

# CITY OF MANHATTAN BEACH

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



**FISCAL YEAR ENDED JUNE 30, 2018**



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CITY OF MANHATTAN BEACH, CALIFORNIA  
*COMPREHENSIVE ANNUAL FINANCIAL REPORT*  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018



Prepared by the Finance Department  
Steve S. Charelian, Finance Director

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# Introduction





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***January 15, 2019***

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, 2018. 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). We are also pleased to report that the City has received an unmodified opinion from the independent auditor, meaning that financial statements are presented, in all material respects, in accordance with applicable financial reporting framework.

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, which met with the auditor and discussed the results in December 2018.

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 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 unmodified opinion and that the City of Manhattan Beach's financial statements for the fiscal year ended June 30, 2018, 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.

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 the South Bay region of Los Angeles County. The current population<sup>1</sup> is 35,991. 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.

In 2016, the City Council adopted Ordinance No. 16-0026 to comply with Senate Bill No. 415, the California Voter Participation Rights Act, toward the goal of increasing voter turnout in municipal elections. After the next election on March 5, 2019, the City will combine its municipal elections scheduled in March 2021 and March 2023 and conduct future elections with statewide elections scheduled in November 2020 and November 2022, respectively. The terms of city office holders elected in 2017 and 2019 have been shortened to meet the timing of the November 2020 election and beyond.

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	

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<sup>1</sup> State of California, Department of Finance, E-1 Population Estimates for Cities. Sacramento, California, May 2018.

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 operates on a biennial budget schedule. The first year of the budget (FY 2016-17) was adopted in June 2016, while the second year (FY 2017-18) was approved at that time. The second year was subsequently reviewed and adopted by the City Council with minor modifications in June 2017.

The budget development 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 employee 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. Multiple 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, technology, 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 fares better during weak economic conditions than some other areas of the state. The most recently available figures indicate that Manhattan Beach has a 3.5% unemployment rate, compared to Los Angeles County at 4.7% and the State of California at 4.1%<sup>2</sup>.

### *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, the forecast concluded that unassigned General Fund balances will remain in a range from an estimated \$23.2 million at the end of FY 2017-18 to \$16.3 million in FY 2022-23. 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) for the on-going support of Storm Water operations and Street Lighting and Landscape fund deficits, which may only be mitigated by a Proposition 218 vote. According to the City's Financial Policy, unassigned fund balance of at least 20% of General Fund expenditures will be maintained. However, at the end of FY 2022-23, there will be no excess beyond 20% of General Fund Expenditures. The most recent five-year forecast can be found in the Adopted Biennial Budget for fiscal years 2018-19 and 2019-20, available online at [www.citymb.info/budget](http://www.citymb.info/budget).

### **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. While presenting General Fund balance in accordance with GASB pronouncements, the City Council established certain policy "reserves" within what GASB defines as the unassigned category. The unassigned category is the residual classification of fund balance that is not in restricted or committed classifications. In the General Fund section of this transmittal letter, General Fund unassigned balance is broken down in accordance with City Council Financial Policy.

### **Major Initiatives**

#### *Manhattan Village Mall Enhancement Project*

On December 2, 2014, the City Council approved the Mall Expansion Project with additional conditions. The approval allowed construction of Phases 1 and 2, and deferred Phase 3 (Fry's corner) for future public review and input. On December 20, 2016 the City Council endorsed the updated site plan which includes as Phase 1 the consolidation and expansion of the Macy's property, totaling 60,000 square feet, and construction of a parking structure. This phase was completed in late 2018. Phase 2 encompasses refinement of the plaza area and improved parking and circulation elements, with new restaurant and retail uses totaling 50,000 square feet. Upon completion, the shopping center will total approximately 646,000 square feet. The City continues to work closely with the developer and property owners for the remaining phases.

#### *Sepulveda Corridor Plan*

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<sup>2</sup> State of California, Employment Development Department, October (Preliminary) 2018

The Sepulveda Boulevard corridor is a major transportation corridor for the South Bay region. In Manhattan Beach, this corridor runs north-south through the heart of the City, functions as a commercial corridor and houses major tenants such as the Manhattan Village Mall and Shopping Center, Target, Toyota, Skechers Headquarters, as well as medical facilities, financial institutions, salons, fitness studios, eateries, automotive shops, and other local businesses.

At the November 7, 2017 City Council meeting, the City Council approved the Sepulveda Corridor Initiatives Work Plan and establishment of a Working Group. The various planning initiatives focused on economic vitality, planning, parking, traffic and corridor beautification. Development of the Work Plan is ongoing with significant progress expected in 2019.

#### *Sepulveda Bridge Widening Project*

The Sepulveda Bridge is located on Sepulveda Boulevard (State Route 1) between Rosecrans Avenue and 33rd Street. The existing bridge, and immediately north and south of the bridge, has three northbound and three southbound lanes in each direction, serving an average of 71,000 vehicles per day. The proposed project will widen the east side of the bridge to provide a fourth northbound lane to remove the existing bottleneck at the bridge. Sepulveda Boulevard, including the bridge, is owned and maintained by Caltrans. Due to the local significance of the roadway, the City entered into an agreement with Caltrans in February 2009 to widen the bridge as a joint project with the City taking the lead and Caltrans serving in a supporting role. Since then, the City has secured project funding and is working with Caltrans to finalize seismic retrofit plans in accordance with recent code changes as well as to coordinate with neighboring property owners. Grants totaling \$15.9 million are available for the project, and the preliminary cost estimate to complete the project is \$18.2 million.

#### *Peck Reservoir Replacement Project*

The Peck Reservoir Facility, at 1800 Peck Avenue, was built in 1967. At almost 60 years old, it has exceeded its useful life and is in need of replacement. Once exceeded, these facilities become less reliable, expensive to maintain and are subject to failure. This project was identified as a top priority and recommended as part of the 2010 Water System Master Plan. The replacement of the Peck Reservoir will help ensure the long-term dependability of the water system in our community. The Peck Reservoir Replacement Project consists of the demolition of the existing 7.5 million gallon, partially buried concrete reservoir, pump station and other facilities situated within the existing 2.7 acre property. A new 8 million gallon reservoir will be constructed at the same location. The City is in the initial design phase and construction is estimated to cost approximately \$24 million over the course of the project.

### **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. The General Fund balance increased by \$1.8 million over 2017. The increase is attributable to net revenues over expenditures of \$3.5 million offset by Other Financing Sources (transfers-in, transfers-out) equal to a negative \$1.6 million. Transfers-in included \$246,618 from the County Parking Lot Fund in line with the contract with the County of Los Angeles. Offsetting this fund balance increase, transfers-out included \$198,935 to the Street Lighting and Landscape District Fund to cure a deficit fund balance, \$667,000 to the Insurance Fund to support long term liabilities, and a Storm Water Fund subsidy of \$982,355 to support operations. At the end of fiscal year 2018, the total General Fund balance equaled \$26.9 million, of which \$3.0 million is either nonspendable or restricted. In addition, \$1.0 million is committed to School Safety/Security, leaving an unassigned fund balance of \$22.9 million. Within the unassigned fund balance, City Council has established earmarks for financial policies and economic uncertainties of \$18.1 million, leaving \$4.8 million available for use at City Council's discretion.

The City's General Fund revenues showed improvement from the prior year, particularly in Property Tax and Service Charges. This can be noted by the trends below:

Revenue Category	2018 Actual	2017 Actual	Increase/ (Decrease)	%
Property Tax	\$30,318,225	\$28,215,709	\$2,102,516	7.5%
Other Taxes (Sales, Hotel, Business License, etc.)	18,905,654	19,441,259	(\$535,605)	(2.8%)
Licenses and Permits (Building, Construction, Film Permits)	3,365,669	2,703,626	\$662,043	24.5%
Fines (Parking Citations, Vehicle Code Fines)	2,472,310	2,494,090	(\$21,780)	(0.9%)
Use of Money and Property (Interest, Rents and Ground Leases)	2,746,518	3,455,654	(\$709,136)	(20.5%)
Received From Other Agencies (Vehicle License Fees, Grants)	363,670	315,831	\$47,839	15.1%
Service Charges (Plan Check Fees, P&R Class, Ambulance Fees)	9,075,601	8,019,934	\$1,055,667	13.2%
Interfund Charges (Admin Service Charge)	3,180,389	2,996,532	\$183,857	6.1%
Miscellaneous*	1,180,783	1,709,522	(\$528,739)	(30.9%)
<b>Total</b>	<b>\$71,608,819</b>	<b>\$69,352,157</b>	<b>\$2,256,662</b>	<b>3.3%</b>

\*Includes proceeds from the Sale of Capital Assets in 2018 (\$10,345) and 2017 (\$1,543) and one-time Property Transfer Fees in 2017 (\$730,000).

With the City's relatively high property values, Property Taxes continue to be the main driver of revenue growth at 42% of all General Fund revenues. Property Taxes remained strong in FY 2017-18 with a 7.5% increase over the prior year. Sales Tax totaling \$8,970,809 was relatively flat (0.1% increase) with the prior year. Business License Tax of \$3,764,684 exceeded the prior year by \$60,224 or 1.6%. The most significant factor in the decrease in Other Taxes was the decrease of \$664,186 (15%) in Transient Occupancy Taxes. This decline was due to significant remodeling of the WestDrift Hotel (formally Marriott Hotel) which was completed in FY 2017-18. Building permit revenue increased by \$497,767 (30.7%) and construction permits increased \$130,286 (28.2%) compared to the prior year, which was mainly attributable to the Manhattan Village Mall and Gelson's projects as well as other commercial projects. Real Estate Transfer Tax revenue also increased 4.3% to \$788,202 due to continued high housing prices and real estate market activity.

On an overall basis, total General Fund revenues totaled \$71.6 million, up nearly \$2.3 million or 3.3% ahead of last year and exceeding budget estimates by \$1.3 million (excluding transfers and capital leases). However, when comparing the activity in each year, consideration should be given to two extraordinary events: a one-time property transfer fee of \$730,000 in fiscal year 2016-17 due to the Marriott sale and the remodeling of this hotel in 2018 which impacted Transient Occupancy Taxes.

General Fund expenditures totaled \$68,160,240 in FY 2017-18, an increase of \$1.6 million over the prior fiscal year but \$3.8 million under the total budget. When compared to the prior year's actual, Salaries and Benefits increased by \$1.5 million or 3.3%. Materials and Services, which includes Contract and Legal Services, increased by \$391,360 or 1.9%. Capital Outlay decreased by \$312,565 or 81.3% due to one-time computer equipment purchases in the prior fiscal year. Overall, City departments were uniformly under budget with variances offset by savings in other areas.

## **Other Funds**

### *Capital Improvement Fund*

The Capital Improvement Projects Fund (CIP) is designed to manage general governmental infrastructure and facilities capital projects. In FY 2017-18, CIP Fund total revenues were \$4.1 million and expenditures were \$1.5 million. It should be noted that on-going projected revenues of \$1.7 million less debt service of \$0.8 million result in a steady state excess of only \$0.9 million. With the increase in Transient Occupancy Tax due to the completion of the Marriott remodel and increase in parking rates, that excess will increase. Notwithstanding the increase, and future General Fund transfers, grants or new revenues will be required to finance larger scale projects in the future.

As of June 30, 2018, the total balance of the CIP Fund is \$10.6 million. Carryover funds for defined major capital projects at year end include:

- \$1.2 million in various facilities improvements
- \$1.2 million to purchase street lights and retrofit with LED lights
- \$893,593 for Downtown streetscape improvements
- \$869,170 for Safe Routes to School projects
- \$790,600 for design of the replacement Fire Station #2
- \$722,232 million for turf and light replacements at sports fields
- \$561,955 for Non-Motorized transportation projects
- \$438,723 for ADA-compliant City Hall restroom remodeling, and
- \$1.9 million for other building improvements and street projects.

### *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 Technology; and Special Revenue funds including Gas Tax, Proposition A & C, Measure R & M, 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 \$4,258,974, an increase

over prior year which had an operating income of \$3,982,639. Revenue from sales increased by \$856,916 (5.8%), while operating expenses (labor, materials, services, etc.) rose by \$580,581 (5.4%). During FY 2009-10, 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 provided for annual increases each January through 2014. Accumulated fund balances provide resources for planned capital improvements to the utility's infrastructure, estimated at \$41.7 million over the next five years, including replacement of Peck Reservoir which is estimated to cost nearly \$23.4 million.

The net operating income for the Waste Water Fund was \$1,980,292 versus \$1,893,302 in FY 2016-17, an increase of \$86,990 or 4.6%. Operating revenue increased \$113,406 (3.4%) and operating expenses increased \$26,416 (1.9%). Waste water rates were last adjusted along with the water rates in January 2010. Similar to the water utility, the new rates are being utilized to fund needed capital improvements to the waste water system. Since the Waste Water revenues are based on water consumption, water conservation efforts may result in lower Waste Water revenues without the benefit of lower operational costs as is the case in the Water fund where conservation results in less pumping and less Water being purchased.

Continuing an ongoing trend of losses, the Storm Water Fund net operating loss in FY 2017-18 was \$1,307,998. Accumulated losses for the prior five fiscal years are over \$2.3 million. The combination of fixed fees and rising costs requires General Fund subsidies. The General Fund provided \$982,355 in FY 2017-18. Additionally, capital improvements due to legislative mandates will also result in increased costs. Current assessments were set in 1996. A Proposition 218 assessment vote will be necessary to adjust assessments. Measure W, which is a Los County-wide storm parcel tax passed in November, may provide relief.

The Street Lighting Fund continues to run deficits each year. For FY 2017-18, expenditures exceeded revenues by \$198,935. As in the case of Storm Water Fund, assessments have been constant for 20 years. Because there is no fund balance to draw upon, the General Fund contributes 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 Insurance Fund again received a cash transfer of \$667,000 from the General Fund to offset workers compensation claims and other accrued claims and judgments. The fund balance for the Insurance Fund is negative \$2.99 million. The unpredictable nature of claims payments, compounded by rising medical costs and claim judgments, caused internal service fund charge-outs to fall behind funding needs. To accommodate both the increased expenses and noncurrent liabilities related to pensions and claim reserves, a phased fund transfer plan was approved by the City Council in 2015. General Fund transfers were made in FY 2015-16 and FY 2016-17 for \$667,000. Even with the FY 2017-18 transfer, the fund remains in a deficit position. In the future, the fund will require either increased charge-outs or on-going transfers to fund accumulated liabilities and current year service costs.

### *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) and 457 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). Pension activity relating to these dormant plans is included in governmental activities.

This financial report does not include the value of trust holdings in any of the employees' deferred compensation plans at June 30, 2018, 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 five consolidated Utility Under-grounding Assessment Districts (UUAD). Due to favorable interest rates, the City refunded the outstanding bonds of the Underground Districts in March 2018. Interest rates for the refunded bonds ranged from 4.72% to 4.95%. Interest rates for the new refunding bonds are set at a uniform annual rate of 3.00%, and matures in September 2026. The reduced debt service will produce reductions in assessments to service the debt.

## **CURRENT TRENDS AND EVENTS**

The local economy remains stable. The City's biggest General Fund revenue source, property tax, grew by 7.5% (\$2.1 million) in FY 2017-18. Assessed valuations, which indicate tax revenue and help propel property tax growth, are projected to increase by 6.2% in FY 2018-19 over the prior year, driven by demand and resulting price escalations in the local housing market. Single-family homes valued at pre-1978 levels (before Proposition 13) continue to turn over, resulting in higher assessed valuations being added to the property tax rolls. Roughly 20.2% of single-family parcels within the City remain assessed at pre-1978 values.

Sales tax revenues, which have been flat the past couple of years, are expected to continue that trend. The City remains conservative in the sales tax estimates due to stagnation in gasoline and general consumer goods. Transient Occupancy Tax, which experienced a decline in FY 2017-18, is expected to rebound in FY 2018-19 due to the completion of the remodel at the Marriott and trend normally once remodeling is completed at the Residence Inn Hotel. Building activity remains stable, and tourism and travel is supported by a healthy mix of desirable hotels and retailers.

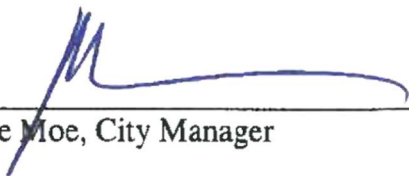
As a service organization, labor accounts for the majority of costs - approximately 70% in the General Fund. Labor agreements with four existing bargaining units (Manhattan Beach Police Officers Association, Police Management Association, Fire Fighters' Association and California Teamsters Local 911) expired on December 31, 2018. Negotiations are currently underway with new labor agreements expected in early 2019. Two new bargaining units were formed representing a Mid-Management Employees Association (MEA) and Fire Management Association (FMA). A two-year labor agreement with MEA was negotiated last year and is effective January 1, 2017 through December 31, 2019. Negotiations with FMA are underway with a labor agreement expected in early 2019.

While current General Governmental trends are positive, there exists a noncurrent pension (California Public Employees' Retirement System - CalPERS) liability that, while not impacting the City in fiscal year ending 2018, will have long term impacts over the next 10 to 20 years. Long term pension liability is an item shared by all public agencies who are members of the CalPERS system. Based on projections, the City's annual contribution to CalPERS will increase from \$8 million in fiscal 2018-19 to \$11 million over the next five years.

Manhattan Beach has maintained a sound financial condition. In fact, Standard & Poor's reaffirmed the City's AAA Credit Rating on November 4, 2016. 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, Julie Bondarchuk and Libby Bretthauer. Appreciation is also expressed to the City Council and City Treasurer for their interest and support, which made this presentation possible. Finally, thanks to the City's auditing firm of Lance, Soll & Lunghard, LLP for their professionalism and diligence in preparing this year-end financial report.



