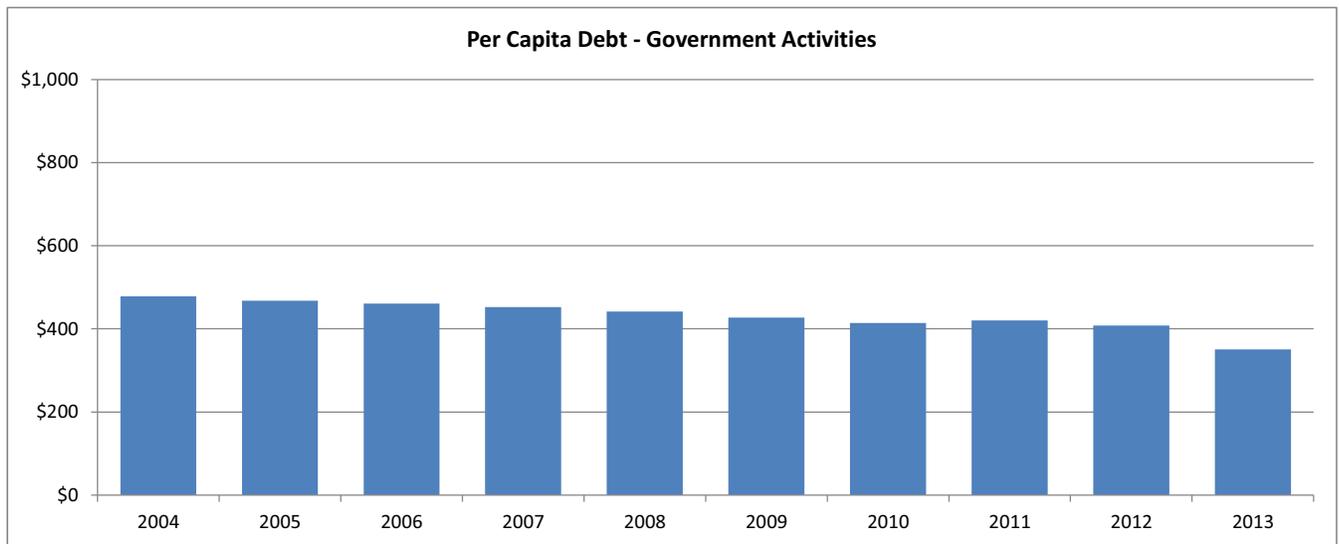
**City of Manhattan Beach
 Ratios of Outstanding Debt by Type,
 Last Ten Fiscal Years**

Fiscal Year	RCC Facility	Governmental Activities						Total Per Capita
		Pension Obligation Bonds	Marine Certificates of Participation	Police/Fire Certificates of Participation	Police/Fire Refunding Bonds	Capital Leases	Total Governmental	
2004	\$ 2,045,000	\$ -	\$ 9,155,000	\$ -	\$ -	\$ 62,495	\$ 11,262,495	309
2005	1,975,000	-	8,970,000	12,980,000	-	-	23,925,000	654
2006	1,905,000	-	8,780,000	12,980,000	-	720,693	24,385,693	671
2007	1,830,000	6,800,000	8,580,000	12,740,000	-	558,370	30,508,370	842
2008	1,750,000	6,095,000	8,375,000	12,495,000	-	390,008	29,105,008	803
2009	1,670,000	5,400,000	8,165,000	12,245,000	-	215,949	27,695,949	757
2010	1,585,000	4,635,000	7,945,000	11,990,000	-	35,807	26,190,807	712
2011	1,495,000	3,795,000	7,715,000	11,725,000	-	-	24,730,000	702
2012	1,445,000	2,870,000	7,480,000	11,450,000	-	-	23,245,000	660
2013	-	1,860,000	7,235,000	-	10,510,000	903,841	20,508,841	574



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

Business-type Activities						Total		
Utility Revenue	Metlox Certificates of Participation	Utility Refunding Bonds	Metlox Refunding Bonds	Total Business Type	Total Per Capita	Total Primary Government	Percentage of Personal Income	Total Per Capita
\$ 4,105,000	\$ 13,350,000	\$ -	\$ -	\$ 17,455,000	\$479	\$ 28,717,495	1.22%	\$ 788
4,015,000	13,095,000	-	-	17,110,000	468	41,035,000	1.68%	1,122
3,920,000	12,835,000	-	-	16,755,000	461	41,140,693	1.63%	1,131
3,820,000	12,570,000	-	-	16,390,000	452	46,898,370	1.81%	1,294
3,715,000	12,300,000	-	-	16,015,000	442	45,120,008	1.67%	1,244
3,605,000	12,020,000	-	-	15,625,000	427	43,320,949	1.63%	1,184
3,490,000	11,735,000	-	-	15,225,000	414	41,415,807	1.56%	1,126
3,370,000	11,435,000	-	-	14,805,000	420	39,535,000	1.49%	1,122
3,240,000	11,125,000	-	-	14,365,000	408	37,610,000	1.41%	1,067
-	-	2,680,000	9,850,000	12,530,000	351	33,038,841	1.24%	924