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Bruce Moe, City Manager



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Steve S. Charelian, Finance Director

## Elected Officials & Executive Staff

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### **Elected Officials**

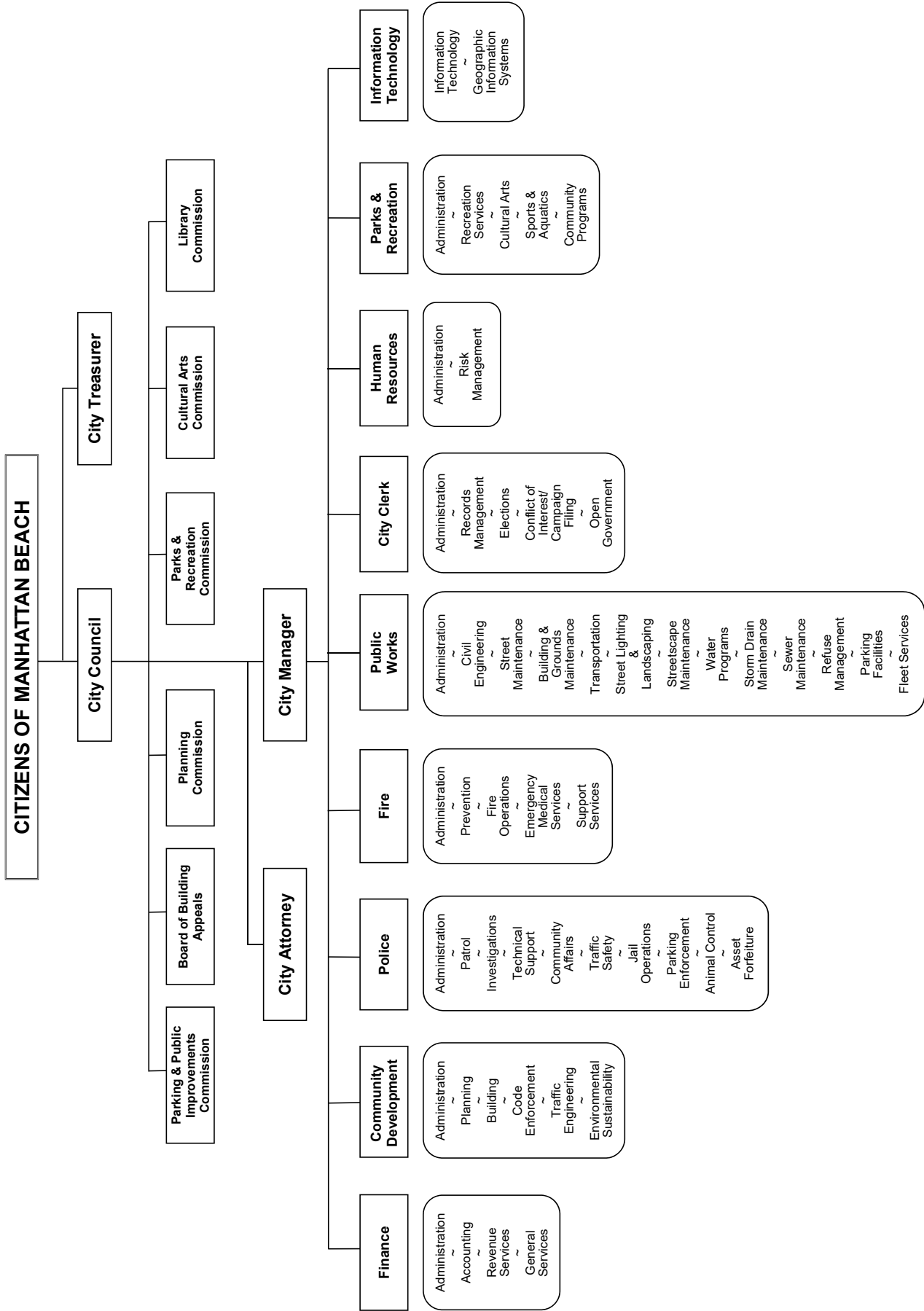
### **Term Ends**

<i>Mayor</i>	<i>Amy Thomas Howorth</i>	<i>March 2019</i>
<i>Mayor Pro-Tem</i>	<i>Steve Napolitano</i>	<i>November 2020</i>
<i>City Council Members</i>	<i>Nancy Hersman</i>	<i>November 2020</i>
	<i>Richard Montgomery</i>	<i>November 2020</i>
	<i>David J. Lesser</i>	<i>March 2019</i>
<i>City Treasurer</i>	<i>Tim Lilligren</i>	<i>November 2020</i>

### **Executive Staff**

---

<i>City Manager</i>	<i>Bruce Moe</i>
<i>City Clerk</i>	<i>Liza Tamura</i>
<i>City Attorney</i>	<i>Quinn M. Barrow</i>
<i>Finance Director</i>	<i>Steve S. Charelian</i>
<i>Human Resources Director</i>	<i>Teresia Zadroga-Haase</i>
<i>Parks &amp; Recreation Director</i>	<i>Mark Leyman</i>
<i>Police Chief</i>	<i>Derrick Abell</i>
<i>Interim Fire Chief</i>	<i>Derrick Abell</i>
<i>Community Development Director</i>	<i>Anne McIntosh</i>
<i>Public Works Director</i>	<i>Stephanie Katsouleas, P.E.</i>
<i>Information Technology Director</i>	<i>Sanford Taylor</i>







Government Finance Officers Association

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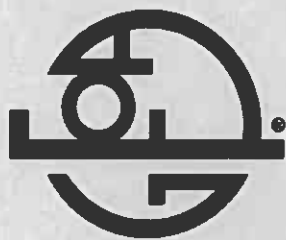
**City of Manhattan Beach  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrell*

Executive Director/CEO



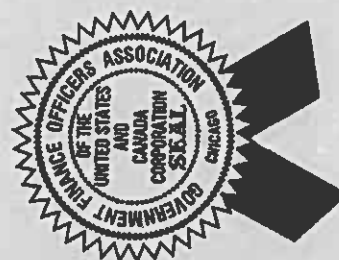
**The Government Finance Officers Association  
of the United States and Canada**

*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

*Christopher P. Morill*

Date July 27, 2018



# **Financial Section**





## INDEPENDENT AUDITORS' REPORT

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

### **Report on the 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, 2018, 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.

### ***Auditor's 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof 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 9 to the financial statements, in 2018 the City adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. 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, the budgetary comparison schedules for the general fund, the schedule of changes in net pension liability and related ratios, the schedules of employer contributions, the schedules of plan contributions, the schedule of investment returns, the schedule of proportionate share of the net pension liability, and the schedule of changes in net OPEB and related ratios 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, 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. The 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 3, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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, Soll & Lughard, LLP*

Brea, California  
January 3, 2019



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***CITY OF MANHATTAN BEACH***  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

## 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, 2018. 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 x of this report.

## FINANCIAL HIGHLIGHTS

### *Government Wide Financial Basis*

- As of June 30, 2018, the City's total net position citywide (including all governmental and business type activities) totaled \$191,587,338, an increase from the prior fiscal year of \$6,452,771 or 3.5%. This is the net result of a positive change in net position of \$3,015,024 due to operations, plus a prior period restatement of net position of \$3,437,747 due to implementation of GASB 75 regarding other post-employment benefits.
  - Governmental net position for the fiscal year totaled \$99,458,253, an increase of \$874,292 or 0.9%. This increase is due to revenues and restatements totaling \$81,020,454 (program revenues of \$25,063,303, General Revenue of \$52,444,245, and a restatement of net position primarily due to the implementation of GASB 75 of \$3,512,906) less activity expenses of \$79,410,425 and transfers out of \$735,737.
  - Business-type activity net position totaled \$92,129,085, an increase of \$5,578,479 or 6.4%. This is the result of a change in net position of \$5,653,638 from operations, less the prior period restatement of negative \$75,159. This restatement is due to the implementation of GASB 75 and a prior period restatement resulting in a reduction of construction in progress.
- Unrestricted net position, which may be used to meet the government's on-going obligations within certain parameters and requirements, totaled \$33,525,076. This is an increase of \$5,947,035 or 21.6% from FY 2016-17.
  - Governmental Unrestricted Net Position is negative \$14,862,095. Since over 95% of pension and OPEB liabilities (including deferrals) are carried by governmental funds, the effect on net position is to reduce unrestricted position by \$51.0 million. There is a positive contribution \$36.0 million due to unrestricted General and Capital Improvement Fund balances. In effect, the Unrestricted Net Position is netting a noncurrent equity (pension and OPEB) and governmental funds balance. This outcome was expected with the implementation of GASB 68 in fiscal year 2014-15. Governmental Unrestricted Net Position increased from the prior year by \$1,228,942 due to a restatement related to implementing GASB 75.
  - Business Type activities Unrestricted Net Position is \$48,387,171. Unrestricted Net Position for Business Type activities increased from the prior year by \$4,718,093 mainly due to Water and Wastewater operations. Since the employee population in Business Type activities is small relative to Governmental, the Business Type share of net pension liabilities and OPEB liabilities is correspondingly lower \$1.1 million. The working capital of business funds is \$49.4 million resulting in an unrestricted net position of \$48.3 million. This situation will change in the future, when large projects such as reconstruction of Peck Reservoir will absorb working capital, reduce unrestricted net position and increase investment in capital assets.
- Citywide capital assets (land, work in progress, completed) net of depreciation decreased by \$398,625. Governmental net capital assets decreased by \$599,345. Capital additions of \$3,525,329 were offset by depreciation expense (\$4,071,417) and the net book value of disposal of vehicles not fully depreciated (\$53,257). Business-type net capital assets increased by \$200,720; additions were \$1,788,447, which were offset by an increase in accumulated depreciation of \$1,305,263 (See Note 5). There was also a restatement of (\$282,464) in the Storm

Drain Fund. Prior year construction in progress for that amount should have been expensed in prior years (See Note 13).

- The City's bond debt decreased by \$1,365,000 during FY 2017-18. This decrease is attributable to the scheduled principal pay down of issued bonds by both governmental activities (\$745,000) and business-type activities (\$620,000). Capital lease obligations for the purchase of a fire truck and sewer truck were paid off in FY 2017-18.
- Long-term liability and workers compensation insurance claim reserves increased by \$3,254,305. Growth in workers compensation claims activity resulted in a reserve increase of \$2,102,510, while general liability claims activity resulted in an increase in general liability reserves of \$1,151,795 (See Note 6).

#### *Fund Financial Basis – Governmental Funds*

- As of June 30, 2018, the General Fund balance was \$26,872,054. Fund revenues exceeded expenditures by \$3,448,579.
- Governmental Funds (General, Capital Improvement and Special Revenue) revenue totaled \$79,418,757, an increase of \$4,533,243 (6.1%) from FY 2016-17. Higher revenues from Property Taxes and Charges for Services along with expenditure savings contributed to the increase.
- Governmental Funds expenditures totaled \$74,992,092, up \$1,541,395 (2.1%) from the prior year. This rise was driven by increased operational expenditures in the General Fund throughout all current categories of expenditures, mainly in Public Safety. Capital Improvement Fund expenditures decreased by \$2,684,113, while expenditures in other nonmajor governmental funds increased primarily due to increases in capital outlay and Public Works expenditures. Capital expenditures tend to fluctuate depending on the number and magnitude of projects in design or construction.
- General Fund net transfers-out totaled \$1,601,672. Transfers-out included \$982,355 to the Stormwater Fund, \$667,000 to the Insurance Fund, and \$198,935 to the Street Lighting and Landscape Fund. General Fund transfers-in included \$246,618 from the County Parking Fund. Transfers are required to maintain adequate funding levels or eliminate deficits (See Note 4 for more information).

## **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 Improvements 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*

All enterprise funds (Water, Wastewater, Stormwater, Refuse and Parking Funds) are included in Business Type activities. 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 25 to 26 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 spendable resources available at the end of the fiscal year. In effect, the budgetary governmental 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. Beginning in FY 2016-17, the City transitioned to a biennial budget adopting FY 2016-17 and approving FY 2017-18. The second year of the biennial budget was adopted prior to the start of FY 2017-18 in June 2017. 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 28 to 31 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, information technology 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. Three of the City's seven enterprise funds are considered major funds and presented as such in the fund financial statements. The four non-major funds, Stormwater, Refuse, 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 112 to 141 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 41 to 87 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 8 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 serves as an indicator of a government's financial position. In the case of the City of Manhattan Beach, net position totaled \$191,587,338 at June 30, 2018 versus \$185,134,567 at June 30, 2017 – an increase of \$6,452,771. The reason for this increase can be traced to operations and restatements in both the Governmental Funds and Business-Type Funds.

Net position of the City's *Governmental* activities amounted to \$99,458,253, an increase from the prior year of \$874,292, including a restatement of Net Position of \$3,535,394 due to the implementation of GASB 75 (more information about GASB 75 below) and negative \$22,488 to eliminate an outstanding receivable in the Federal State and Grants Fund that is no longer expected to be received. On the table of Net Position below, \$103,659,026 is net investment in capital assets<sup>1</sup> such as land, buildings, machinery, infrastructure, equipment and other improvements; \$10,661,322 is restricted for debt service or for Special Revenue Fund resources that are subject to external restrictions on use. Governmental activities' unrestricted net position increased by \$1,228,942 from the prior year to negative \$14,862,095. Significant components of non-current liabilities and deferrals include 1) net pension liabilities of \$72,672,580, 2) bonds payable totaling \$13,767,833, 3) accrued workers compensation and liability claims and judgments of \$6,567,020, and 4) accrued employee benefits of \$2,518,844.

Net position of the City's *Business-type* activities totaled \$92,129,085. This represents an increase from FY 2016-17 of \$4,718,093, including a restatement of Net Position of negative \$75,159 due to a prior period adjustment to implement GASB 75, prior year street sweeping fees in the Refuse Fund, and a reclassification of construction in progress to maintenance and repair in the Stormwater Fund as described in Note 13. Net investments in capital assets (land, buildings, machinery, equipment, etc.) totals \$43,188,261, while \$553,653 is restricted for business improvement district use. Significant components of non-current liabilities and deferrals include: 1) bonds payable totaling \$9,470,047; 2) net pension liabilities of \$1,763,331; and 3) accrued employee benefits of \$48,768. Business-type activities' unrestricted net position increased by \$4,718,093 from the prior year to \$48,387,171, primarily as a result of operations in the Water and Wastewater Fund.

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<sup>1</sup> Net investment in capital assets is calculated by taking total capital assets net of depreciation, less corresponding bonds and lease payable, less the balance of unamortized bond premium, plus deferred charges on refunding bonds.

### City of Manhattan Beach Net Position

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current Assets	\$72,704,083	\$68,963,513	\$54,372,676	\$49,398,378	\$127,076,759	\$118,361,891
Total Capital Assets Net of Depreciation	117,787,326	118,386,671	53,293,308	53,092,588	171,080,634	171,479,259
Other Non-Current Assets	5,223,863	1,581,418	221,678	-	5,445,541	1,581,418
<b>Total Assets</b>	<b>\$195,715,272</b>	<b>\$188,931,602</b>	<b>\$107,887,662</b>	<b>\$102,490,966</b>	<b>\$303,602,934</b>	<b>\$291,422,568</b>
Deferred Charge on Refunding	\$434,533	\$466,721	-	-	\$434,533	\$466,721
Deferred Pension Related Items	22,369,214	19,850,125	549,636	629,220	22,918,850	20,479,345
<b>Deferred Outflows of Resources</b>	<b>\$22,803,747</b>	<b>\$20,316,846</b>	<b>\$549,636</b>	<b>\$629,220</b>	<b>\$23,353,383</b>	<b>\$20,946,066</b>
Current Liabilities	\$19,507,268	\$17,945,145	\$4,886,105	\$4,499,447	\$24,393,373	\$22,444,592
Non-Current Liabilities	95,801,755	86,483,358	11,282,146	11,813,706	107,083,901	98,297,064
<b>Total Liabilities</b>	<b>\$115,309,023</b>	<b>\$104,428,503</b>	<b>\$16,168,251</b>	<b>\$16,313,153</b>	<b>\$131,477,274</b>	<b>\$120,741,656</b>
Deferred Pension Related Items	\$3,751,743	\$6,235,984	\$139,962	256,427	\$3,891,705	\$6,492,411
<b>Deferred Inflows of Resources</b>	<b>\$3,751,743</b>	<b>\$6,235,984</b>	<b>\$139,962</b>	<b>\$256,427</b>	<b>\$3,891,705</b>	<b>\$6,492,411</b>
Net Investment in Capital Assets	\$103,659,026	\$103,345,895	\$43,188,261	\$42,329,262	\$146,847,287	\$145,675,157
Restricted	10,661,322	11,329,103	553,653	552,266	11,214,975	11,881,369
Unrestricted	(14,862,095)	(16,091,037)	48,387,171	43,669,078	33,525,076	27,578,041
<b>Total Net Position</b>	<b>\$99,458,253</b>	<b>\$98,583,961</b>	<b>\$92,129,085</b>	<b>\$86,550,606</b>	<b>\$191,587,338</b>	<b>\$185,134,567</b>

The City's total change in net position amounts to an increase of \$6,452,771. Governmental activities' total net position increased by \$874,292, including a prior period restatement of \$3,512,906. Business-type activities' total net position increased by \$5,578,479, including a prior-period restatement of net position of negative \$75,159.



The following table condenses the Government-wide Statement of Activities and Change in Net Position for the fiscal years ending June 30, 2018 and June 30, 2017:

**City of Manhattan Beach Changes in Net Position**

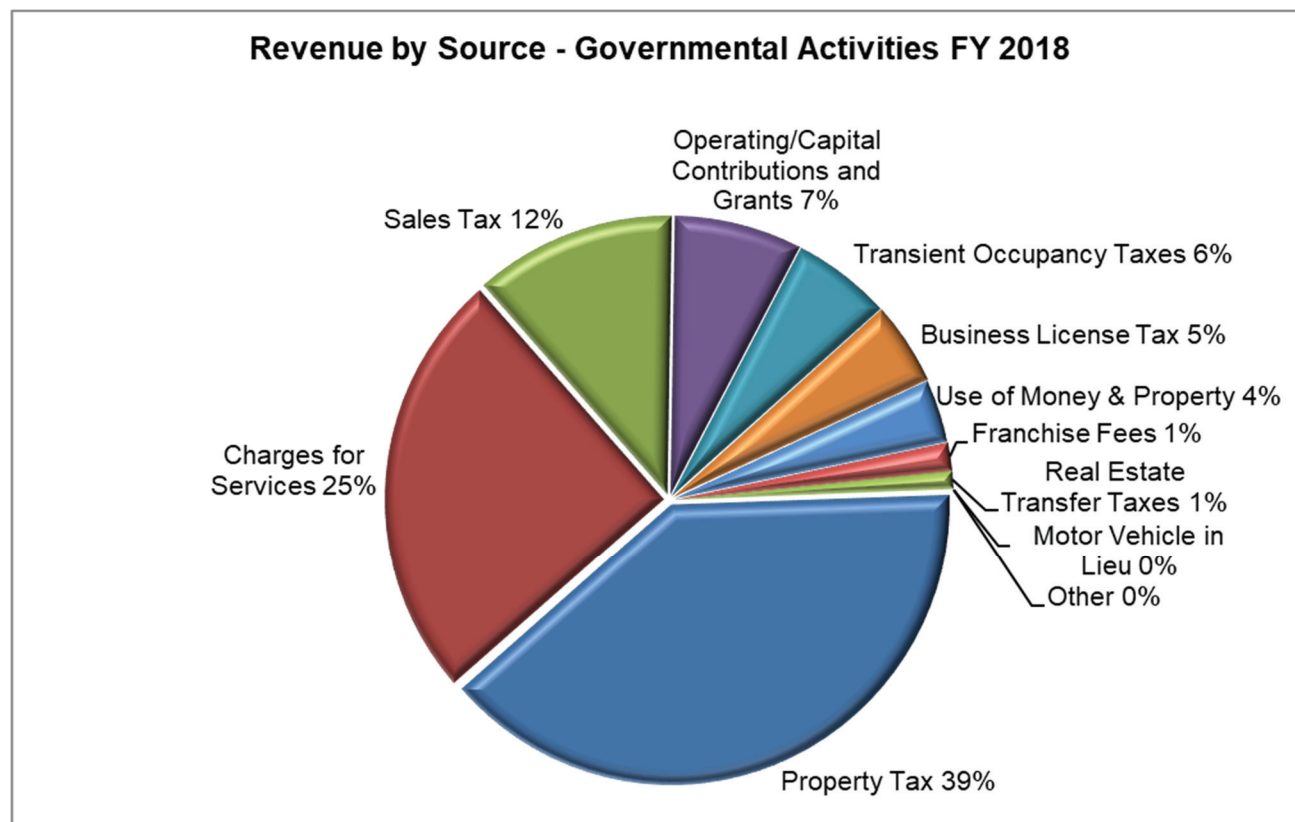
	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Revenues:						
Charges for Services	\$19,348,307	\$19,986,174	\$27,464,617	\$26,234,114	\$46,812,924	\$46,220,288
Operating Contributions and Grants	3,253,902	2,304,536	331,705	9,353	3,585,607	2,313,889
Capital Contributions and Grants	2,461,094	1,850,921	-	-	2,461,094	1,850,921
General Revenues:						
Property Taxes	30,318,225	28,215,709	-	-	30,318,225	28,215,709
Other Taxes	19,281,127	19,980,637	-	-	19,281,127	19,980,637
Motor Vehicle in Lieu	18,680	15,812	-	-	18,680	15,812
Use of Money and Property	2,815,868	3,495,128	224,471	70,885	3,040,339	3,566,013
Other	10,345	724,240	2,580	258,030	12,925	982,270
<b>Total Revenues</b>	<b>\$77,507,548</b>	<b>\$76,573,157</b>	<b>\$28,023,373</b>	<b>\$26,572,382</b>	<b>\$105,530,921</b>	<b>\$103,145,539</b>
Expenses:						
General Government	\$15,510,329	\$13,812,252	-	-	\$15,510,329	\$13,812,252
Public Safety	43,350,463	41,381,149	-	-	43,350,463	41,381,149
Public Works	10,188,714	9,572,971	-	-	10,188,714	9,572,971
Culture & Recreation	9,895,447	9,020,080	-	-	9,895,447	9,020,080
Interest on Long-Term Debt	465,472	616,179	-	-	465,472	616,179
Water, Waste, Storm	-	-	14,418,031	13,165,533	14,418,031	13,165,533
Refuse	-	-	4,223,690	3,999,131	4,223,690	3,999,131
Parking	-	-	4,463,751	3,785,249	4,463,751	3,785,249
<b>Total Expenses</b>	<b>\$79,410,425</b>	<b>\$74,402,631</b>	<b>\$23,105,472</b>	<b>\$20,949,913</b>	<b>\$102,515,897</b>	<b>\$95,352,544</b>
Revenues Over Expenses	(1,902,877)	2,170,526	4,917,901	5,622,469	3,015,024	7,792,995
Transfers In (Out)	(735,737)	(814,838)	735,737	814,838	-	-
<b>Increase (Decrease) in Net Position</b>	<b>(\$2,638,614)</b>	<b>\$1,355,688</b>	<b>\$5,653,638</b>	<b>\$6,437,307</b>	<b>\$3,015,024</b>	<b>\$7,792,995</b>
<b>Net Position - Beginning</b>	<b>\$98,583,961</b>	<b>\$97,228,273</b>	<b>\$86,550,606</b>	<b>\$80,142,849</b>	<b>\$185,134,567</b>	<b>\$177,371,122</b>
Restatement of Net Position	\$3,512,906	-	(75,159)	(29,550)	3,437,747	(29,550)
<b>Net Position - June 30 (Year End)</b>	<b>\$99,458,253</b>	<b>\$98,583,961</b>	<b>\$92,129,085</b>	<b>\$86,550,606</b>	<b>\$191,587,338</b>	<b>\$185,134,567</b>

**Changes in Net Position - Governmental Activities**

The City's governmental activities in FY 2017-18 increased net position by \$874,292 compared to an increase of \$1,355,688 in FY 2016-17.

While total revenues increased by \$934,391, total expenses increased by \$5,007,794, which the City is closely monitoring in light of expected future increases in pension expenses as a result of CalPERS reducing the discount rate. Revenues in taxes and assessments increased \$1.5 million compared to the prior year and building plan check fees increased \$0.5 million. Expenses throughout governmental activities included pension expense (\$0.8 million), salaries (\$0.8 million), medical and workers comp claims (\$1.0 million), and contract and materials (\$0.9 million).

Total governmental activities revenue of \$77,507,548, excluding transfers-out of \$735,737, is broken out as follows:



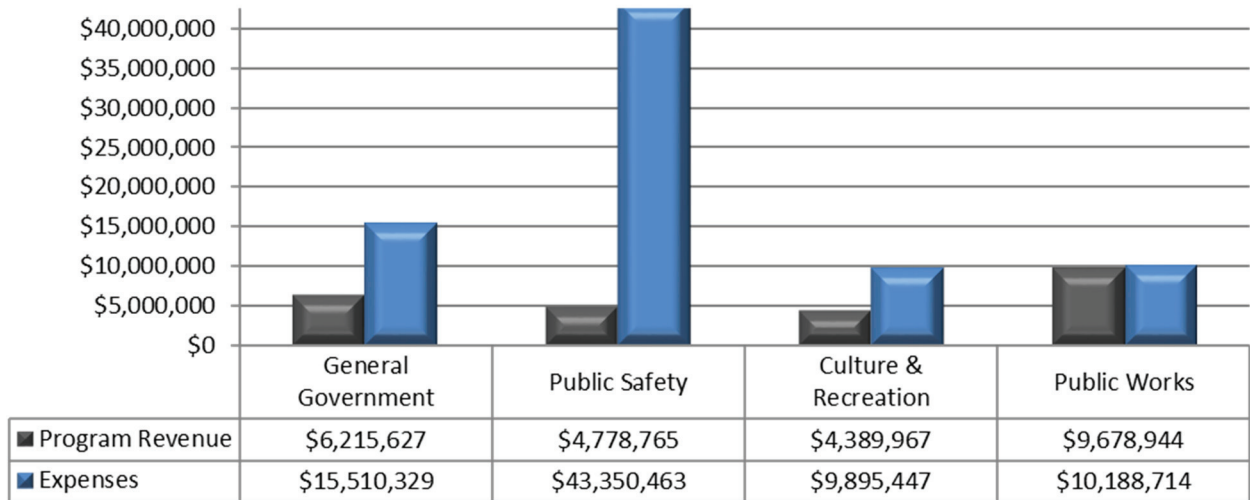
Functional expenses (excluding interest on debt) for the years ending June 30, 2018 and June 30, 2017 were as follows:

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
General Government	15,510,329	13,812,252	(9,294,702)	(6,039,972)
Public Safety	43,350,463	41,381,149	(38,571,698)	(36,646,883)
Culture and Recreation	9,895,447	9,020,080	(5,505,480)	(4,946,920)
Public Works	10,188,714	9,572,971	(509,770)	(2,011,046)
<b>Total</b>	<b>\$78,944,953</b>	<b>\$73,786,452</b>	<b>(\$53,881,650)</b>	<b>(\$49,644,821)</b>

The total cost of services increased from the prior year by \$5,158,501 (7.0%), while the net cost of services increased by \$4,236,829 (8.5%) from the prior year. Total cost of services for Public Safety increased by \$1,969,314, Culture and Recreation increased \$875,367, General Government increased by \$1,698,077, and Public Works increased by \$615,743.

The following chart illustrates governmental revenues and expenses by function for the year ended June 30, 2018.

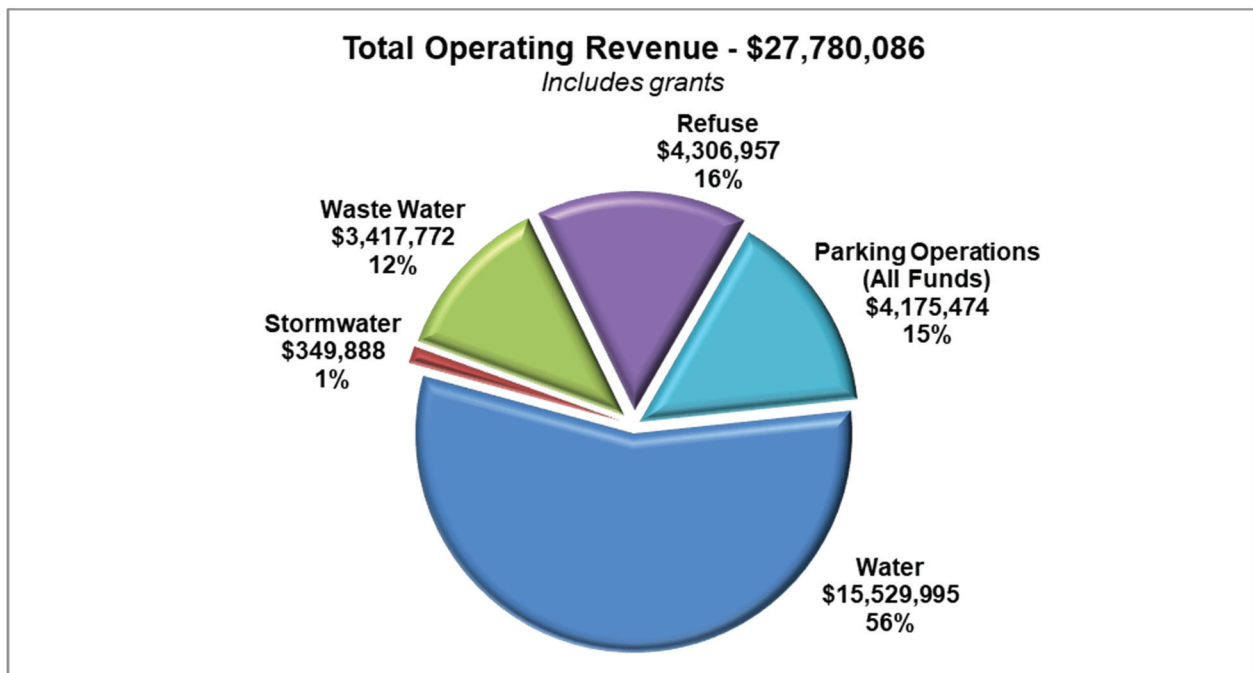
**Governmental Activities Revenue and Expenses by Function/Program**  
**Year Ended June 30, 2018**  
*(excludes interest on long-term debt)*



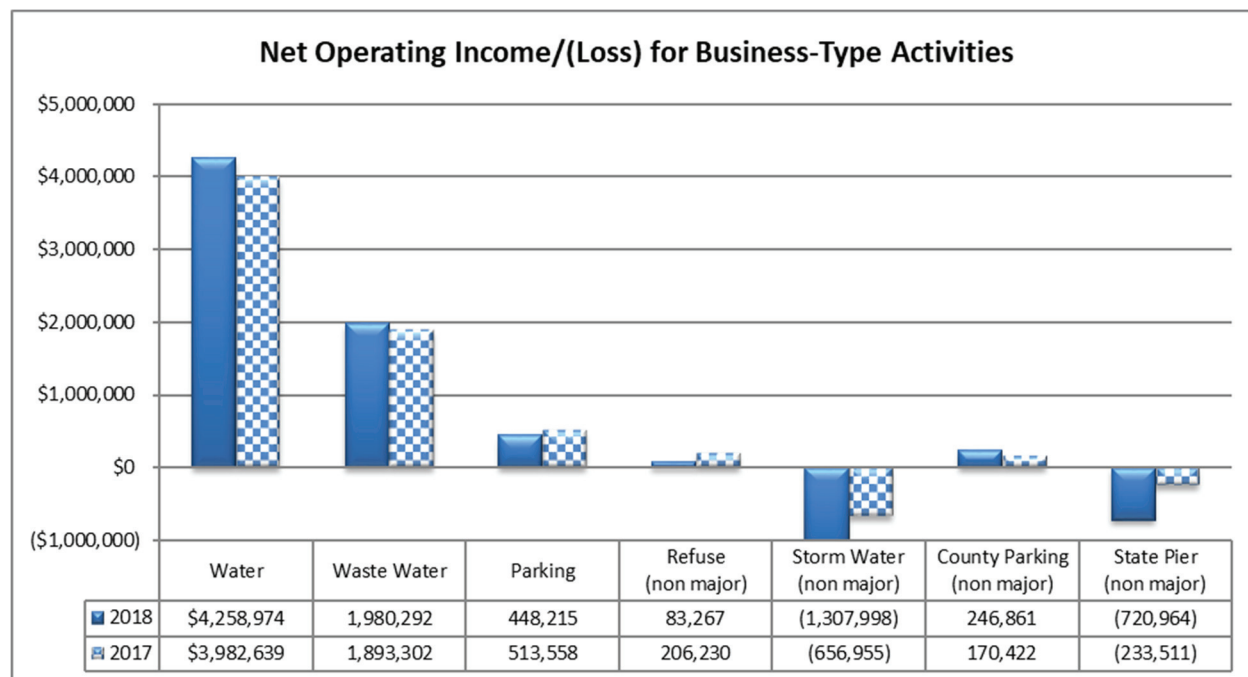
**Change in Net Position - Business Type Activities**

In fiscal year 2017-18, total revenues for the City's business-type activities amounted to \$28,023,373. Operating revenues totaled \$27,780,086, interest revenues totaled \$224,471, and other revenues totaled \$18,816. Expenses totaled \$23,105,472 of which operating expenses equaled \$22,791,439, and non-operating expenses (including debt interest expense) totaled \$314,033. Total income from operations was \$4,988,647 while net income before transfers was \$4,917,901. After net transfers-in totaling \$735,737, net position increased by \$5,653,638 compared to an increase of \$6,437,307 in FY 2016-17.

**Operating Revenues by Source - Business Type Activities FY 2018**



Operating Income varied across the business-type activities in FY 2017-18. A year-over-year comparison is presented below. Further analysis of the major funds is discussed later in this report.



In recent years, GASB has released Statements 68, 74, and 75. These statements have a significant financial impact on the City's Financial Statements and in particular, the government wide statements. Public agencies must recognize the net noncurrent liabilities (accrued liabilities less fiduciary assets) of pension plans and other postemployment benefit plans. Due to the magnitude of these net liabilities, the City's government wide net position is significantly reduced. In addition, since these liabilities must be amortized over a fixed period of time, there will be an increase demand on future working capital.

#### *Accounting and Financial Reporting for Pensions - GASB 68*

In compliance with Governmental Accounting Standards Board (GASB) Statement 68, the City's financial statements included its long-term pension liabilities. Prior to FY 2014-15, pension liabilities were discussed only in the Notes and not presented in the Statements. The pension liabilities now presented in the Government-wide financial statements reflect true pension expense and liabilities as determined by the California Public Employees Retirement System (CalPERS).

Net pension liability (\$74,435,911) is most significant due to its impact on the City's reported Net Position. Net position is comprised of three components - Net investment in capital assets, Restricted and Unrestricted. Governmental and Business-type activities' net position captures the corresponding share of net pension liabilities. In the case of Governmental activities (which absorb over 95% of pension expense for general government, public safety, public works and recreation employees), the result is a net pension liability of \$72,672,580. Due to the significantly smaller employee population in Business-type activities, these funds have a much smaller net pension liability of \$1,763,331. Because of the significant impact of pension liabilities on the City's financial status, a thorough explanation is included at the end under the section *Effect of Pension Activity on Net Position*.

#### *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions – GASB 74/75*

In FY 2017-2018, the City implemented the pronouncements of GASB 74 and GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB). GASB 74 replaces the requirements for GASB 43 and 57. GASB 75 replaces the requirements for GASB 45. The purpose of

GASB 74 and GASB 75 is to establish new accounting and financial reporting standards for OPEB that is provided to employees by state and local governments.

The City has a two retiree medical plans that fall under the definition of an OPEB plan. One is the City plan, which provides a fixed stipend to qualifying retirees until age 65. The other is a contribution to all retirees who enroll in the CalPERS medical plan as mandated by the Public Employee Medical and Hospital Care Act (PEMHCA).

The plans are financed by actuarially determined contributions and interest earnings. The funds are held in Section 115 trust fund managed by California Employees' Retirement Benefit Trust (CERBT), which is under the CalPERS umbrella. The City reports the CERBT actuarial determined net assets as of a measurement date. The most recent actuarial valuation for this plan was on June 30, 2017. As of the valuation date, plan fiduciary net position totaled \$9,956,287 and OPEB liability totaled \$6,044,260, resulting in a net OPEB asset of \$3,912,027 government wide. The Governmental Activities share of net OPEB asset was \$3,690,349 and the Business-Type Activities reported a net OPEB asset of \$221,678.

Please refer to Note 10 for more information on the post-employment benefit plans.

## **FUND FINANCIAL STATEMENTS**

### **Governmental Funds**

As of the end of the 2018 fiscal year, the City's governmental funds ending fund balances totaled \$47,339,243, an increase of \$3,023,928 (6.8%) in comparison with the prior year.

Within the Governmental Funds total, \$22,860,400 (48.3%) constitutes unassigned fund balance. The remainder of the fund balance (\$24,478,843) is non-spendable, restricted or committed indicating these funds are not available for new spending because it has already been committed for on-going capital projects, advanced to other funds for legally restricted use, long term notes receivable, 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 \$22.9 million unassigned governmental fund balance noted above, \$18.2 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 2017-18 fiscal year, unassigned fund balance of the General Fund was \$22,860,400, while total fund balance was \$26,872,054. 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 4.0 months of total General Fund expenditures, while total fund balance represents 4.7 months of General Fund expenditures.

During the year, General Fund revenues exceeded expenditures by \$3,448,579. The non-spendable portion of fund balance increased \$567,981 due to an increase of prepaid costs in FY 2018. The increase in fund balance of \$1.8 million included net transfer activity of negative \$1,601,672 due to the following transfers:

- \$198,935 was transferred to the Street Lighting Fund to relieve a deficit fund balance.
- \$982,355 was transferred to the Stormwater Fund to relieve a deficit fund balance due to operations.
- \$667,000 was transferred to the Insurance Reserve Fund to support long-term liabilities.

- \$246,618 of excess revenues from the County Parking 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 2017-18, total fund balance of \$10,569,488 in the Capital Improvement Fund was committed to capital projects.

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

- \$1.2 million in various facilities improvements
- \$1.2 million for the purchase of street lights and to retrofit with LED lights
- \$893,593 for the downtown streetscape improvements
- \$869,170 for Safe Routes to School projects
- \$790,600 for design of the replacement Fire Station #2
- \$722,232 for turf and light replacements at sports fields
- \$561,955 for non-motorized transportation projects
- \$438,723 for an ADA-compliant restroom remodel at City Hall
- \$1.9 million for other building improvements and street projects.

During Fiscal Year 2017-18, the Capital Improvement Project Fund balance increased by \$2,608,423 (32.8%). Revenues of \$4,083,873 were offset by capital and maintenance expenditures of \$707,078 and debt service of \$768,372.