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



City of Manhattan Beach
Direct and Overlapping Governmental Activities Debt
As of June 30, 2013

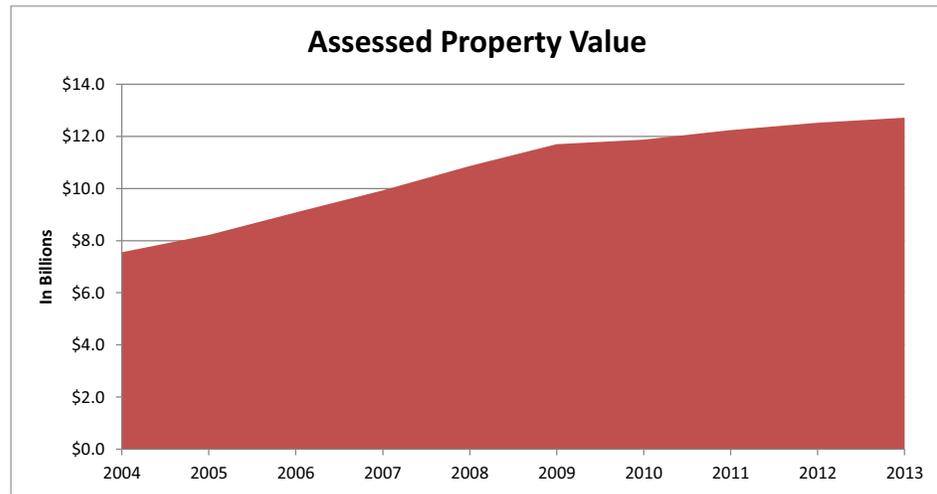
Exhibit A-16

<u>Governmental Unit</u>	<u>Gross Bonded Debt Balance</u>	<u>Percentage Applicable To City</u>	<u>Net Bonded Debt</u>
Direct Debt			
Manhattan Beach UNIF 96 SER A DS	\$ 6,868,584	100.000%	\$ 6,868,584
Manhattan Beach UNIF DS 1998 SER B	5,512,503	100.000%	5,512,503
Manhattan Beach USD DS 1999 SER C	3,089,575	100.000%	3,089,575
Manhattan Beach USD DS 2001 SER D	3,985,803	100.000%	3,985,803
Manhattan Beach USD DS 2000 SER A	4,628,829	100.000%	4,628,829
Manhattan Beach USD DS 1995 SER E	6,766,026	100.000%	6,766,026
Manhattan Beach USD DS 2000 SER B	7,651,589	100.000%	7,651,589
Manhattan Beach USD DS 2004 REF BDS	14,115,000	100.000%	14,115,000
Manhattan Beach USD DS 2008 2009 SER A	9,738,877	100.000%	9,738,877
Manhattan Beach USD 2008, 2010 SER B	11,335,000	100.000%	11,335,000
Manhattan Beach USD DS 2008, 2011 SER C	15,190,000	100.000%	15,190,000
Manhattan Beach USD DS 2008 2012 SER D	22,625,000	100.000%	22,625,000
Total Direct Debt			<u>111,506,786</u>
Overlapping Debt			
Metropolitan Water District	79,696,126	1.440%	1,147,882
El Camino CCS DS 2002 S-2003A	1,790,000	15.531%	277,998
El Camino CCS DS 2005 REF BONDS	69,346,609	15.531%	10,769,971
El Camino CCS DS 2002 SER 2006B	88,880,000	15.531%	13,803,632
El Camino CCS DS 2002 SER 2012C	180,812,882	15.531%	28,081,396
Total Overlapping Debt			<u>54,080,880</u>
Total Direct and Overlapping Debt			<u>\$ 165,587,666</u>