Of the \$4,083,873 in total revenues to the Capital Improvement Fund, certain dedicated revenues described below totaled \$1,399,214 in FY 2017-18. 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, generating \$664,396 in revenue for the year, which is \$108,252 (14.0%) below prior year levels. The decrease was primarily due to the Marriott remodel which was completed in May 2018.

**Parking Meter Rates:** Fifty cents of the \$1.25 per hour on-street parking meter rates is dedicated to capital improvements. This source generated revenue of \$636,154 this fiscal year, down \$44,535 or 6.5% from the prior year.

**Parking Citation Rates:** Most parking citations include four dollars dedicated to the CIP fund. For FY 2017-18, revenue of \$98,664 was realized; a decrease of \$6,900 (6.5%) from the prior year.

Grant funds received as reimbursement for capital project expenditures totaled \$1,579,256.

Capital Improvement Fund expenditures totaled \$615,821 and included:

- \$174,347 – CDBG Access Ramp Construction
- \$79,380 – Fiber Master Plan
- \$61,781 – Village Field Replacement Turf



- \$300,312 – Other Capital Improvement Fund projects.

#### *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, Measure M 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 2017-18, expenditures exceeded revenues by \$198,935. Since there is no fund balance to draw upon, the General Fund contributes the entire amount 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 and Parking Funds (major funds), as well as Stormwater, Refuse and both the County and State Pier & Parking Lot Funds (which are considered non-major). Internal service funds include Insurance Reserve, Information Technology, Fleet Management and Building Maintenance and Operations. With the implementation of GASB 75, the beginning net position of all Enterprise Funds has been restated. Please refer to Note 13 for a schedule of restatements.

#### *Enterprise Funds*

At year-end, total net position of all enterprise funds amounted to \$92,129,085. Net investment in capital assets totaled \$43,188,261 and \$553,653 is restricted for a business improvement district. The balance of \$48,387,171 is unrestricted net position.

Overall, the combined net income of enterprise funds was \$4,917,901 before transfers. Operations resulted in a \$4,988,647 increase in net position. Transfer activity included a transfer-out of \$246,618 from the County Parking Lots Fund to the General Fund and a transfer-in of \$982,355 from the General Fund to cover the deficit in the Storm Drain Fund.

Several enterprise funds are worth noting:

- 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 \$4,258,974, an increase from the prior year which had net operating income of \$3,982,639. Revenue from sales increased by 5.8%, while operating expenses (labor, materials, services, etc.) increased by 5.4%. Accumulated fund balances provide resources for planned capital improvements to the utility's infrastructure, estimated at \$41.7 million over the next five years.
- The Wastewater fund net operating income for FY 2017-18 was \$1,980,292 versus \$1,893,302 in FY 2016-17 – a net increase of \$86,990, or 1.9%. Operating revenue increased \$12,033 (0.4%) while operating expenses increased \$48,704 (4.6%). It is important to note that Wastewater revenues are based on water consumption, and increases or decreases in consumption due to water conservation efforts also impact Wastewater revenues.
- The Parking Fund net operating income for FY 2017-18 was \$448,215, down \$65,343 or 12.7% from the prior year. Operating revenue increased \$64,648 in FY 2018, up 2.6% compared to the prior year. The operating revenue increases was offset by operating expenses of \$2,077,060, up \$129,991 or 6.7% from the prior year. Although net income was \$194,534, future capital improvement projects as well debt service of bond principal will require an increase in cash flow.

Cash flow in fiscal year 2017-18 was negative \$234,555 due to the pay down of long term debt principal. In August 2018, City Council approved a parking meter rate increase of \$0.50/hour effective November 2018 which is expected to generate \$1.5 million to the fund annually. The increase will offset increasing expenditures and fund capital investments in parking systems and facilities.

- Refuse Fund net income from operations totaled \$83,267 in FY 2017-18, a decrease of \$122,963 from the prior year. Operating expenses increased by \$224,559 (5.6%) and operating revenues increased by \$99,801 (2.4%). In FY 2013-14, the City voluntarily commenced issuing refunds for past street sweeping charges collected on utility bills. The Refuse Fund balance from FY 2013-14 through FY 2016-17 was restated to recognize the street sweeping refunds issued from prior year revenues which totaled \$824,457. Street sweeping reimbursements were completed during FY 2017-18 with a final restatement due to refunds of \$4,558. The total restatement amount is \$16,297 due to GASB 75 less \$4,558 due to street sweeping refunds. Fund balance at June 30, 2018 totaled \$764,059, an increase of \$106,404 from FY 2016-17. Accumulated fund balance will be spent on capital improvement projects, including for City-owned refuse enclosures, in future years.
- The Stormwater Fund net operating loss in FY 2017-18 totaled \$1,307,998. This loss is a continuation of prior year net losses in FY 2016-17 (\$656,955), FY 2015-16 (\$771,508), FY 2014-15 (\$424,468), FY 2013-14 (\$420,831), and FY 2012-13 (\$57,093). The combination of fixed assessments (that have remained unchanged since 1996) and rising costs currently requires a General Fund cash subsidy. The General Fund transferred \$982,355 in FY 2017-18 to relieve the operational deficit and fund necessary capital improvements in the Stormwater Fund. Additional capital improvements due to legislative mandates will also result in increased costs in the near future. 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 negative \$190,231 with total net position of \$4,512,656 at year-end. Total net position decreased by \$1,016,856 from the prior year. Additionally, there was a total of \$212,400 in restatements across all internal services funds due to the implementation of GASB 75 (see Note 13).

In the Insurance Fund, net position at year-end was negative \$2,989,182, compared to negative \$1,761,360 in the prior year. Unrestricted net position decreased due to additional workers compensation claims and other accrued claims and judgments that were incurred but not reported. FY 2017-18 workers compensation and liability claims expense totaled \$8.08 million. For comparison, prior year workers compensation and liability claims expense are below:

FY 2017-18	\$8.08 million
FY 2016-17	6.35 million
FY 2015-16	6.66 million
FY 2014-15	6.56 million
FY 2013-14	5.17 million
FY 2012-13	3.77 million
FY 2011-12	4.96 million
FY 2010-11	3.59 million
FY 2009-10	1.69 million
FY 2008-09	2.98 million

The unpredictable nature of workers compensation and liability claims activity 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 \$44,147, to \$7,744,611, reflecting departmental charge-outs (revenues to the fund) for vehicle rent and maintenance. Capital purchases totaled \$497,249 versus



\$1,015,578 in FY 2016-17. Accumulated working capital will be used for the purchase of large vehicles such fire trucks as well as maintenance trucks and police vehicles.

Net position in the Building Maintenance and Operations Fund is negative \$295,380 due to the net pension liability of \$538,793. The negative net position will be relieved by increased charges to user departments which will be used to pay down net pension liability.

The Information Technology Fund also has a net position of \$52,607. Net pension liability in this fund totals \$976,797, an increase of \$92,034 from FY 2016-17. The operating expenditure is offset by departmental charge-outs borne primarily by the General Fund.

## General Fund Budgetary Highlights

### Estimated Revenues

General Fund revenues totaled \$71,855,437 including transfers-in from other funds. Total General Fund revenues outperformed the final budget by \$579,723. Tax revenues outperformed budget by \$70,374. Licenses and permits outperformed budget by \$594,109 and Charges for Services exceeded budget by \$1,223,753. These variances were largely due to a change in the fee structure. Fines and Forfeitures underperformed the final budget by \$323,690 mainly due to lower parking citation revenue. Miscellaneous Revenue, excluding capital lease proceeds, came in \$467,883 over budget due worker's compensation reimbursements. Although Capital Lease Proceeds were budgeted \$830,000, the anticipated lease-purchase financing for policing equipment was not necessary when the City decided to purchase the equipment outright instead.

### Appropriations

The final amended General Fund budget increased overall by \$1,574,976 over the adopted appropriations. Actual expenditures were under the final budget by \$3.8 million.

The budget adjustments were due to carrying forward prior year encumbrances and budget adjustments approved by City Council as follows:

- \$374,976 due to the carry forward of prior year encumbrances
- \$1,000,000 for school safety and security measures
- \$200,000 for a police grant

## Capital Asset and Debt Administration

**Capital Assets:** Government-wide, the City's investment in capital assets (net of accumulated depreciation) as of June 30, 2017 is \$171,080,634. This is a decrease from the prior year of \$398,625. 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	
	2018	2017	2018	2017	2018	2017
Land	\$33,634,565	\$33,634,565	\$2,607,434	\$2,607,434	\$36,241,999	\$36,241,999
Buildings	31,353,485	32,207,612	15,670,927	15,267,497	47,024,412	47,475,109
Machinery & Equipment	1,005,104	1,292,531	735,852	890,854	1,740,956	2,183,385
Vehicles	4,702,887	5,250,385	-	-	4,702,887	5,250,385
Infrastructure	38,297,975	36,475,478	31,805,173	24,624,754	70,103,148	61,100,232
Invested in Joint Venture (RCC)	1,876,862	1,981,195	-	-	1,876,862	1,981,195
Work in Progress	6,916,448	7,544,905	2,473,922	9,702,049	9,390,370	17,246,954
<b>Total</b>	<b>\$117,787,326</b>	<b>\$118,386,671</b>	<b>\$53,293,308</b>	<b>\$53,092,588</b>	<b>\$171,080,634</b>	<b>\$171,479,259</b>

### Governmental

During fiscal year 2017-18, governmental capital expenditures included:

- \$497,249 for vehicle purchases
- \$119,876 for machinery and equipment

### Business-type

During the fiscal year, Business-type capitalized net expenditures totaled \$1,788,447 for projects in progress. This increase was offset by depreciation of \$1,305,263 and \$282,464 of capital assets in the Stormwater Fund was restated as maintenance and repair, resulting in a net increase in assets of \$200,720.

Please refer to Note 5 for additional information on the City's capital assets and Note 13 for restatements.

**Long-Term Liabilities:** Total long-term liabilities citywide (excluding unamortized bond premiums) equal \$43,979,624, an increase of \$1,605,296 from fiscal year 2016-17 due to insurance claim reserves for workers compensation and liability. Governmental liabilities increased by \$2,231,078 or 7.0% while business type liabilities decreased by \$625,782 or 6.0%. The following table is a condensation of Note 6.

### City of Manhattan Beach Outstanding Liabilities (Excluding Bond Premium)

#### City of Manhattan Beach Outstanding Long Term Liabilities

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Marine Avenue Park Refunding COPs	\$5,640,000	\$5,905,000	-	-	5,640,000	5,905,000
Capital Equipment Lease	-	147,506	-	-	-	147,506
Police & Fire Facility Refunding COPs	8,180,000	8,660,000	-	-	8,180,000	8,660,000
Accrued Employee Leave & Benefits	3,301,771	3,432,492	63,927	69,709	3,365,698	3,502,201
Melox and Water/Wastewater Refunding COPs	-	-	1,805,000	1,995,000	1,805,000	1,995,000
Metlox Parking Refunding COPs	-	-	7,870,000	8,300,000	7,870,000	8,300,000
Insurance Claim Reserves	17,118,926	13,864,621	-	-	17,118,926	13,864,621
<b>Total Long Term Liabilities</b>	<b>\$34,240,697</b>	<b>\$32,009,619</b>	<b>\$9,738,927</b>	<b>\$10,364,709</b>	<b>\$43,979,624</b>	<b>\$42,374,328</b>
Current portion of Long Term (due within one year)	12,129,833	10,598,001	650,159	635,362	12,779,992	11,233,363
<b>Long Term Liabilities - Non Current</b>	<b>\$22,110,864</b>	<b>\$21,411,618</b>	<b>\$9,088,768</b>	<b>\$9,729,347</b>	<b>\$31,199,632</b>	<b>\$31,140,965</b>

### Governmental

Principal obligations for existing long-term bonded debt were reduced in accordance with existing debt service schedules. The Marine Avenue Certificates of Participation were refinanced in January 2017. The outstanding liability for the Marine Avenue Park Refunding Certificates of Participation as of June 30, 2018 is \$5,640,000, down \$265,000 from the prior year due to principal payments.

Ongoing increases in Insurance Claim Reserves resulting from workers compensation claims have resulted in the Insurance Fund being in a deficit position, even with the \$2.0 million transfers from the General Fund to the Insurance Fund over the past 3 years.

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 2017-18) is \$700 million.

### *Business Type*

Business type principal obligations for existing long-term bonded debt were reduced in accordance with existing debt service schedules. For the details regarding components of long term liabilities including debt service schedules, please refer to Note 6.

### **EFFECT OF PENSION ACTIVITY ON NET POSITION**

The City contracts with the California Public Employees Retirement System (CalPERS) to provide retirement benefits for all full time employees and qualified part time employees. City plans cover qualified miscellaneous and safety employees as further described in Note 8.

The implementation of GASB 68 in fiscal year 2014-15 fundamentally changed the presentation of financial statements. Public agencies are required to recognize net pension liabilities (NPL), which are equal to the gross pension liability less fiduciary assets. Further, public agencies rely on CalPERS to provide valuations of these pension-related fiduciary assets and liabilities. Due to the timing of CalPERS valuation reports, the measurement date for the City's retirement reporting lags by one year.

CalPERS makes actuarial assumptions and projections regarding the population of employees such as salary progression, expected date of retirement, mortality, turnover and, most importantly, the rate of return on investments. With this information, CalPERS actuaries determine the accrued pension liability. CalPERS also determines the value of its fiduciary net position (cash and investments). Ideally, the difference between the accrued pension liability and fiduciary net position would be zero. However, in recent years, CalPERS actual results have deviated significantly from assumptions and investment return projections. Differences between CalPERS assumed results and actual results are factored into the City's NPL, which caused it to rise to \$74,435,911 as of June 30, 2018 (using the latest available measurement date as of June 30, 2017). To compare, the City's CalPERS NPL as of June 30, 2017 (using a measurement date as of June 30, 2016) was \$65,629,934 - a difference of \$8,805,978.

The City's pension expense was \$10.4 million in FY 2017-18 (based on the measurement date of June 30, 2017) due to City Contributions of \$6.17 million, changes in NPL of \$8.8 million and changes in net deferrals of negative \$4.56 million. However, net deferrals will be expensed in future years. In addition to current year service contributions, the City makes annual payments toward its unfunded liability. The City's contribution to CalPERS in FY 2017-18 was \$6.65 million, compared to \$6.17 million in FY 2016-17. Contributions in FY 2018-19 are budgeted at \$8.01 million. In the future, City contributions will continue to rise based on both normal service costs and amortization of the unfunded liability. Projected increases over the next five years average \$900,000. Managing the growing NPL and meeting retirement obligations remain some of the City's biggest challenges. Nearly 98% of retirement costs are attributable to the City's Governmental Funds, and growing pension costs certainly have the potential to crowd out other funding needs.

Note 8 provides a breakdown by group (Miscellaneous and Public Safety) and other relevant information. Of particular importance is the sensitivity analysis table indicating outcomes of changes to CalPERS assumed discount rate. For the fiscal year ending June 30, 2018, the discount used for measurement purposes was 7.15%, a decrease from 7.65% compared to the prior year. CalPERS adopted a phased plan to reduce its assumed rate of return to 7% by FY 2019-20, which will further increase the City's NPL in future years. As indicated in the sensitivity analysis table, any reduction in the discount rate leads to an increased net pension liability as well as greater current service costs. The City recognizes these rising costs and is working on mitigating impacts to City services.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

With the FY 2016-17 budget process, the City transitioned to a two-year budget in order to better encourage longer-range planning and link the spending plan to the vision of the City's Strategic Plan, which prioritizes goals for the coming years. In June 2018, the City Council adopted the budget for FY 2018-19 and approved the budget for FY 2019-20. The original budget estimates General Fund revenues at \$75,505,117 and expenditures of \$75,689,871, resulting in a deficit of \$184,754 in FY 2018-19. The deficit was mainly caused by the re-budgeting of \$1.0 million committed for school safety measures.

The City's major General Fund revenue sources are stable. Property tax, the single biggest General Fund revenue source, is expected to increase in FY 2018-19 by 4.5% over FY 2017-18 actual receipts. Sales tax is projected to remain flat to slightly higher from FY 2017-18. Primary drivers of the stagnation are fuel and service stations, reflecting the downward trend in gasoline prices, and general consumer goods. Transient Occupancy Taxes are expected to increase by 5.9% compared to FY 2017-18 due to the completion of significant remodeling and upgrades at the Marriott Hotel property that temporarily impacted room occupancy and bookings for large events.

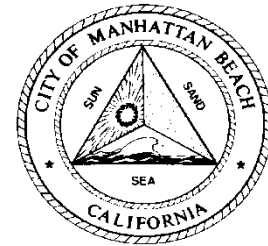
As a service organization, labor accounts for most of our costs - approximately 70% (\$50.4 million) in the General Fund. New labor agreements with the four bargaining units (Police Officers, Police Management, Fire and Teamsters) are being negotiated during FY 2018-19, and are effective calendar year 2019. A new bargaining unit for mid-level management employees was formed in FY 2016-17, with an agreement effective until December 2019. Finally, a new labor group, the Fire Management Association, was formed in FY 2017-18, and represents Fire Battalion Chiefs.

The City continues its focus on capital improvements. Expenditures of \$113.0 million (including carryover projects) are planned over the next five years for utility, street and facility projects. \$62.0 million of that amount is for water, wastewater, and stormwater projects exclusive of mandated improvement projects under the federal National Pollution Discharge Elimination System (NPDES). Approximately \$18.3 million has been budgeted for street and roadway needs, \$14.3 million for general facilities (including parking facilities), and \$18.2 for the Sepulveda Bridge project. 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, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 62,540,244	\$ 52,549,678	\$ 115,089,922
Receivables:			
Accounts	657,071	1,450,075	2,107,146
Taxes	3,207,334	-	3,207,334
Accrued interest	566,547	-	566,547
Prepaid costs	772,782	-	772,782
Due from other governments	3,601,757	-	3,601,757
Due from OPEB Trust Fund	276,109	-	276,109
Inventories	84,436	202,167	286,603
Restricted assets:			
Cash and investments	763,621	-	763,621
Cash with fiscal agent	234,182	170,756	404,938
<b>Total Current Assets</b>	<b>72,704,083</b>	<b>54,372,676</b>	<b>127,076,759</b>
Net OPEB Asset	3,690,349	221,678	3,912,027
Notes and loans	1,533,514	-	1,533,514
Capital assets not being depreciated	40,551,013	5,081,356	45,632,369
Capital assets, net of depreciation	77,236,313	48,211,952	125,448,265
<b>Total Noncurrent Assets</b>	<b>123,011,189</b>	<b>53,514,986</b>	<b>176,526,175</b>
<b>Total Assets</b>	<b>195,715,272</b>	<b>107,887,662</b>	<b>303,602,934</b>
<b>Deferred Outflows of Resources:</b>			
Deferred charge on refunding	434,533	-	434,533
Deferred pension related items	22,369,214	549,636	22,918,850
<b>Total Deferred Outflows of Resources</b>	<b>22,803,747</b>	<b>549,636</b>	<b>23,353,383</b>
<b>Liabilities:</b>			
Accounts payable	2,253,992	3,013,203	5,267,195
Accrued liabilities	203,503	266,142	469,645
Accrued payroll	470,299	-	470,299
Payroll liabilities	996,464	-	996,464
Accrued interest	234,181	170,756	404,937
Unearned revenue	1,127,016	-	1,127,016
Deposits payable	2,091,980	785,845	2,877,825
Long-term liabilities due within one year:			
Bonds Payable	795,000	635,000	1,430,000
Accrued workers comp/liability claims and judgments	10,551,906	-	10,551,906
Accrued employee benefits	782,927	15,159	798,086
<b>Total Current Liabilities</b>	<b>19,507,268</b>	<b>4,886,105</b>	<b>24,393,373</b>
Noncurrent liabilities:			
Long term liabilities due in more than one year			
Bonds payable	13,767,833	9,470,047	23,237,880
Net pension liability - PERS	72,672,580	1,763,331	74,435,911
Net pension liability - City Plans	275,478	-	275,478
Accrued workers comp/liability claims and judgments	6,567,020	-	6,567,020
Accrued employee benefits	2,518,844	48,768	2,567,612
<b>Total Noncurrent Liabilities</b>	<b>95,801,755</b>	<b>11,282,146</b>	<b>107,083,901</b>
<b>Total Liabilities</b>	<b>115,309,023</b>	<b>16,168,251</b>	<b>131,477,274</b>
<b>Deferred Inflows of Resources:</b>			
Deferred pension related items	3,751,743	139,962	3,891,705
<b>Total Deferred Inflows of Resources</b>	<b>3,751,743</b>	<b>139,962</b>	<b>3,891,705</b>
<b>Net Position:</b>			
Net investment in capital assets	103,659,026	43,188,261	146,847,287
Restricted for:			
Public safety	730,541	-	730,541
Public works	348,127	-	348,127
Capital projects	8,819,033	-	8,819,033
Post-employment benefits	763,621	-	763,621
Business improvement districts	-	553,653	553,653
Unrestricted	(14,862,095)	48,387,171	33,525,076
<b>Total Net Position</b>	<b>\$ 99,458,253</b>	<b>\$ 92,129,085</b>	<b>\$ 191,587,338</b>



## CITY OF MANHATTAN BEACH

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 15,510,329	\$ 4,198,331	\$ 2,017,296	\$ -
Public safety	43,350,463	4,586,742	192,023	-
Culture and recreation	9,895,447	3,731,563	658,404	-
Public works	10,188,714	6,831,671	386,179	2,461,094
Interest on long-term debt	465,472	-	-	-
Total Governmental Activities	79,410,425	19,348,307	3,253,902	2,461,094
Business-Type Activities:				
Water	11,305,635	15,527,415	-	-
Stormwater	1,657,886	349,888	-	-
Wastewater	1,454,510	3,417,772	-	-
Refuse	4,223,690	4,306,957	18,816	-
Parking	2,339,449	2,516,176	9,099	-
County Parking Lot	554,963	801,824	-	-
State Pier and Parking Lot	1,569,339	544,585	303,790	-
Total Business-Type Activities	23,105,472	27,464,617	331,705	-
Total Primary Government	\$ 102,515,897	\$ 46,812,924	\$ 3,585,607	\$ 2,461,094

**General Revenues:**

## Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Business licenses taxes

Real estate transfer taxes

Motor vehicle in lieu - unrestricted

Use of money and property

Other

**Transfers****Total General Revenues and Transfers**

Change in Net Position

Net Position at Beginning of Year

Restatement of Net Position

**Net Position at End of Year**

<b>Net (Expenses) Revenues and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (9,294,702)	\$ -	\$ (9,294,702)
(38,571,698)	-	(38,571,698)
(5,505,480)	-	(5,505,480)
(509,770)	-	(509,770)
(465,472)	-	(465,472)
<b>(54,347,122)</b>	<b>-</b>	<b>(54,347,122)</b>
-	4,221,780	4,221,780
-	(1,307,998)	(1,307,998)
-	1,963,262	1,963,262
-	102,083	102,083
-	185,826	185,826
-	246,861	246,861
-	(720,964)	(720,964)
<b>-</b>	<b>4,690,850</b>	<b>4,690,850</b>
<b>(54,347,122)</b>	<b>4,690,850</b>	<b>(49,656,272)</b>
30,318,225	-	30,318,225
4,429,080	-	4,429,080
9,083,389	-	9,083,389
1,262,037	-	1,262,037
3,718,418	-	3,718,418
788,203	-	788,203
18,680	-	18,680
2,815,868	224,471	3,040,339
10,345	2,580	12,925
(735,737)	735,737	-
<b>51,708,508</b>	<b>962,788</b>	<b>52,671,296</b>
(2,638,614)	5,653,638	3,015,024
98,583,961	86,550,606	185,134,567
3,512,906	(75,159)	3,437,747
<b>\$ 99,458,253</b>	<b>\$ 92,129,085</b>	<b>\$ 191,587,338</b>

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# **Fund Financial Statements**



## CITY OF MANHATTAN BEACH

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

		Capital Projects Fund		
	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Pooled cash and investments	\$ 23,882,940	\$ 10,010,709	\$ 10,100,072	\$ 43,993,721
Receivables:				
Accounts	631,736	-	25,335	657,071
Taxes	3,142,363	64,971	-	3,207,334
Notes and loans	1,494,268	39,246	-	1,533,514
Accrued interest	566,547	-	-	566,547
Prepaid costs	753,765	-	2,432	756,197
Due from other governments	1,801,610	809,022	991,125	3,601,757
Due from OPEB Trust Fund	276,109	-	-	276,109
Restricted assets:				
Cash and investments	763,621	-	-	763,621
Cash and investments with fiscal agents	95,200	138,982	-	234,182
<b>Total Assets</b>	<b>\$ 33,408,159</b>	<b>\$ 11,062,930</b>	<b>\$ 11,118,964</b>	<b>\$ 55,590,053</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,616,499	\$ 204,335	\$ 197,106	\$ 2,017,940
Accrued payables	4,690	21,736	173,606	200,032
Accrued payroll	470,299	-	-	470,299
Payroll liabilities	996,464	-	-	996,464
Interest payable	95,200	138,981	-	234,181
Unearned revenues	1,127,016	-	-	1,127,016
Deposits payable	2,090,239	-	1,741	2,091,980
<b>Total Liabilities</b>	<b>6,400,407</b>	<b>365,052</b>	<b>372,453</b>	<b>7,137,912</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	135,698	128,390	848,810	1,112,898
<b>Total Deferred Inflows of Resources</b>	<b>135,698</b>	<b>128,390</b>	<b>848,810</b>	<b>1,112,898</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepaid costs	753,765	-	-	753,765
Notes and loans	1,494,268	-	-	1,494,268
<b>Restricted for:</b>				
Public safety	-	-	730,541	730,541
Public works	-	-	348,127	348,127
Capital projects	-	-	8,819,033	8,819,033
Post-employment benefits	763,621	-	-	763,621
<b>Committed to:</b>				
Capital projects	-	10,569,488	-	10,569,488
School safety/security	1,000,000	-	-	1,000,000
<b>Unassigned</b>	<b>22,860,400</b>	<b>-</b>	<b>-</b>	<b>22,860,400</b>
<b>Total Fund Balances</b>	<b>26,872,054</b>	<b>10,569,488</b>	<b>9,897,701</b>	<b>47,339,243</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 33,408,159</b>	<b>\$ 11,062,930</b>	<b>\$ 11,118,964</b>	<b>\$ 55,590,053</b>

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## CITY OF MANHATTAN BEACH

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

Fund balances of governmental funds		\$ 47,339,243
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included as financial resources		
Capital assets	\$ 168,551,647	
Accumulated depreciation	<u>(55,467,208)</u>	113,084,439
Governmental funds report all OPEB contributions as expenditures, however, in the statement of net position, the excess of the OPEB plan asset over the OPEB actuarial liability is reported as net OPEB asset.		3,468,241
For bond refundings, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred charge on refunding in the Statement of Net Position.		434,533
Governmental funds report all pension contributions as expenditures. However, the net pension liability has a measurement date of June 30, 2017, and pension contributions subsequent to the measurement date are reclassified as deferred outflows of resources.		6,266,745
Deferred inflows of resources reported for the pension plan for government-wide statements are amortized:		
Changes in assumptions	11,414,641	
Differences between expected and actual experiences	554,952	
Net difference between projected and actual earnings	2,773,105	
Adjustment due to difference in proportions	630,841	
Difference in proportionate share	<u>25,142</u>	15,398,681
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
COPS payable	(13,820,000)	
Compensated Absences	(3,301,771)	
Unamortized bond premiums/discounts	<u>(742,833)</u>	(17,864,604)
Governmental funds report all pension contributions as expenditures, however, in the statement of net position, the excess of the plan proportionate share of the total pension liability over the proportionate share of the plan fiduciary net position is reported as a net pension liability.		(70,686,385)
Deferred inflows of resources reported for the pension plan for government-wide statements are amortized:		
Changes in assumptions	(655,915)	
Differences between expected and actual experiences	(1,471,928)	
Adjustment due to difference in proportions	(481,841)	
Difference in proportionate share	<u>(998,510)</u>	(3,608,194)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		1,112,898
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.		4,512,656
<b>Net Position of Governmental Activities</b>		<b><u>\$ 99,458,253</u></b>



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## CITY OF MANHATTAN BEACH

**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018**

		<b>Capital Projects Fund</b>		
	<b>General</b>	<b>Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
Taxes and assessments	\$ 49,223,879	\$ 664,396	\$ 2,358,636	\$ 52,246,911
Licenses and permits	3,365,669	18,170	-	3,383,839
Intergovernmental	363,670	1,964,146	1,256,076	3,583,892
Charges for services	12,255,990	636,154	26,012	12,918,156
Use of money and property	2,746,518	1,985	67,365	2,815,868
Fines and forfeitures	2,472,310	98,664	-	2,570,974
Miscellaneous Revenues	1,180,783	700,358	17,976	1,899,117
<b>Total Revenues</b>	<b>71,608,819</b>	<b>4,083,873</b>	<b>3,726,065</b>	<b>79,418,757</b>
<b>Expenditures:</b>				
Current:				
General government	14,018,095	22	-	14,018,117
Public safety	39,441,189	-	243,864	39,685,053
Culture and recreation	7,995,311	-	878,114	8,873,425
Public works	6,138,757	376,607	1,691,216	8,206,580
Capital outlay:				
General government	21,773	-	-	21,773
Public safety	51,837	-	13,963	65,800
Culture and recreation	-	116,147	-	116,147
Public works	32,303	214,302	2,529,245	2,775,850
Debt service:				
Principal retirement	265,000	480,000	-	745,000
Interest and fiscal charges	194,375	285,162	-	479,537
Fees	1,600	3,210	-	4,810
<b>Total Expenditures</b>	<b>68,160,240</b>	<b>1,475,450</b>	<b>5,356,402</b>	<b>74,992,092</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,448,579	2,608,423	(1,630,337)	4,426,665
<b>Other Financing Sources (Uses):</b>				
Transfers in	246,618	-	393,068	639,686
Transfers out	(1,848,290)	-	(194,133)	(2,042,423)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,601,672)</b>	<b>-</b>	<b>198,935</b>	<b>(1,402,737)</b>
Net Change in Fund Balances	\$ 1,846,907	\$ 2,608,423	\$ (1,431,402)	\$ 3,023,928
<b>Fund Balances:</b>				
Beginning of Year, as originally reported	\$ 25,047,635	\$ 7,961,065	\$ 11,306,615	\$ 44,315,315
Restatements	(22,488)	-	22,488	-
Beginning of Year, as restated	25,025,147	7,961,065	11,329,103	44,315,315
Net Change in Fund Balances	1,846,907	2,608,423	(1,431,402)	3,023,928
<b>End of Year</b>	<b>\$ 26,872,054</b>	<b>\$ 10,569,488</b>	<b>\$ 9,897,701</b>	<b>\$ 47,339,243</b>

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**CITY OF MANHATTAN BEACH**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

Net change in fund balances - total governmental funds \$ 3,023,928

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

Governmental funds report capital outlays as expenditures. However, in the statement as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Cost of assets capitalized	\$ (3,038,535)	
Depreciation expense	3,079,927	
Disposal of capital assets	<u>(93,239)</u>	(51,847)

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

Repayment of bond principal:		
Police & Fire Facility 2013 Refunding Certificates of Participation	480,000	
Marine Avenue Park 2016 Refunding Certificates of Participation	265,000	
Amortization of bond premiums - Police Fire Facility bonds refunding	52,158	
Amortization of deferred charges on refunding	<u>(32,188)</u>	764,970

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.	130,721
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Pension obligation 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.	(3,511,169)
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OPEB 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.	145,247
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Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	(1,911,209)
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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.	<u>(1,229,255)</u>
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<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (2,638,614)</u></u></b>
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## CITY OF MANHATTAN BEACH

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		
	Water	Wastewater	Parking
<b>Assets:</b>			
Current:			
Cash and investments	\$ 36,354,143	\$ 10,325,582	\$ 1,638,081
Receivables:			
Accounts	881,379	240,156	6,592
Prepaid costs	-	-	-
Inventories	202,167	-	-
Restricted:			
Cash with fiscal agent	21,197	10,428	139,131
Total Current Assets	37,458,886	10,576,166	1,783,804
Noncurrent:			
Net OPEB Asset	127,550	33,422	19,098
Capital assets - net of accumulated depreciation	22,349,197	8,855,007	17,848,598
Total Noncurrent Assets	22,476,747	8,888,429	17,867,696
<b>Total Assets</b>	<b>59,935,633</b>	<b>19,464,595</b>	<b>19,651,500</b>
<b>Deferred Outflows of Resources:</b>			
Deferred pension related items	322,292	99,505	30,193
<b>Total Deferred Outflows of Resources</b>	<b>322,292</b>	<b>99,505</b>	<b>30,193</b>
<b>Liabilities:</b>			
Current:			
Accounts payable	1,369,598	292,375	94,171
Accrued payables	160,076	26,934	-
Accrued interest	21,197	10,428	139,131
Deposits payable	1,410	-	380
Accrued compensated absences	15,159	-	-
Workers' compensation claims	-	-	-
Accrued claims and judgments	-	-	-
Bonds, notes, and capital leases	130,698	64,302	440,000
<b>Total Current Liabilities</b>	<b>1,698,138</b>	<b>394,039</b>	<b>673,682</b>
Noncurrent:			
Net pension liability	1,018,155	324,322	101,304
Accrued compensated absences	48,768	-	-
Workers' compensation claims	-	-	-
Accrued claims and judgments	-	-	-
Bonds, notes, and capital leases	1,151,771	566,646	7,751,630
<b>Total Noncurrent Liabilities</b>	<b>2,218,694</b>	<b>890,968</b>	<b>7,852,934</b>
<b>Total Liabilities</b>	<b>3,916,832</b>	<b>1,285,007</b>	<b>8,526,616</b>
<b>Deferred Inflows of Resources:</b>			
Deferred pension related items	79,778	30,695	1,503
<b>Total Deferred Inflows of Resources</b>	<b>79,778</b>	<b>30,695</b>	<b>1,503</b>
<b>Net Position:</b>			
Net investment in capital assets	21,066,728	8,224,059	9,656,968
Restricted for business improvement district	-	-	553,653
Unrestricted	35,194,587	10,024,339	942,953
<b>Total Net Position</b>	<b>\$ 56,261,315</b>	<b>\$ 18,248,398</b>	<b>\$ 11,153,574</b>

## CITY OF MANHATTAN BEACH

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		Governmental Activities - Internal Services Funds
	Other Enterprise Funds	Totals	
<b>Assets:</b>			
Current:			
Cash and investments	\$ 4,231,872	\$ 52,549,678	\$ 18,546,523
Receivables:			
Accounts	321,948	1,450,075	-
Prepaid costs	-	-	16,585
Inventories	-	202,167	84,436
Restricted:			
Cash with fiscal agent	-	170,756	-
Total Current Assets	4,553,820	54,372,676	18,647,544
Noncurrent:			
Net OPEB Asset	41,608	221,678	222,108
Capital assets - net of accumulated depreciation	4,240,506	53,293,308	4,702,887
Total Noncurrent Assets	4,282,114	53,514,986	4,924,995
<b>Total Assets</b>	<b>8,835,934</b>	<b>107,887,662</b>	<b>23,572,539</b>
<b>Deferred Outflows of Resources:</b>			
Deferred pension related items	97,646	549,636	703,788
<b>Total Deferred Outflows of Resources</b>	<b>97,646</b>	<b>549,636</b>	<b>703,788</b>
<b>Liabilities:</b>			
Current:			
Accounts payable	1,257,059	3,013,203	236,052
Accrued payables	79,132	266,142	3,471
Accrued interest	-	170,756	-
Deposits payable	784,055	785,845	-
Accrued compensated absences	-	15,159	-
Workers' compensation claims	-	-	9,103,614
Accrued claims and judgments	-	-	1,448,292
Bonds, notes, and capital leases	-	635,000	-
<b>Total Current Liabilities</b>	<b>2,120,246</b>	<b>4,886,105</b>	<b>10,791,429</b>
Noncurrent:			
Net pension liability	319,550	1,763,331	2,261,673
Accrued compensated absences	-	48,768	-
Workers' compensation claims	-	-	5,874,677
Accrued claims and judgments	-	-	692,343
Bonds, notes, and capital leases	-	9,470,047	-
<b>Total Noncurrent Liabilities</b>	<b>319,550</b>	<b>11,282,146</b>	<b>8,828,693</b>
<b>Total Liabilities</b>	<b>2,439,796</b>	<b>16,168,251</b>	<b>19,620,122</b>
<b>Deferred Inflows of Resources:</b>			
Deferred pension related items	27,986	139,962	143,549
<b>Total Deferred Inflows of Resources</b>	<b>27,986</b>	<b>139,962</b>	<b>143,549</b>
<b>Net Position:</b>			
Net investment in capital assets	4,240,506	43,188,261	4,702,887
Restricted for business improvement district	-	553,653	-
Unrestricted	2,225,292	48,387,171	(190,231)
<b>Total Net Position</b>	<b>\$ 6,465,798</b>	<b>\$ 92,129,085</b>	<b>\$ 4,512,656</b>