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

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

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Total Assessed Value	\$ 7,554,435,006	\$ 8,216,800,523	\$ 9,080,889,082	\$ 9,925,464,834	\$ 10,861,350,753
Legal debt limit (3.75%)	283,291,313	308,130,020	\$ 340,533,341	\$ 372,204,931	\$ 407,300,653
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 283,291,313</u>	<u>\$ 308,130,020</u>	<u>\$ 340,533,341</u>	<u>\$ 372,204,931</u>	<u>\$ 407,300,653</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%
Assessed Value Growth	9.12%	8.77%	10.52%	9.30%	9.43%

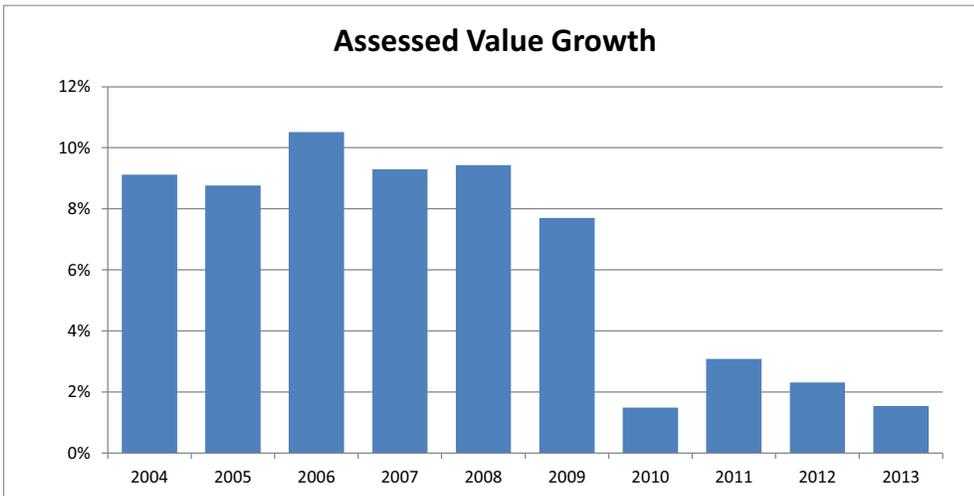


Source: City of Manhattan Beach Finance Department Historical CAFRs

Fiscal Year				
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 11,697,899,600	\$ 11,871,677,111	\$ 12,237,969,961	\$ 12,520,934,520	\$ 12,713,329,765
438,671,235	445,187,892	458,923,874	469,535,045	476,749,866
-	-	-	-	-
<u>\$ 438,671,235</u>	<u>\$ 445,187,892</u>	<u>\$ 458,923,874</u>	<u>\$ 469,535,045</u>	<u>\$ 476,749,866</u>

0.00%	0.00%	0.00%	0.00%	0.00%
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7.70%	1.49%	3.09%	2.31%	1.54%
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**City of Statistical
Pledged-Revenue Coverage,
Last Ten Fiscal Years**

Water - Wastewater Debt Service Principal and Interest

Fiscal Year	Utility Service Charges	(a) Less: Operating Expenses	Net Available Revenue	Debt Service	
				Principal	Interest
2004	\$ 7,856,711	\$ 6,454,773	\$ 1,401,938	\$ 85,000	\$ 235,340
2005	8,102,158	6,957,411	1,144,747	90,000	229,112
2006	8,287,096	6,993,409	1,293,687	95,000	224,121
2007	8,560,647	7,864,351	696,296	100,000	218,804
2008	8,136,116	8,053,961	82,155	105,000	213,205
2009	8,697,768	9,060,376	(362,608)	110,000	218,235
2010	9,668,966	9,129,202	539,764	115,000	212,345
2011	12,149,167	9,230,873	2,918,294	120,000	205,769
2012	15,572,398	9,431,747	6,140,651	130,000	201,090
2013 (c)	18,322,361	10,105,431	8,216,930	85,000	93,150

(a) Operating Expense less depreciation expense

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

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

Parking Debt Service Principal and Interest						
Times Coverage	Parking Fund Revenue	(a) Less: Operating Expenses	Net Available Revenue	Debt Service		Times Coverage
				Principal	Interest	
4.38	\$ 922,325	\$ 325,197	\$ 597,128	\$ -	\$ 597,671	1.00
3.59	964,598	357,360	607,238	255,000	595,321	0.71
4.05	1,149,312	511,760	637,552	260,000	590,171	0.75
2.18	1,411,406	693,207	718,199	265,000	584,590	0.85
0.26	1,355,513	644,225	711,288	270,000	577,896	0.84
(1.10)	1,735,739	664,415	1,071,324	280,000	585,311	1.24
1.65	1,591,919	789,917	802,002	285,000	575,046	0.93
8.96	2,094,783	765,202	1,329,581	300,000	564,432	1.54
18.55	2,302,557	988,324	1,314,233	310,000	552,580	1.52
46.12	2,305,348	1,326,796	978,552	360,000	342,475	1.39

Source: City of Manhattan Beach Finance Department and Historical CAFRs



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Statistical Section

Demographic and Economic Information

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

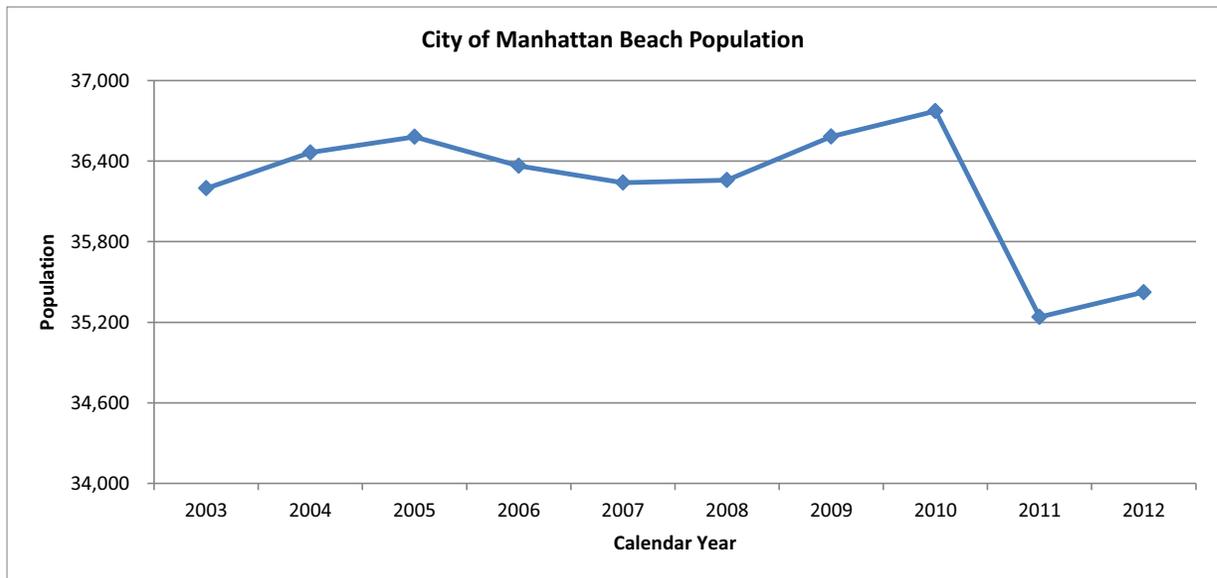
**City of Manhattan Beach
Demographic and Economic Statistics,
Last Ten Calendar Years**

Exhibit A-19

Calendar Year	Population (a)	Man Beach Personal Income (in thousands)	Personal Income L.A. County* (in thousands)	Per Capita Personal Income L.A. County*	Per Capita Personal Income Man Beach	Unempl Rate	School Enrollment
2003	36,198	\$ 2,294,710	\$ 310,044,000	\$ 31,070	\$ 63,393	2.4%	6,434
2004	36,464	2,398,962	329,048,000	32,569	65,790	2.2%	6,354
2005	36,581	2,491,204	349,868,000	34,214	68,101	1.8%	6,260
2006	36,364	2,601,304	370,860,000	36,196	71,535	1.6%	6,266
2007	36,240	2,675,144	379,824,000	36,762	73,817	1.7%	6,307
2008	36,258	2,695,604	411,000,000	39,657	74,345	2.6%	6,282
2009	36,583	2,659,307	392,000,000	37,718	72,692	4.1%	6,560
2010	36,773	2,830,050	405,000,000	38,789	76,960	4.5%	6,602
2011	35,239	2,802,945	431,100,000 ^F	43,458 ^F	79,541	4.4%	6,651
2012	35,423	2,850,383	444,200,000 ^F	44,598	80,467	3.2%	6,768

(a) Source: HdL Companies.

* Represents fiscal year ended June 30th. Source: County of Los Angeles Comprehensive Annual Financial Report for FY 2012.