## CITY OF MANHATTAN BEACH

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Wastewater</b>	<b>Parking</b>
<b>Operating Revenues:</b>			
Sales and service charges	\$ 15,520,218	\$ 3,407,308	\$ 2,495,263
Interdepartmental charges	-	-	-
Miscellaneous	9,777	10,464	30,012
<b>Total Operating Revenues</b>	<b>15,529,995</b>	<b>3,417,772</b>	<b>2,525,275</b>
<b>Operating Expenses:</b>			
Salaries	748,755	245,458	88,478
Employee benefits	476,639	194,932	128,759
Contract and professional services	6,706,775	68,873	563,545
Materials and services	732,714	191,998	530,572
Utilities	305,976	66,075	82,291
Administrative service charges	1,643,864	436,794	392,160
Internal services	-	-	28,023
Leases and rents	-	-	-
Claims expense	-	-	-
Depreciation expense	656,298	233,350	263,232
<b>Total Operating Expenses</b>	<b>11,271,021</b>	<b>1,437,480</b>	<b>2,077,060</b>
Operating Income (Loss)	4,258,974	1,980,292	448,215
<b>Nonoperating Revenues (Expenses):</b>			
Interest revenue	154,436	42,713	8,708
Interest expense	(34,614)	(17,030)	(262,389)
Grant revenue	-	-	-
Gain (loss) on disposal of capital assets	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>119,822</b>	<b>25,683</b>	<b>(253,681)</b>
Income (Loss) Before Transfers and Contributions	4,378,796	2,005,975	194,534
Transfers in	-	-	-
Transfers out	-	-	-
Changes in Net Position	\$ 4,378,796	\$ 2,005,975	\$ 194,534
<b>Net Position:</b>			
Beginning of Fiscal Year, as originally reported	\$ 51,760,616	\$ 16,210,482	\$ 10,940,787
Restatements	121,903	31,941	18,253
Beginning of Fiscal Year, as restated	51,882,519	16,242,423	10,959,040
Changes in Net Position	4,378,796	2,005,975	194,534
<b>End of Fiscal Year</b>	<b>\$ 56,261,315</b>	<b>\$ 18,248,398</b>	<b>\$ 11,153,574</b>

## CITY OF MANHATTAN BEACH

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018**

	<b>Business-Type Activities - Enterprise Funds</b>		<b>Governmental Activities- Internal Service Funds</b>
	<b>Other Enterprise Funds</b>	<b>Totals</b>	
<b>Operating Revenues:</b>			
Sales and service charges	\$ 5,994,098	\$ 27,416,887	\$ -
Interdepartmental charges	-	-	12,989,979
Miscellaneous	312,946	363,199	43,687
<b>Total Operating Revenues</b>	<b>6,307,044</b>	<b>27,780,086</b>	<b>13,033,666</b>
<b>Operating Expenses:</b>			
Salaries	191,693	1,274,384	1,796,135
Employee benefits	76,994	877,324	749,444
Contract and professional services	4,733,058	12,072,251	1,456,060
Materials and services	1,868,409	3,323,693	1,682,929
Utilities	64,583	518,925	141,897
Administrative service charges	477,755	2,950,573	-
Internal services	-	28,023	-
Leases and rents	441,003	441,003	-
Claims expense	-	-	8,079,726
Depreciation expense	152,383	1,305,263	991,490
<b>Total Operating Expenses</b>	<b>8,005,878</b>	<b>22,791,439</b>	<b>14,897,681</b>
Operating Income (Loss)	(1,698,834)	4,988,647	(1,864,015)
<b>Nonoperating Revenues (Expenses):</b>			
Interest revenue	18,614	224,471	-
Interest expense	-	(314,033)	(1,095)
Grant revenue	18,816	18,816	-
Gain (loss) on disposal of capital assets	-	-	(31,146)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>37,430</b>	<b>(70,746)</b>	<b>(32,241)</b>
Income (Loss) Before Transfers and Contributions	(1,661,404)	4,917,901	(1,896,256)
Transfers in	982,355	982,355	667,000
Transfers out	(246,618)	(246,618)	-
Changes in Net Position	\$ (925,667)	\$ 5,653,638	\$ (1,229,256)
<b>Net Position:</b>			
Beginning of Fiscal Year, as originally reported	\$ 7,638,721	\$ 86,550,606	\$ 5,529,512
Restatements	(247,256)	(75,159)	212,400
Beginning of Fiscal Year, as restated	7,391,465	86,475,447	5,741,912
Changes in Net Position	(925,667)	5,653,638	(1,229,256)
<b>End of Fiscal Year</b>	<b>\$ 6,465,798</b>	<b>\$ 92,129,085</b>	<b>\$ 4,512,656</b>



## CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		
	Water	Wastewater	Parking
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 15,449,790	\$ 3,399,414	\$ 2,428,719
Cash received from/(paid to) interfund service provided	-	-	(28,023)
Cash paid to suppliers for goods and services	(8,831,634)	(857,494)	(1,587,601)
Cash paid to employees for services	(1,017,281)	(467,838)	(210,150)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>5,600,875</b>	<b>2,074,082</b>	<b>602,945</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash transfers out	-	-	-
Cash transfers in	-	-	-
Grant subsidy	-	-	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(1,054,925)	(611,477)	(122,045)
Principal paid on capital debt	(127,346)	(62,654)	(430,000)
Interest paid on capital debt	(46,213)	(22,736)	(294,163)
Cash from sale of property	-	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(1,228,484)</b>	<b>(696,867)</b>	<b>(846,208)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest received	154,436	42,713	8,708
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>154,436</b>	<b>42,713</b>	<b>8,708</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>4,526,827</b>	<b>1,419,928</b>	<b>(234,555)</b>
Cash and Cash Equivalents at Beginning of Year	31,848,513	8,916,082	2,011,767
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 36,375,340</b>	<b>\$ 10,336,010</b>	<b>\$ 1,777,212</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 4,258,974	\$ 1,980,292	\$ 448,215
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>			
Net position restatement for Net OPEB Asset	121,903	31,941	18,253
Depreciation	656,298	233,350	263,232
(Increase) decrease in accounts receivable	(80,205)	(18,358)	(5,161)
(Increase) decrease in prepaid expense	499	-	-
(Increase) decrease in inventory	4,445	-	-
Increase (decrease) in net OPEB asset	(127,550)	(33,422)	(19,098)
Increase (decrease) in accounts payable	552,751	(93,754)	(19,033)
Increase (decrease) in accrued payables	154,226	(45,243)	-
Increase (decrease) in deposits payable	-	-	(91,395)
Increase (decrease) in net pension liability	87,134	25,714	10,582
Increase (decrease) in deferred pension related items	(21,818)	(6,438)	(2,650)
Increase (decrease) in workers' compensation claims	-	-	-
Increase (decrease) in claims and judgments	-	-	-
Increase (decrease) in compensated absences	(5,782)	-	-
<b>Total Adjustments</b>	<b>1,341,901</b>	<b>93,790</b>	<b>154,730</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 5,600,875</b>	<b>\$ 2,074,082</b>	<b>\$ 602,945</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>			
Bond premium amortization	\$ 9,689	\$ 4,766	\$ 23,824

## CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 6,124,222	\$ 27,402,145	\$ 43,690
Cash received from/(paid to) interfund service provided	-	(28,023)	12,989,979
Cash paid to suppliers for goods and services	(7,558,975)	(18,835,704)	(8,279,186)
Cash paid to employees for services	(198,964)	(1,894,233)	(2,395,005)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(1,633,717)</b>	<b>6,644,185</b>	<b>2,359,478</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash transfers out	(246,618)	(246,618)	-
Cash transfers in	982,355	982,355	667,000
Grant subsidy	18,816	18,816	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>754,553</b>	<b>754,553</b>	<b>667,000</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	-	(1,788,447)	(497,249)
Principal paid on capital debt	-	(620,000)	-
Interest paid on capital debt	-	(363,112)	(1,095)
Cash from sale of property	-	-	22,111
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>(2,771,559)</b>	<b>(476,233)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest received	18,614	224,471	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>18,614</b>	<b>224,471</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(860,550)</b>	<b>4,851,650</b>	<b>2,550,245</b>
Cash and Cash Equivalents at Beginning of Year	5,092,422	47,868,784	15,996,278
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 4,231,872</b>	<b>\$ 52,720,434</b>	<b>\$ 18,546,523</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (1,698,834)	\$ 4,988,647	\$ (1,864,015)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>			
Net position restatement for Net OPEB Asset	35,208	207,305	212,400
Depreciation	152,383	1,305,263	991,490
(Increase) decrease in accounts receivable	(23,868)	(127,592)	3
(Increase) decrease in prepaid expense	-	499	5,134
(Increase) decrease in inventory	-	4,445	(222,108)
Increase (decrease) in net OPEB asset	(41,608)	(221,678)	(1,650)
Increase (decrease) in accounts payable	25,833	465,797	(28,857)
Increase (decrease) in accrued payables	58,230	167,213	3,471
Increase (decrease) in deposits payable	(158,954)	(250,349)	-
Increase (decrease) in net pension liability	23,868	147,298	209,191
Increase (decrease) in deferred pension related items	(5,975)	(36,881)	(199,886)
Increase (decrease) in workers' compensation claims	-	-	2,102,511
Increase (decrease) in claims and judgments	-	-	1,151,794
Increase (decrease) in compensated absences	-	(5,782)	-
<b>Total Adjustments</b>	<b>65,117</b>	<b>1,655,538</b>	<b>4,223,493</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (1,633,717)</b>	<b>\$ 6,644,185</b>	<b>\$ 2,359,478</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>			
Bond premium amortization	\$ -	\$ 38,279	\$ -

## CITY OF MANHATTAN BEACH

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2018

	Agency Funds	Pension Trust Fund
<b>Assets:</b>		
Pooled cash and investments	\$ 1,751,957	\$ 117,844
Receivables:		
Accounts	27,447	-
Restricted assets:		
Cash and investments with fiscal agents	529,649	-
<b>Total Assets</b>	<b>\$ 2,309,053</b>	<b>117,844</b>
<b>Liabilities:</b>		
Accounts payable	\$ 3	-
Art development fees	1,392,959	-
Deposits payable	21,925	-
Due to bond holders	894,166	-
<b>Total Liabilities</b>	<b>\$ 2,309,053</b>	<b>-</b>
<b>Net Position:</b>		
Restricted for pensions		117,844
<b>Total Net Position</b>		<b>\$ 117,844</b>

CITY OF MANHATTAN BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2018

	<b>Pension Trust Fund</b>
<b>Additions:</b>	
OPEB reimbursement	\$ 159,350
Interest and change in fair value of investments	2,112
<b>Total Additions</b>	<b>161,462</b>
<b>Deductions:</b>	
Benefit payments	234,845
<b>Total Deductions</b>	<b>234,845</b>
<b>Changes in Net Position</b>	<b>(73,383)</b>
Net Position - Beginning of the Year	191,227
<b>Net Position - End of the Year</b>	<b>\$ 117,844</b>

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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. In November 2016, the entity issued \$5,905,000 Certificates of Participation (Marine field Refunding) Series 2016 to refund the Variable Rate Demand Refunding Certificates of Participation (Marine Sports Field Capital Lease Refinancing) Series 2002. There are no separately issued financial statements for this entity.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

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

**b. Accounting and Reporting Policies**

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

**c. Description of Funds**

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

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

Governmental Fund Types

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

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

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

Proprietary Fund Types

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

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

Fiduciary Fund Types

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

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

Agency Funds:

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

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

Government-Wide Financial Statements

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

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

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

Financial Statement Classification

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

*Net Investment in capital assets*

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

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

*Restricted Net Position*

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

*Unrestricted Net Position*

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

Governmental Fund Financial Statements

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

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

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

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

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

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

Proprietary Funds Financial Statements

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

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

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

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

Fiduciary Funds

Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Position and a Statement of Change in Fiduciary Net Position. The fiduciary funds are used to report assets held in a trustee or agency capacity for others and, therefore, are not available to support City programs. Since these assets are being held for the benefit of a third party, these funds are not incorporated into the government-wide statements. The pension trust funds are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. The agency funds have no measurement focus.

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

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:

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

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

The following funds are classified as major proprietary funds:

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

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

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

**e. Property Tax Calculator**

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

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

**f. Cash and Investments**

*Cash and Cash Equivalents*

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

*Investments*

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

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

**g. Restricted Cash and Investments**

Certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Additionally, the City established the PARS Post-Employment Benefits Trust as a tax-exempt trust within the meaning of Section 115 of the IRS Code and relevant statutory provisions of the State of California for the purpose of pre-funding pension obligation and/or OPEB obligation. The City's adoption and operation of the Trust has no effect on any of the current or former employee's entitlement to post-employment benefits. The balances and activities of the Trust are irrevocably dedicated to funding future post-employment benefit obligations. The assets will benefit the City through reduced future cash flow demands on the City's General fund resources and continue to be assets of the City. These amounts are reflected as restricted cash and investments in the General fund.

**h. 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 acquisition value at the date of donation.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**


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

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.

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

In addition to assets, the Statement of Financial Position reports 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports deferred outflows of resources for pension contributions made after the actuarial measurement date which will be recognized in the following year, for the net difference between projected and actual earnings on pension plan investments, the difference between expected and actual experience, the changes of assumptions, adjustments due to the difference in proportions, and the difference in proportionate share. The government also reports deferred outflows for deferred charges on debt refunding. 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 Financial Position and the Governmental Fund Balance Sheet report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. The item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from grant revenues. These amounts are deferred and recognized as an inflow of resources in the period when the amounts become available. In addition, the government has deferred inflows of resources relating to the net pension obligation reported in the government-wide statement of net position and the proprietary funds. These deferred inflows of resources are the result of changes in assumptions, differences between expected and actual experiences, adjustments due to the difference in proportions and difference in proportionate share.



**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**


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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)****j. Net Pension Liability**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For the pension plan administered under the California Public Employee's Retirement System (CalPERS), the following timeframes are used:

Valuation Date:	June 30, 2016
Measurement Date:	June 30, 2017
Measurement Period:	July 1, 2016 to June 30, 2017

**k. Other Postemployment Benefits (OPEB)**

For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2017
Measurement Period:	July 1, 2016 to June 30, 2017

**l. 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 governmental funds. 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 and Agency activities have not been eliminated.



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

**m. 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.

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 \$10,551,906 and \$6,567,020 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.

**n. 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.

**o. 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.

**p. 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)**

**q. 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.

**r. 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.

**s. 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.

**t. 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, 2018

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

**u. Change in Accounting Principle**

During the fiscal year ended June 30, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits other than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting for Financial Reporting by Employers for Post-Employment Benefits other than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.

As a result of this change in accounting principle, beginning net position as reported in the government-wide statement of net position has been restated.

**Note 2: Stewardship, Compliance and Accountability**

**a. Excess of Expenditures Over Appropriations**

Excess expenditures over appropriations were as follows:

	Expenditures	Appropriations	Excess
Gas Tax			
Public works	\$ 98,655	\$ 32,060	\$ 66,595
Propositipon C			
Public works	568,199	69,183	499,016
Capital Improvement			
General government	22	-	22
Public works	376,607	168,738	207,869
Underground Assessment District			
Public works	403,265	-	403,265

**b. Deficit Fund Balance and Net Position**

At June 30, 2018, the Insurance Reserve Fund, the Information Systems Fund and the Building Maintenance and Operations Fund have deficit net position of \$(2,989,182) and \$(295,380) respectively. These deficits will be resolved by future contributions from other funds.

**Note 3: Cash and Investments**

As of June 30, 2018, cash and investments were reported in the accompanying financial statements as follows:

Governmental Funds	\$ 44,991,524
Internal Service	18,546,523
Business-type activities	52,720,434
Agency	2,281,606
Pension Trust	117,844
Total Cash and Investments	<u>\$ 118,657,931</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

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**Note 3: Cash and Investments (Continued)**

The City pools all cash and investments that is available for use for all funds, including fiduciary funds. Unrestricted and restricted cash and investments, as indicated in the Government wide statement of net position, do not include Agency and Pension Trust cash and investments. These cash amounts are included in the Statement of Fiduciary Net Position – 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, 2018, the carrying amount of the City's deposits was \$2,808,838 and the bank balance was \$2,689,468. The \$119,370 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

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**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 \$31,200,000 whose pro-rata share of fair value was estimated by the State Treasurer to be \$31,141,558.

**e. GASB Statement No. 31**

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

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

Methods and assumptions used to estimate fair value. The City maintains investment accounting records and adjusts those records to "fair value" on an annual basis for material amounts. The City's investment custodian provides market values on each investment instrument on a monthly basis for material amounts. The investments held by the City are widely traded in the financial markets and trading values are readily available from numerous published sources. Material unrealized gains and losses are recorded on an annual basis and the carrying value of its investments is considered fair value. For the year ended June 30, 2018, the book value exceeded the fair value of investments by \$1,317,675.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

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**Note 3: Cash and Investments (Continued)**

**f. 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, 2018, the City's investment in medium-term notes consisted of investments with Bristol Myers Squibb Co., United Health Group Inc., US Bank Na Cincinnati, Microsoft Corp., General Electric Capital Corp., JP Morgan Chase Bank, Costco Wholesaler Corp., Exxon Mobil Corp., Johnson & Johnson, Procter & Gamble Co., Pfizer Inc, Unilever Cap Corp, Berkshire Hathaway Inc., Coca Cola Co., and Apple Inc. All MTN's were rated "A" or higher by Moody's at time of purchase. Investment in government agencies issued by the Federal National Mortgage Association, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal Farm Credit Banks, and Student Loan Marketing Association were rated "Aaa" by Moody's and "AA+" by Standard & Poor's. Asset-Backed Securities were rated "Aaa" by Moody's and "AAA" by Standard & Poor's.

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. As of June 30, 2018, the City's investments in external investment pools and money market mutual funds are unrated.

**g. 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, 2018, none of the City's deposits or investments was exposed to custodial credit risk.

**h. 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, 2018, 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 (13.52%), Federal Farm Credit (9.31%), Federal Home Loan Mortgage Corporation (12.67%), and Federal National Mortgage Association (13.55%). 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, 2018**

**Note 3: Cash and Investments (Continued)**

**i. 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.

**j. Fair Value Measurement and Application**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2018:

Investment Type	Totals	Investments not Measured at Fair Value	Level		
			1	2	3
Local Agency Investment Fund (LAIF)	\$ 31,141,558	\$ 31,141,558	\$ -	\$ -	\$ -
US Treasury and Agency Notes	64,754,980	-	-	64,754,980	-
Medium-Term Corporate Notes	18,249,060	-	-	18,249,060	-
Total Investments	\$ 114,145,598	\$ 31,141,558	\$ -	\$ 83,004,040	\$ -

As of June 30, 2018, the City had the following investments and original maturities:

	Remaining Investment Maturities				
	6 months or less	6 months to 1 year	1 to 3 years	More than 3 years	Fair Value
<u>Pooled Investments:</u>					
Local Government Fund	\$ 31,141,558	\$ -	\$ -	\$ -	\$ 31,141,558
US Treasury and agency notes	6,991,310	4,981,550	27,494,190	25,287,930	64,754,980
Medium-term notes	-	3,991,920	9,873,670	4,383,470	18,249,060
	<u>\$ 38,132,868</u>	<u>\$ 8,973,470</u>	<u>\$ 37,367,860</u>	<u>\$ 29,671,400</u>	<u>114,145,598</u>
<u>Investment with Fiscal Agents:</u>					
Money Market					
PARS Pension Trust					763,621
Utility Undergrounding					529,649
Water/Wastewater, Metlox Refunding bonds					170,756
Marine certificates of participation					95,200
Police & Fire certificate of participation refunding bonds					138,982
					<u>1,698,208</u>
Demand deposits					2,808,838
Other deposits					2,660
Petty cash					2,627
					<u>2,814,125</u>
Grand Total					\$ 118,657,931



**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**

**Note 4: Interfund Transactions**

**Interfund Transfers**

With City Council approval, resources may be transferred from one fund to another. Transfers between individual funds during the fiscal year ended June 30, 2018, are presented below:

	Transfers In				Total
	General Fund	Nonmajor Governmental Funds	Nonmajor Proprietary Funds	Internal Service Funds	
<b>Transfers Out</b>					
General Fund	\$ -	\$ 198,935	\$ 982,355	\$ 667,000	\$ 1,848,290
Nonmajor Governmental Funds	-	194,133	-	-	194,133
Nonmajor Proprietary Funds	246,618	-	-	-	246,618
<b>Total</b>	<b>\$ 246,618</b>	<b>\$ 393,068</b>	<b>\$ 982,355</b>	<b>\$ 667,000</b>	<b>\$ 2,289,041</b>

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

- The County Parking Lot fund transferred \$246,618 to the General Fund for recreation purposes.
- The General Fund transferred \$198,935 to the Street Lighting Fund to relieve a deficit fund balance.
- The General Fund transferred \$982,355 to the Enterprise Fund for stormwater improvement projects.
- The General Fund transferred \$667,000 to the Insurance Reserve Fund to relieve negative net position over 3 years.
- The Measure R Fund transferred \$194,133 to the Proposition A to relieve negative fund balance.



## CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018**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, 2018:

	Ending Balance July 1, 2017	Transfers	Increases additions	Decreases (deletions)	Ending Balance June 30, 2018
<b>Governmental Activities</b>					
Land	\$ 33,634,565	\$ -	\$ -	\$ -	\$ 33,634,565
Construction-in-progress					
Streets / Roadways	5,031,905	(1,392,267)	2,743,548	-	6,383,186
Recreation	2,513,000	(2,095,884)	116,146	-	533,262
<b>Total Capital Assets, Not Being Depreciated</b>	<b>41,179,470</b>	<b>(3,488,151)</b>	<b>2,859,694</b>	<b>-</b>	<b>40,551,013</b>
Buildings and structures	43,458,144	-	-	-	43,458,144
Machinery and equipment	4,201,510	-	119,876	-	4,321,386
Vehicles	11,754,449	-	497,249	(456,246)	11,795,452
Infrastructure					
Streets / Roadways	54,797,482	1,392,267	-	-	56,189,749
Parks & Recreation	18,932,047	2,095,884	-	-	21,027,931
Investment in Joint Venture (RCC)	3,348,646	-	48,510	(393,733)	3,003,423
<b>Total Capital Assets, Being Depreciated</b>	<b>136,492,278</b>	<b>3,488,151</b>	<b>665,635</b>	<b>(849,979)</b>	<b>139,796,085</b>
<b>Less Accumulated Depreciation:</b>					
Buildings and Structures	(11,250,532)	-	(854,127)	-	(12,104,659)
Machinery and Equipment	(2,908,979)	-	(407,303)	-	(3,316,282)
Vehicles	(6,504,064)	-	(991,490)	402,989	(7,092,565)
Infrastructure					
Streets / Roadways	(31,019,160)	-	(1,307,066)	-	(32,326,226)
Parks & Recreation	(6,234,891)	-	(358,588)	-	(6,593,479)
Investment in Joint Venture (RCC)	(1,367,451)	-	(152,843)	393,733	(1,126,561)
<b>Total Accumulated Depreciation</b>	<b>(59,285,077)</b>	<b>-</b>	<b>(4,071,417)</b>	<b>796,722</b>	<b>(62,559,772)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>77,207,201</b>	<b>3,488,151</b>	<b>(3,405,782)</b>	<b>(53,257)</b>	<b>77,236,313</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 118,386,671</b>	<b>\$ -</b>	<b>\$ (546,088)</b>	<b>\$ (53,257)</b>	<b>\$ 117,787,326</b>

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

Note 5: Capital Assets and Depreciation (Continued)

	Ending Balance June 30, 2017	Restatement and Reclassification	Adjusted Beginning Balance June 30, 2017	Transfers	Increases additions	Decreases (deletions)	Ending Balance June 30, 2018
Business-Type Activities:							
Capital assets, not being depreciated:							
Land - water	\$ 307,967	\$ -	\$ 307,967	\$ -	\$ -	\$ -	\$ 307,967
Land - storm water	857,650	-	857,650	-	-	-	857,650
Land - parking	1,441,817	-	1,441,817	-	-	-	1,441,817
Construction-in-progress	9,702,049	(6,946,378)	2,755,671	(2,070,196)	1,788,447	-	2,473,922
Total Capital Assets, Not Being Depreciated	12,309,483	(6,946,378)	5,363,105	(2,070,196)	1,788,447	-	5,081,356
Capital assets, being depreciated:							
Buildings and structures - parking	17,186,603	834,494	18,021,097	142,062	-	-	18,163,159
Machinery and equipment - parking	2,191,858	(464,896)	1,726,962	-	-	-	1,726,962
Water	29,559,157	4,124,955	33,684,112	-	-	-	33,684,112
Storm water	6,963,865	739,542	7,703,407	-	-	-	7,703,407
Wastewater	11,457,206	1,429,819	12,887,025	1,928,134	-	-	14,815,159
Total Capital Assets, Being Depreciated	67,358,689	6,663,914	74,022,603	2,070,196	-	-	76,092,799
Less Accumulated Depreciation:							
Buildings and structures - parking	1,919,106	375,864	2,294,970	-	197,262	-	2,492,232
Machinery and equipment - parking	1,301,004	(375,864)	925,140	-	65,970	-	991,110
Water	12,686,812	-	12,686,812	-	656,298	-	13,343,110
Storm water	4,168,166	-	4,168,166	-	152,383	-	4,320,549
Wastewater	6,500,496	-	6,500,496	-	233,350	-	6,733,846
Total Accumulated Depreciation	26,575,584	-	26,575,584	-	1,305,263	-	27,880,847
Total Capital Assets, Being Depreciated, Net	40,783,105	6,663,914	47,447,019	2,070,196	(1,305,263)	-	48,211,952
Business-Type Activities Capital Assets, Net	\$ 53,092,588	\$ (282,464)	\$ 52,810,124	\$ -	\$ 483,184	\$ -	\$ 53,293,308

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

Governmental Activities:	
General government	\$ 225,081
Public safety	370,972
Public works	1,115,040
Parks and recreation	1,368,834
Internal service funds	991,490
Total Depreciation Expense - Governmental Activities	<u>\$ 4,071,417</u>
Business-Type Activities:	
Water	\$ 656,298
Wastewater	233,350
Parking	263,232
Storm water	152,383
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,305,263</u>

## CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018**Note 6: Long-Term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due in One Year
<b>Governmental Activities:</b>					
Long-term Debt:					
Marine Ave Park refunding COP Series 2016	\$ 5,905,000	\$ -	\$ 265,000	\$ 5,640,000	\$ 295,000
2013 Police and Fire Refunding COP	8,660,000	-	480,000	8,180,000	500,000
Lease Purchase Fire and Sewer Truck	147,506	-	147,506	-	-
Other:					
Compensated Absences	3,432,492	2,636,331	2,767,052	3,301,771	782,927
Workers Compensation Claims	12,875,780	4,471,957	2,369,447	14,978,290	9,103,614
General Liability Claims	988,841	1,596,430	444,635	2,140,636	1,448,292
Total Governmental	<u>\$ 32,009,619</u>	<u>\$ 8,704,718</u>	<u>\$ 6,473,640</u>	<u>34,240,697</u>	<u>\$ 12,129,833</u>
Unamortized premium				742,833	
				<u>\$ 34,983,530</u>	
<b>Business-Type Activities:</b>					
Long-term Debt:					
2012 Metlox and Water/Wastewater Refunding COP	\$ 10,295,000	\$ -	\$ 620,000	\$ 9,675,000	\$ 635,000
Other long term liabilities:					
Compensated Absences	69,709	47,792	53,574	63,927	15,159
Total Business Type	<u>\$ 10,364,709</u>	<u>\$ 47,792</u>	<u>\$ 673,574</u>	<u>9,738,927</u>	<u>\$ 650,159</u>
Unamortized premium				430,047	
				<u>\$ 10,168,974</u>	

**a. Marine Avenue Certificates of Participation Series 2016**

On November 9, 2016, the City issued \$5,905,000 Certificate of Participation Series 2016 (Marine Field Refunding) Series 2016 to refund the outstanding balance of the Variable Rate Demand Refunding Certificates of Participation Series 2002. The Certificates represents the proportionate interest on the lease payments to be made by the City as rent for the use of certain real property located in the City and consisting of the police department and fire department headquarter facility. The Certificates bear interest at a rate of 3% to 4% with principal ranging from \$265,000 to 465,000 and maturing on January 2033. The balance at June 30, 2018, includes an unamortized bond premium of \$386,968 which will be amortized over the life of the issue.

Annual debt service requirements to maturity for the Marine Avenue Certificates of Participation Series 2016 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 295,000	\$ 190,400	\$ 485,400
2020	305,000	181,550	486,550
2021	310,000	172,400	482,400
2022	320,000	163,100	483,100
2023	335,000	150,300	485,300
2024-2028	1,870,000	540,900	2,410,900
2029-2033	2,205,000	202,200	2,407,200
Total	<u>\$ 5,640,000</u>	<u>\$ 1,600,850</u>	<u>\$ 7,240,850</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**
**Note 6: Long-Term Liabilities (Continued)****b. 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, 2018, includes an unamortized bond premium of \$355,865 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. The outstanding balance at June 30, 2018 is \$434,533.

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
2019	\$ 500,000	\$ 277,963	\$ 777,963
2020	515,000	262,963	777,963
2021	530,000	247,513	777,513
2022	545,000	231,613	776,613
2023	560,000	215,263	775,263
2024-2028	3,120,000	752,713	3,872,713
2029-2032	2,410,000	178,569	2,588,569
Total	<u>\$ 8,180,000</u>	<u>\$ 2,166,597</u>	<u>\$ 10,346,597</u>

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

In fiscal year 2012-2013, the City entered into two lease agreements as lessee for financing the acquisition of one fire truck and one sewer truck valued for \$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, have been recorded at the present value of future minimum lease payments as of the inception date.

The lease obligations were paid off at June 30, 2018.

**d. 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 \$430,047 at June 30, 2018, which will be amortized over the life of the issue.

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

**Note 6: Long-Term Liabilities (Continued)**

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

Fiscal Year Ending June 30,	Water			Wastewater		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 130,698	\$ 42,393	\$ 173,091	\$ 64,302	\$ 20,857	\$ 85,159
2020	137,401	37,165	174,566	67,599	18,285	85,884
2021	140,752	33,043	173,795	69,248	16,257	85,505
2022	147,454	28,821	176,275	72,546	14,179	86,725
2023	154,157	24,397	178,554	75,843	12,003	87,846
2024-2027	499,334	35,389	534,723	245,666	17,411	263,077
Total	<u>\$ 1,209,796</u>	<u>\$ 201,208</u>	<u>\$ 1,411,004</u>	<u>\$ 595,204</u>	<u>\$ 98,992</u>	<u>\$ 694,196</u>

Fiscal Year Ending June 30,	Metlox			Total		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 440,000	\$ 278,263	\$ 718,263	\$ 635,000	\$ 341,513	\$ 976,513
2020	460,000	260,663	720,663	665,000	316,113	981,113
2021	470,000	246,863	716,863	680,000	296,163	976,163
2022	490,000	232,763	722,763	710,000	275,763	985,763
2023	500,000	218,063	718,063	730,000	254,463	984,463
2024-2028	2,850,000	786,875	3,636,875	3,595,000	839,675	4,434,675
2029-2032	2,660,000	246,600	2,906,600	2,660,000	246,600	2,906,600
Total	<u>\$ 7,870,000</u>	<u>\$ 2,270,090</u>	<u>\$ 10,140,090</u>	<u>\$ 9,675,000</u>	<u>\$ 2,570,290</u>	<u>\$ 12,245,290</u>

**e. Compensated Absences**

At June 30, 2018, the total citywide accrued liability for compensated absences amounted to \$3,365,698. \$3,301,771 relates to general government services and \$63,927 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.

**f. Workers' Compensation Claims**

As of June 30, 2018, 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 \$9,103,614. In addition, reserves of \$5,874,677 have been set aside for incurred but not reported claims. Total reserves are \$14,978,290.

**g. General Liability Claims**

As of June 30, 2018, 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 \$1,448,292. In addition, reserves of \$692,343 have been set aside for incurred but not reported claims. Total reserves are \$2,140,636.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

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**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.

In March 2018, the City refunded the outstanding bonds of the above Underground Districts. The amount refunded was \$6,245,000. The sources of the refunding were bond proceeds of \$4,995,000, balance in the capital improvement fund, current year assessments, and net reduction in bond reserve requirements. There will be future interest rate savings to the property owners. Coupons are set at a uniform annual rate of 3.00%. Including bond premium of \$187,000, the effective interest rate will be 2.15%. These bonds mature in September 2026.

The refunding bonds have the same characteristics of the refunded bonds as stated in first two paragraphs above. The bonds are secured solely by assessments against the subject properties and the amounts held in the reserve account. 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: CalPERS Retirement Plans**

**a. Miscellaneous Employee Pension Plan**

***Plan Description***

The Miscellaneous Plan of the City of Manhattan Beach is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in their respective June 30, 2017 Annual Actuarial Valuation Reports. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation reports. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**
**Note 8: CalPERS Retirement Plans (Continued)*****Benefit Provided***

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The plan provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous Plan	
	Tier I *	PEPRA
Hire date	Prior to or on December 31, 2012	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	minimum 50 yrs	minimum 52 yrs
Monthly benefits, as a % of eligible compensation	1.426% - 2.418% 50 yrs - 63+ yrs, respectively	1.000% - 2.500%, 52 yrs - 67+ yrs, respectively
Required employee contribution rates	7.000%	6.25% (2)
Required employer contribution rates (1)	7.724%	7.724% (2)

\* Closed to new entrants

(1) Blended rate.

(2) Blended rate. Miscellaneous employees contribute and additional 0.75% to the city

Benefit payments are calculated using the benefit formula above multiplied by the number of years of service and highest single year of compensation for Tier 1 or highest three year average of compensation for PEPRA.

At June 30, 2017, the following employees were covered by the benefit terms of the plan:

Description	Number of Participants
	Miscellaneous Plan
Active members	246
Transferred members	137
Terminated members	125
Retired members and beneficiaries	228
Total	736

***Contribution Description***

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following the notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.



**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**


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**Note 8: CalPERS Retirement Plans (Continued)**

For the year ended June 30, 2018, the employer contributions recognized as a reduction to the net pension liability for the Miscellaneous Plan was \$2,137,977.

***Net Pension Liability***

The City's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Miscellaneous Plans is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

***Actuarial Methods and Assumptions Used to Determine Total Pension Liability***

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

***Change of Assumptions***

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

***Discount Rate***

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.



**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**


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**Note 8: CalPERS Retirement Plans (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

<b>Asset Class</b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1 - 10 (1)</b>	<b>Real Return Years 11+ (2)</b>
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

(1) An expected inflation of 2.5% used for this period.

(2) An expected inflation of 3.0% used for this period.

## CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

## Note 8: CalPERS Retirement Plans (Continued)

**Changes in the Net Pension Liability**

The following table shows the changes in net pension liability recognized over the measurement period.

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability/(Assets) (c)=(a)-(b)
Balance at: 6/30/2016 (Valuation Date)	\$ 93,853,703	\$ 72,453,382	\$ 21,400,321
Changes Recognized for the Measurement Period:			
Service Cost	2,582,619	-	2,582,619
Interest on the Total Pension Liability	6,931,655	-	6,931,655
Changes of Assumptions	5,953,464	-	5,953,464
Difference between Expected and Actual Experience	(2,203,443)	-	(2,203,443)
Contribution from the Employer	-	2,139,788	(2,139,788)
Contributions from Employees	-	1,142,808	(1,142,808)
Net Investment Income	-	8,057,534	(8,057,534)
Benefit Payments including Refunds of Employee Contributions	(3,897,657)	(3,897,657)	-
Administrative Expense	-	(106,973)	106,973
Net Changes During 2016-17	9,366,638	7,335,500	2,031,138
Balance at: 6/30/2017 (Measurement Date)	\$ 103,220,341	\$ 79,788,882	\$ 23,431,459

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Plan's Net Pension Liability/(Assets)	\$ 38,059,501	\$ 23,431,459	\$ 11,417,137

**Pension Plan Fiduciary Net Position**

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves. Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See CalPERS website for additional information.

## CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

## Note 8: CalPERS Retirement Plans (Continued)

***Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions***

As of the start of the measurement period (July 1, 2016), the net pension liability was \$21,400,321. For the measurement period ending June 30, 2017 (the measurement date), the City incurred a pension expense/(income) of \$3,765,212 for the Plan.

Note that no adjustments have been made for contributions subsequent to the measurement date. Adequate treatment of any contributions made after the measurement date is the responsibility of the employer.

As of June 30, 2018, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City pension contributions subsequent to measurement date	\$ 2,241,242	\$ -
CalPERS deferrals		
Changes of assumptions	4,149,384	(51,949)
Difference between expected and actual experience	-	(1,597,235)
Net Difference between Projected and Actual Earnings on Pension Plan		
Investments	1,101,150	-
Total CalPERS deferrals	5,250,534	(1,649,184)
Total	\$ 7,491,776	\$ (1,649,184)

\$2,241,242 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period ended June 30:	Deferred Outflows/(Inflows) of Resources
2018	\$ 1,034,138
2019	2,353,793
2020	795,114
2021	(581,695)
	\$ 3,601,350

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**
**Note 8: CalPERS Retirement Plans (Continued)****b. Safety Police Pension Plan and Safety Fire Pension Plan*****Plan Description***

All qualified permanent and probationary safety employees are eligible to participate in the Safety Risk Pool Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefits tiers) within a safety risk pool (police and fire). Plan assets may be used to pay benefits for any employer rate plan of safety pools. Accordingly, rate plans within the safety pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the safety risk pools. The Local Government sponsors four rate plans. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

***Benefits Provided***

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of fulltime employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Below is a summary of the plan provisions and benefits in effect at June 30, 2018, for which the City of Manhattan Beach has contracted:

	Safety Police Plan		Safety Fire Plan	
	Tier I *	PEPRA	Tier I *	PEPRA
Hire date	Prior to or on December 31, 2012	On or after January 1, 2013	Prior to or on December 31, 2012	On or after January 1, 2013
Benefit formula	3.0% @ 50	2.0% @ 57	3.0% @ 55	2.0% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	minimum 50 yrs	minimum 50 yrs	minimum 50 yrs	minimum 50 yrs
Monthly benefits, as a % of eligible compensation	3.000%, 50+ yrs	1.426% - 2.000%, respectively 50 yrs - 57+ yrs,	2.400% - 3.000%, respectively 50 yrs - 55+ yrs,	1.426% - 2.000%, respectively 50 yrs - 57+ yrs,
Required employee contribution rates	9.000% (1)	12.250%	9.000% (1)	12.250%
Required employer contribution rates	21.418% (2)	12.729%	19.520% (3)	12.729%
Management safety				
Employee	9.000%	12.250% (4)	9.000%	12.250% (4)
Employer	21.418%	12.729% (4)	19.520%	12.729% (4)

\* Closed to new entrants

(1) Not including 3% cost share, which would increase rate to 12%.