Source: HdL Coren Cone, US Census Bureau; Manhattan Beach School District; Calif Labor Market; Bureau of Econ Analysis; Los Angeles County Economic Development Corp; Department of Transportation

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

Exhibit A-20

<u>Employer</u>	2013	
	<u>Employees</u>	<u>Percentage of Total Employment</u>
Northrop Grumman	1,865	20.72%
Kinecta Federal Credit Union	550	6.11%
Target Corporation	405	4.50%
Sketchers USA Inc.	356	3.96%
City of Manhattan Beach	271	3.01%
Macy's West LLC	271	3.01%
Fry's Electronics Inc.	264	2.93%
Marriott- HMC Interstate	233	2.59%
Sketchers USA Inc.	170	1.89%
Ralphs Grocery Co.	167	1.86%
Sketchers USA Inc.	148	1.64%
Bristol Farms	129	1.43%
Olive Garden	117	1.30%
Houston's Restaurants Inc.	115	1.28%
24 Hour Fitness	108	1.20%
California Pizza Kitchen	106	1.18%
Tecolote Research	100	1.11%
Il Fornaio	99	1.10%
MB Country Club	90	1.00%
Chili's Grill & Bar	85	0.94%
Manhattan Beach Toyota	82	0.91%
Islands Restaurant	75	0.83%
Recreational Equipment Inc.	75	0.83%
Belamar Hotel	71	0.79%
Old Navy #6043	71	0.79%
Shade Hotel	70	0.78%
Total	<u>6,093</u>	<u>67.70%</u>

Data from 2002 not available. Earliest data available is from 2006.

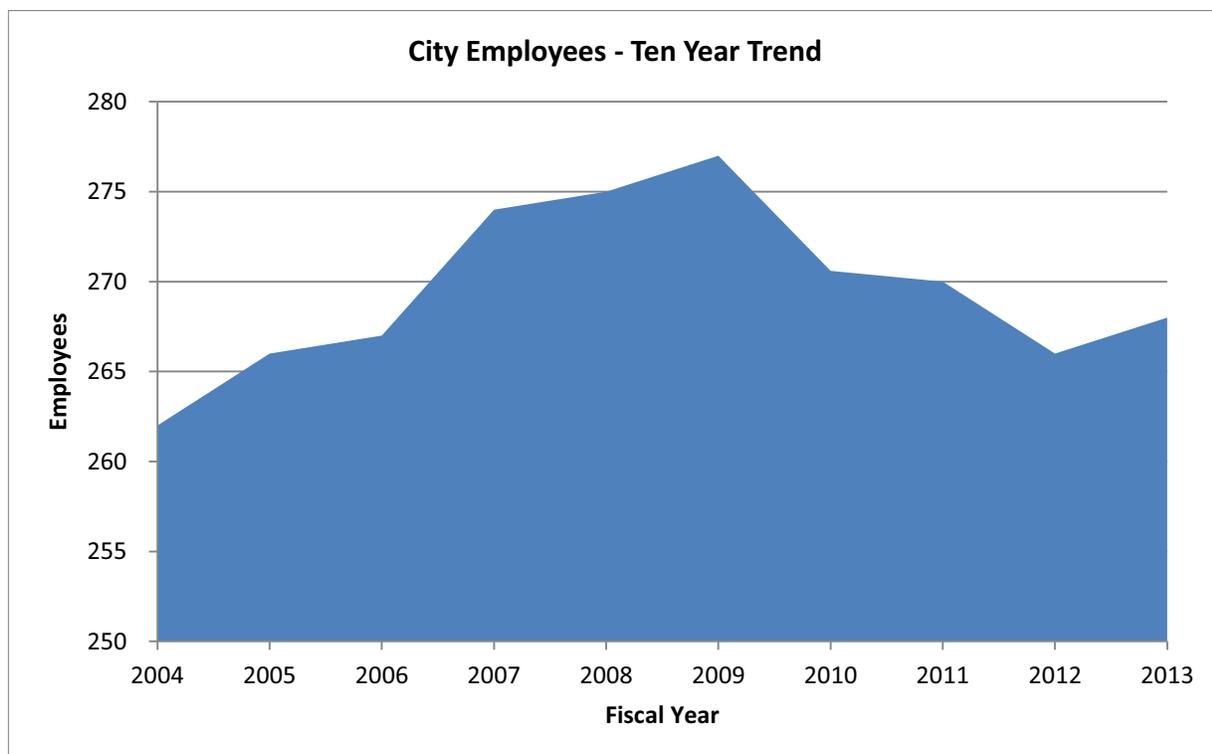


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**City of Manhattan Beach
Full-time Authorized City Employees by Function/Program,
Last Ten Fiscal Years**

Exhibit A-21

<u>Function/Program</u>	<u>Full-time Authorized Employees as of June 30</u>									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General government										
Management services	13	13	13	13	14	14	14	14	13	12
Finance	20	20	20	21	21	21	20	20	20	20
Human Resources	7	7	7	7	7	7	7	7	6	6
Planning & Building	21	21	21	22	22	22	20	20	19	20
Parks and Recreation	16	16	16	19	19	19	20	20	20	20
Police										
Officers	64	64	64	65	65	65	63	64	62	65
Civilians	33	35	35	35	35	35	35	34	35	36
Fire										
Firefighters & officers	30	30	30	30	30	30	30	30	30	30
Civilians	1	1	1	1	1	1	1	1	1	1
Public works										
Engineering	6	7	7	7	7	9	8	8	8	8.2
Water	11	12	12	13	13	13	13.5	14.25	14.25	11.7
Wastewater	3	3	4	4	4	3	3.1	3.35	3.35	3.3
Other	37	37	37	37	37	38	36	34.4	34.4	34.8
Total	<u>262</u>	<u>266</u>	<u>267</u>	<u>274</u>	<u>275</u>	<u>277</u>	<u>271</u>	<u>270</u>	<u>266</u>	<u>268</u>



Source: City of Manhattan Beach Finance Department

CITY OF MANHATTAN BEACH
SCHEDULE OF INSURANCE IN FORCE

June 30, 2013

<u>TYPE OF COVERAGE</u>	<u>POLICY NUMBER</u>	<u>FROM</u>
Liability Self-Insured	RXL-4628397-00	07/01/12
Excess Liability Independent Cities Risk Management ICRMA (Pool)	ICAPL 1014	07/01/12
Argonaut - Primary	RXL-4628397-00	07/01/12
Torus		07/01/12
Scor Re		07/01/12
Building & Property (All City excluding EQ/FL to public safety building) Lexington-Primary	019946866	07/01/12
Other Carriers	Various	07/01/12
Building & Property Public Safety Building EQ/FL Various Carriers - Public Safety Bldg	Various	07/01/12
Princeton E&S	B2A3IM0001407-02	
Hermitage Ins Co	IMPEW00079-12	
Ins Co of the West	XCH2163426 05	
Workers' Comp. Self-Insured	-	07/01/12
Excess Workers' Comp. ICRMA (Pool)	ICRMA2012-1WC	07/01/12
Safety National	SP4044260	07/01/12
Public Officials, Faithful Performance & Fidelity Bonds Hartford		
Employee Dishonesty (Crime), Replaces Public Officials	02-420-55-40	07/01/12

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

June 30, 2013

<u>TO</u>	<u>LIMITS OF COVERAGE</u>	<u>ANNUAL PREMIUM</u>
06/30/13	\$500,000 per occurrence	
06/30/13	\$4,500,000 excess of \$500,000	\$418,722
06/30/13	\$5,000,000 excess of \$5,000,000	Included in above
06/30/13	\$10,000,000 excess of \$10,000,000	Included in above
06/30/13	\$10,000,000 excess of \$20,000,000	Included in above
06/30/13	\$97,609,264	\$366,112.00
06/30/13	Earthquake & Flood shared proportionally	
06/30/13	\$29,678,845 \$10,000,000 1st Layer \$5,000,000 2nd Layer \$14,678,845 3rd Layer	\$70,425.00
06/30/13	\$750,000 per occurrence	-
06/30/13	\$5M xs \$750,000	\$182,973
06/30/13	\$100,000,000 xs \$5M Retention	
06/30/13	1,000,000	1,687

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

Exhibit A-23

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government										
Building permits issued	3,539	3,269	3,829	3,477	1,142	1,077	1,254	1,318	1,484	1,339
Building inspections conducted	18,338	16,564	18,170	18,021	14,634	11,401	9,544	9,676	10,298	11,165
Police										
Arrests	926	1,081	1,179	1,359	1,247	1,242	1,224	1,007	1,387	1,173
Parking citations	66,718	54,091	54,214	57,807	57,356	71,810	72,789	70,001	68,080	63,624
Traffic citations	6,417	5,340	5,774	6,461	6,726	6,674	9,513	8,591	9,605	6,890
Fire (a)										
Emergency responses	2,693	2,719	2,469	2,831	2,958	3,158	3,036	3,100	3,254	3,176
Fires extinguished	114	98	75	103	126	124	94	98	94	95
Inspections	920	923	900	975	995	1,155	1,300	973	1,650	933
Refuse collection										
Refuse collected (tons per day)	84.1	73.7	77.8	63.0	58.7	58.09	62.33	60.27	47.78	43.55
Recyclables collected (tons per day)	28.5	34.6	28.6	61.0	52.2	39.22	42.44	44.07	45.18	48.16
Other public works										
Street resurfacing (miles)	1.0	2.3	0.4	1.2	1.2	3.6	8.5	6.6	3.9	-
Parks and recreation										
Athletic field permits issued	4,092	4,083	3,460	2,949	4,464	4,246	4,501	4,887	5,901	7,002
Community center admissions*	93,495	125,554	166,910	150,041	153,628	143,441	134,144	147,630	41,374	89,134
Water										
Water main breaks	5	7	5	10	2	-	-	4	3	4
Average daily consumption (thousands of gallons)	6,395	6,223	6,203	6,020	6,018	4,819	5,096	4,900	4,920	5,123
Peak daily consumption (thousands of gallons)	7,360	7,300	N/A	7,265	7,168	5,783	7,644	7,350	6,712	6,989
Transportation										
Total route miles	31,469	31,936	31,849	32,940	46,749	43,406	51,736	65,517	43,461	38,995
Passengers	9,742	9,654	9,142	9,785	11,911	12,842	14,945	18,831	18,899	16,039

(a) Represents calendar year data.

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

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

Exhibit A-24

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	22	23	23	23	23	23	23	23	23	23
Fire stations	2	2	2	2	2	2	2	2	2	2
Other public works										
Streets (miles)	110	110	110	110	110	110	110	110	108	108
Highways (miles)	10	10	10	10	10	10	10	10	10	10
Parks and recreation										
Acreage	80.88	80.88	80.88	80.88	80.88	80.88	80.88	80.88	80.88	80.88
Baseball/softball diamonds	13	13	13	13	13	13	13	13	13	13
Soccer/football fields	15	15	15	15	15	15	15	15	15	15
Community centers	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	-	-	106	106	106	106	106	106	106	106
Fire hydrants	-	-	667	669	670	671	775	774	774	774
Storage capacity (1000s Gallons)	-	-	9,830	9,830	9,830	9,830	9,830	9,800	9,800	9,800
Wastewater										
Sanitary sewers (miles)	-	-	84.0	84.0	84.0	84.0	84.0	81.6	82.0	82.0
Storm sewers (miles)	-	-	16.0	16.0	16.0	16.0	16.0	25.0	25.0	25.0
Treatment capacity (1000s Gallons)	-	-	-	-	-	-	-	-	-	-
Transportation—minibuses	4	4	4	4	4	4	4	4	4	4

Source: City of Manhattan Beach Departments

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

Population distribution by ethnic group (one race):

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

Household Type:

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

Population distribution by age group:

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

Population distribution by gender:

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



Bond Disclosure

Bond Disclosure Section

Continuing Disclosure Requirements

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

Continuing Disclosure Requirements

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

- Underground Assessment District Bonds (04-01, 04-03, 04-05, 05-02, 05-06)
- Police/Fire Certificates of Participation
- Pension Obligation Bonds
- Marine Variable Rate Certificates of Participation
- RCC Variable Rate Certificates of Participation
- Metlox and Water/Wastewater Refunding Certificates of Participation
- Police and Fire Facility Refunding Certificates of Participation

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

Reporting of Events with Respect to Debt Issuance during Fiscal Year 2012-2013

Refunding of Metlox Certificates of Participation

In January 2003, the City issued Certificates of Participation in the amount of \$13.35 million to finance public improvements at the Metlox site. These funds were used to construct a two level underground parking garage as well as a 45,000 square foot town square open space to complement the retail developments.

In January 2013, the City redeemed the Metlox COPs through the issuance of new Certificates of Participation. Estimated present value savings through refunding these bonds is estimated at \$588,776 and will generate debt service savings of approximately \$41,000 annually while maintaining a similar amortization period.

Refunding of Water and Wastewater Bonds

In September 1996, the City issued \$4.615 million of debt in the form of Certificates of Participation. This debt was issued to finance 1996 and 1997 enterprise fund projects related specifically to the water and wastewater systems.

In August 2012, the City redeemed the Water and Wastewater bonds through the issuance of new Certificates of Participation. The present value savings through refunding these bonds at current market rates is estimated to generate savings of \$40,000 (14.53%) annually while maintaining a similar amortization period.

Refunding of Police and Fire Bonds

In November 2004, the City issued \$12.98 million in Certificates of Participation for the construction of the Police/Fire facility. In addition there was a cash contribution from the City of 15.32 million. The debt is callable after January 2, 2014.

In February 2013, the City issued \$10.51 million in Certificates of Participation to advance refund the remaining balance of \$11.65 million of the 2004 issued. Since this debt was issued a year in advance of the call date, the refunded bonds are considered defeased as of June 30, 2013. Because the remaining period of the defeased bonds and the refunding bonds are not equal, annual savings are highly variable and present value comparison is the best means of comparison. The present value savings of these bonds using arbitrage yield of 2.77376% is \$1,647,160

Marine Avenue Sports Fields Certificates of Participation

In fiscal year 2000-2001, the City entered into a Sale/Leaseback transaction with the Beach Cities Health District (BCHD), resulting from the City's purchase of seven acres of property located at the corner of Marine and Aviation (within the City of Manhattan Beach) from TRW (now Northrop Grumman). The City subsequently sold the property to BCHD with an exclusive agreement to lease back six of the seven acres. In fiscal year 2001-2002, the City issued variable rate Certificates of Participation in the amount of \$9.535 million to effect a full internal financing of the Sports Fields. The proceeds were used to pay in full all principal and interest obligations under the aforementioned lease with BCHD.

In October 2012, the City entered into a new letter of credit agreement with Union Bank, replacing the previous letter of credit agreement with Bank of America, and retained Loop Capital Markets as remarketing agent for the Marine Certificates of Participation, also replacing Bank of America (Merrill Lynch) in that role.

South Bay Regional Public Communications Authority (RCC) Certificates of Participation

On January 16, 2001, the City entered into an operating agreement with the South Bay Regional Public Communications Authority (RCC). The operating agreement provided a funding mechanism for the authority to upgrade the 911 emergency telephone and radio dispatch center. As one of the participating cities, the City issued \$2.18 million in certificates of participation to assist in financing of the upgrade.

In October 2012, these bonds were redeemed using General Fund cash.

Delinquencies of Underground Assessment District Bonds for Fiscal Year 2012-2013

As of June 30, 2013

PARCEL	TAX LEVIED	TAX PAID	Delinquencies
Agency 20482 (District 05-2)			
4169003019	3,162.18	1,581.09	1,581.09
4169008004	2,788.64	1,394.32	1,394.32
4169008005	2,415.09	1,207.54	1,207.55
Agency 20482 Total			4,182.96
Agency 20483 (District 05-6)			
4178013081	1,342.44	671.22	671.22
4178013077	1,342.44	-	1,342.44
Agency 20483 Total			2,013.66
Agency 20492 (District 04-1)			
4175026031	644.61	290.07	354.54
4175026033	2,082.27	-	2,082.27
4175030003	1,041.14	988.05	53.09
4176024010	842.87	755.70	87.17
4175030015	1,041.14	520.57	520.57
4176024007	842.87	-	842.87
4176026005	842.87	421.43	421.44
Agency 20492 Total			4,361.95
Agency 20493 (District 04-3)			
4175024007	648.70	616.26	32.44
4176024027	401.84	401.29	0.55
Agency 20493 Total			32.99
Agency 20494 (District 04-5)			
None			
Agency 20494 Total			-
TOTAL DELIQUENCIES			\$10,591.56

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

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

Table 12 – Variable Rate Bonds Credit Enhancement

As of June 30, 2013

Bond	Outstanding Principal	Letter of Credit Provider	Scheduled Expiration of Letters of Credit
Marine Avenue COPs	\$7,235,000	Union Bank, N.A.	October 16, 2015

Table 13 – Investment Portfolio Summary

As of June 30, 2013

Type of Investment	Market Value
Cash	\$1,737,215
Local Government Fund	35,786,415
US Treasury & Agency Notes	24,391,900
Medium-Term Notes	8,161,640
Certificates of Deposit	5,638,460
Funds Held by Fiscal Agent	2,896,640
Petty Cash	5,123
Total	\$78,617,393

Table 14 – Unrepresented Unit and Employee Associations

As of June 30, 2013

Employee Unit	No. Full-Time Employees*	Percent of Workforce
Manhattan Beach Fire Association	26	9.9%
Manhattan Beach Police Officers' Association	57	21.8%
Manhattan Beach Police Management Association	7	2.7%
Miscellaneous Unit - Teamsters Local 911	116	44.3%
Management/Confidential (not represented)	56	21.4%
Total	262	100.0%

Additional Information

Fitch Ratings

As a result of the City's refunding of Metlox and Police/Fire Facility certificates of participation, in which the City selected only Standard and Poor's to rate the new issues, Fitch Ratings has withdrawn their AAA General Obligation (GO) rating for the City of Manhattan Beach. This reflects the fact that there are now no City debt issues that Fitch is monitoring, and Fitch no longer has a purpose for opining on the City's GO debt.

The City maintains triple-A general obligation ratings from both Moody's and Standard and Poor's.