(2) Not including cost share, which will lower rate to 18.418%.

(3) Not including cost share, which will lower rate to 16.520%.

(4) PEPRA contributes an additional 0.2395% to City to realize 50% cost sharing.

Benefit payments are calculated using the benefit formula above multiplied by the number of years of service and highest single year of compensation for Tier 1 or highest three year average of compensation for PEPRA.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**
**Note 8: CalPERS Retirement Plans (Continued)*****Employees Covered***

At June 30, 2017, the following employees were covered by the benefit terms of the Plan:

Description	Number of members			
	Safety Police Plan		Safety Fire Plan	
	Classic	PEPRA	Classic	PEPRA
Active members	57	5	29	1
Transferred members	13	2	5	-
Terminated members	8	2	4	-
Retired members and beneficiaries	115	-	50	-
Total	193	9	88	1

***Contribution Description***

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2018, the employer contributions recognized as a reduction to the net pension liability was \$2,731,659 for the Safety Police Plan and \$1,303,468 for the Safety Fire Plan for a total of \$4,035,127 for the safety plans.

***Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

The City of Manhattan Beach reported net a pension liability at June 30, 2018 of \$35,043,630 for its proportionate shares of the Safety Police Plan and \$15,960,822 for its proportionate shares of the Safety Fire Plan for a total of \$51,004,452 for the safety plans.

The City's net pension liability for the safety plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

## CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018**Note 8: CalPERS Retirement Plans (Continued)**

The City's proportionate share of the net pension liability for the safety plan as of June 30, 2016 and 2017, was as follows:

	<u>Safety Police Plan</u>	<u>Safety Fire Plan</u>
Proportion - June 30, 2016	0.588989%	0.265525%
Proportion - June 30, 2017	0.586484%	0.267118%
Changes - Increase (Decrease)	-0.002505%	0.001593%

For the year ended June 30, 2018, the City recognized pension expense of \$4,874,513 and \$1,782,216 for the Safety Police Plan and the Safety Fire Plan respectively. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Safety - Police</u>		<u>Safety - Fire</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City pension contribution subsequent to measurement date	\$ 2,942,060	\$ -	\$ 1,471,059	\$ -
CalPERS Deferrals:				
Difference between expected and actual experience	368,871	(96,175)	186,081	(48,516)
Change in Assumptions	5,349,554	(410,432)	2,698,644	(207,047)
Net difference between projected and actual earnings on pension plan investments	1,166,412	-	588,410	-
Adjustment due to difference in proportions	469,068	(117,732)	161,773	(364,109)
Difference in proportionate share	25,142	(534,641)	-	(463,869)
Total CalPERS Deferrals	<u>7,379,047</u>	<u>(1,158,980)</u>	<u>3,634,908</u>	<u>(1,083,541)</u>
<b>Total</b>	<b>\$ 10,321,107</b>	<b>\$ (1,158,980)</b>	<b>\$ 5,105,967</b>	<b>\$ (1,083,541)</b>

\$2,942,060 and \$1,471,059 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	<u>Deferred Outflows/(Inflows of Resources)</u>	
<u>Year Ended June 30,</u>	<u>Safety Police Plan</u>	<u>Safety Fire Plan</u>
2018	\$ 1,536,443	\$ 290,899
2019	3,355,315	1,625,729
2020	2,010,818	979,038
2021	(682,509)	(344,299)
	<u>\$ 6,220,067</u>	<u>\$ 2,551,367</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**


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**Note 8: CalPERS Retirement Plans (Continued)**

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method Actuarial Assumptions	Entry Age Normal Cost Method
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	3.3% - 14.2% (1)
Mortality Rate Table (2)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Depending on age, service and type of employment

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report on the CalPERS website.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

***Change of Assumptions***

In fiscal year 2016-17, the financial reporting discount rate for the PERF C was lowered from 7.65 percent to 7.15 percent. Deferred outflows of resources for changes of assumptions presented in the schedule of collective pension amounts represent the unamortized portion of this assumption change.

***Discount Rate***

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.



**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**
**Note 8: CalPERS Retirement Plans (Continued)**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<b>Asset Class</b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1 - 10 (1)</b>	<b>Real Return Years 11+ (2)</b>
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	80.00%	2.27%
Inflation Sensitive	6.00%	60.00%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

(1) An expected inflation of 2.5% used for this period.

(2) An expected inflation of 3.0% used for this period.

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the City's proportionate share of the net pension liability/ (asset) of the Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.15 percent) or 1% point higher (8.15 percent) than the current rate:

<b>PERS Cost Sharing Plans</b>	<b>Discount Rate - 1% (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>Discount Rate +1% (8.15%)</b>
Safety police	\$ 52,716,340	\$ 35,043,630	\$ 20,597,071
Safety Fire	24,876,022	15,960,822	8,673,091

***Pension Plan Fiduciary Net Position***

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See CalPERS website for additional information.



**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**

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**Note 9: City Retirement Plans****a. Supplemental Retirement Plan****General Information about the Pension Plan*****Plan Description***

The Supplemental Retirement Plan is a single-employer defined benefit pension plan that covers Police, Fire and Management/Confidential employees who retired prior to January 1995. This plan is currently dormant and does not issue a separate annual financial report. The plan information is presented as a fiduciary fund in the City's financial statements in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*.

***Benefits Provided***

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.

***Employees Covered***

Employees covered includes sworn law enforcement officers, fire and management/confidential employees who retired prior to January 1995. The number of participants covered under the plan as of June 30, 2018, was as follows:

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

***Net Pension Liability***

The net pension liability for the plan is measured as the total pension liability as of June 30, 2018 using an annual actuarial valuation as of June 30, 2018 less the pension plan's fiduciary net position.

Total pension liability	\$ 109,239
Plan fiduciary net position	<u>25,672</u>
Net pension liability	<u><u>\$ 83,567</u></u>
Plan fiduciary net position as a percentage of the total pension liability	23.50%

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**


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**Note 9: City Retirement Plans (Continued)*****Actuarial Assumptions***

A summary of principal assumptions and methods used to determine the pension liability is shown below.

Valuation Date	June 30, 2018
Pre-retirement mortality rates	RP-2014 Mortality Table projected to payment date using projection scale MP-2016
Asset valuation method	Fair Market Value
Discount rate	4.12 % based on the 10 Year High Quality Corporate Bond Spot Rates

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

***Change of Assumptions***

In 2018, the accounting discount rate increased from 3.49 percent to 4.12 percent.

***Discount Rate***

The discount rate used to measure the total pension liability was 4.12%. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of plan members. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

***Method Used to Value Investments***

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

***Investment Policy***

The Supplemental Plan's policy in regard to the allocation and types of invested assets is established and may be amended by the City of Manhattan Beach's City Council. It is the policy of City Council to pursue an investment strategy that reduces risk. As of June 30, 2018, City Council has approved to have 100% of the Supplemental Plan's assets allocated to cash and cash equivalents.

## CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

## Note 9: City Retirement Plans (Continued)

**Change in Net Pension Liability**

The Supplemental Plan is dormant and no contribution was made during the year.

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability/(Assets) (c)=(a)-(b)
Balance at: 6/30/2017	\$ 117,407	\$ 46,866	\$ 70,541
Changes Recognized for the Measurement Period:			
Difference between Expected and Actual Experience	8,685	-	8,685
Net Investment Income	4,837	496	4,341
Benefit Payments including Refunds of Employee Contributions	(21,690)	(21,690)	-
Net Changes During 2017-18	(8,168)	(21,194)	13,026
Balance at: 6/30/2018	\$ 109,239	\$ 25,672	\$ 83,567

**Sensitivity of the Net Pension Liability to Change in the Discount Rate**

The following presents the net pension liability of the Plan, calculated using the discount rate of 4.12, as well as what the Employer's net pension liability would be if it were calculated using a discount rate that is 1% lower (3.12%) or 1% higher (5.12%) than the current rate:

	1% Lower (3.12%)	Current Discount Rate (4.12%)	1% Higher (5.12%)
Net pension liability	\$ 88,294	\$ 83,567	\$ 79,211

**Pension Plan Fiduciary Net Position**

The Supplemental Retirement Plan fiduciary net position is combined with the City's Single Highest Year Plan fiduciary net position as fiduciary fund in the City's annual financial report with further detail included in the required supplementary information section of the report.

**Pension Expense**

Net pension expense for fiscal year 2017-18 was \$13,026 and equal to change in net pension liability. The plan has received no contribution from the General Fund.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**


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**Note 9: City Retirement Plans (Continued)****b. Single Highest Year Plan****General Information about the Pension Plan*****Plan Description***

The Single Highest Year Plan is a single-employer defined benefit pension plan of the City. This plan was adopted effective January 1, 1990, covering Management/Confidential Employees and Non-management/Confidential Sworn Police Employees on July 1, 1990, and is for employees who retired prior to May 1993. The plan is known as the City Funded Single Highest Year Plan. This plan is currently dormant and does not issue a separate annual financial report. The plan information is presented as a fiduciary fund in the City's financial statements in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*.

***Benefits Provided***

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. 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.

***Employees Covered***

Employees covered include sworn law enforcement officers, fire, management or confidential and miscellaneous employees who retired prior to May 1993. The number of participants covered under the plan as of June 30, 2018, was as follows:

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

***Net Pension Liability***

The net pension liability for the plan is measured as the total pension liability as of June 30, 2018 using an annual actuarial valuation as of June 30, 2018 less the pension plan's fiduciary net position.

Total pension liability	\$ 284,083
Plan fiduciary net position	<u>92,172</u>
Net pension liability	<u>\$ 191,911</u>
Plan fiduciary net position as a percentage of the total pension liability	32.45%

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**


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**Note 9: City Retirement Plans (Continued)*****Actuarial Assumptions***

A summary of principal assumptions and methods used to determine the pension liability is shown below.

Valuation Date	June 30, 2018
Pre-retirement mortality rates	RP-2014 Mortality Table projected to payment date using projection scale MP-2016
Asset valuation method	Fair Market Value
Discount rate	4.12 % based on the 10 Year High Quality Corporate Bond Spot Rates

The City incurred the accrued liabilities of active participants under the City's PERS plan as of May 1993. The City's remaining obligation is to fund the benefits for those participants who were then and are currently retired.

***Change of Assumptions***

In 2018, the accounting discount rate increased from 3.49 percent to 4.12 percent.

***Discount Rate***

The discount rate used to measure the total pension liability was 4.12%. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of plan members. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

***Method Used to Value Investments***

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

***Investment Policy***

The Highest Year Plan's policy in regard to the allocation and types of invested assets is established and may be amended by the City of Manhattan Beach's City Council. It is the policy of City Council to pursue an investment strategy that reduces risk. As of June 30, 2018, City Council has approved to have 100% of the Supplemental Plan's assets allocated to cash and cash equivalents.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**
**Note 9: City Retirement Plans (Continued)*****Change in Net Pension Liability***

The Single Highest Year Plan is dormant and no contribution was made during the year.

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability/(Assets) (c)=(a)-(b)
Balance at: 6/30/2017	\$ 336,669	\$ 144,361	\$ 192,308
Changes Recognized for the Measurement Period:			
Difference between Expected and Actual Experience	(12,652)	-	(12,652)
Net Investment Income	13,871	1,616	12,255
Benefit Payments including Refunds of Employee Contributions	(53,805)	(53,805)	-
Net Changes During 2017-18	(52,586)	(52,189)	(397)
Balance at: 6/30/2018	\$ 284,083	\$ 92,172	\$ 191,911

***Sensitivity of the Net Pension Liability to Change in the Discount Rate***

The following presents the net pension liability of the Plan, calculated using the discount rate of 4.12%, as well as what the Employer's net pension liability would be if it were calculated using a discount rate that is 1% lower (3.12%) or 1% higher (5.12%) than the current rate:

	1% Lower (3.12%)	Current Discount Rate (4.12%)	1% Higher (5.12%)
Net pension liability	\$ 204,203	\$ 191,911	\$ 180,583

***Pension Plan Fiduciary Net Position***

The Single Highest Year Pan fiduciary net position is combined with the City's Supplemental Retirement Plan fiduciary net position as fiduciary fund in the City's annual financial report with further detail included in the required supplementary information section of the report.

***Pension Expense***

Net pension expense for fiscal year 2017-18 was \$(397) and equal to change in net pension liability. The plan has received no contribution from the General Fund.

***c. Payable to the Pension Plan***

For the Supplemental Retirement Plan and the Single Highest Year Pan, the City's remaining obligation is to fund the benefits for those participants who were then and are currently retired. There will be a series of planned contributions from the General Fund beginning with \$100,000 in fiscal year 2018-2019.

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**

**Note 10: Other Post-Retirement Benefits**

***Plan Description - City of Manhattan Beach Retiree Medical Program***

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. 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.

***Benefits provided***

The following is a description of the current retiree benefit plan under the employee Memoranda of Understanding (MOU):

	<u>Firefighters</u>	<u>General Employees</u>	<u>Non-sworn Management</u>	<u>Police Officers</u>
Benefit types provided	Contribution of HRA	Contribution of HRA	Contribution of HRA	Contribution of HRA
Duration of benefits	To age 65	To age 65	To age 65	To age 65
Required service	20 years	15 years	15 years	20 years in law enforcement ***
Minimum age	50	50	50	50
Dependent coverage	n/a *	n/a *	n/a *	n/a *
Contribution	\$400 per month **	\$250 per month **	\$400 per month for Department Heads  \$250 per month for others	\$400 per month **

\* Contribution to HRA does not vary by dependent content

\*\* \$300 per month for firefighters retiring prior to August 1, 2008. \$300 for police hired before December 31, 2007.

\*\*\* 10 years with the City

***Employees Covered***

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

Inactive employees or beneficiaries currently receiving benefits	37
Inactive employees entitled to, but not yet receiving benefits	<u>0</u>
Total	<u><u>37</u></u>

***Contributions***

The plan 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. For fiscal year 2017, the City paid \$292,220 for retiree medical benefits and was reimbursed 292,220 from CERBT.

For fiscal year ending June 30, 2017, retiree medical benefit resulted in an increase to the net OPEB asset of \$164,771.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**


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**Note 10: Post-Employment Benefit Plan (Continued)*****Net OPEB Asset***

The City's net OPEB asset was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation dated June 30, 2017 that was rolled forward to determine the June 30, 2017 total OPEB liability, based on the following actuarial methods and assumptions:

Valuation Date:	June 30, 2017
Actuarial Cost Method:	Entry Age
Actuarial Assumptions:	
Discount Rate	6.5% per year net of expenses
Inflation	2.75% per year
Salary Increase	2.75% per year
Healthcare Trend	4.00% per year
Mortality	Police - 2014 CalPERS Mortality for Active Safety Employees Fire Fighters - 2014 CalPERS Mortality for Active Safety Employees Miscellaneous - 2014 CalPERS Active Mortality for Miscellaneous Employees
Retirement Rates	Police: Hired prior to 1/1/13: 2009 CalPERS 3.0%@50 Rates for Sworn Police Hired > 12/31/12: 2009 CalPERS 3.0%@55 Rates for Sworn Police adjusted to reflect 2.0% at 57 Firefighters: Hired prior to 1/1/13: 2009 CalPERS 3.0%@55 Rates for Sworn Firefighters Hired > 12/31/12: 2009 CalPERS 3.0%@55 Rates for Sworn Firefighters adjusted to reflect 2.0% at 57 Miscellaneous: Hired prior to 1/1/13: 2009 CalPERS 2.0%@55 Rates for Miscellaneous Employees Hired > 12/31/12: 2009 CalPERS 2.0%@62 Rates for Miscellaneous Employees
Service Requirement	Police: 100% at 5 Years of Service for statutory minimum benefits 100% at 10 Years of Service with City (20 years in law enforcement) Firefighters: 100% at 5 Years of Service for statutory minimum benefits 100% at 20 Years of Service with City General Employees 100% at 5 Years of Service for statutory minimum benefits 100% at 15 Years of Service with City Management 100% at 5 Years of Service for statutory minimum benefits 100% at 15 Years of Service with City

***Expected Long-Term Rate of Return***

Asset Class Component	Percentage of Portfolio	Assumed Gross Return
US Large Cap	40%	7.80%
US Small Cap	10%	7.80%
Long-term Corporate Bonds	18%	5.30%
Long-term Government Bonds	6%	4.50%
Treasury Inflation Protected Securities (TIPS)	15%	7.95%
US Real Estate	8%	7.95%
All Commodities	3%	7.95%



**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**

**Note 10: Post-Employment Benefit Plan (Continued)**

***Discount Rate***

The discount rate used to measure the total OPEB liability was 6.50 percent per year net of expenses. This is based on assumed long-term return on plan assets assuming 100% funding through CERBT.

***Changes in the OPEB Liability***

The changes in the net OPEB asset for the Plan are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Roll back balance at June 30, 2016	\$ 5,809,993	\$ 9,557,249	\$ (3,747,256)
Changes recognized for the measurement period:			
Service cost	153,484	-	153,484
Interest	373,003	-	373,003
Contributions - employer	-	-	-
Net investment income	-	696,310	(696,310)
Benefit payments	(292,220)	(292,220)	-
Administrative expenses	-	(5,052)	5,052
Net changes	234,267	399,038	(164,771)
Balance at June 30, 2017	<u>\$ 6,044,260</u>	<u>\$ 9,956,287</u>	<u>\$ (3,912,027)</u>

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB Liability	\$ (3,179,162)	\$ (3,912,027)	\$ (4,524,246)

***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates***

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ (4,377,079)	\$ (3,912,027)	\$ (3,363,683)

## CITY OF MANHATTAN BEACH

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2018

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#### **Note 11: 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, 2018, 100% of contribution is derived from employee deduction.

Total payroll for employees covered by this plan for the year was \$1,452,266. The amount of employee contribution was \$108,920.

#### **Note 12: 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 CSAC-Excess Insurance Authority, a public entity risk pool currently operating as a common risk management and insurance program for California 95% of counties, 68% of California cities, as well as numerous California educational organizations, special districts, housing authorities, fire districts, and other Joint Powers Authorities. 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 purchased separate dedicated earthquake limits for the public safety facility and other key structures.

For workers' compensation, the City is self-insured for the first \$750,000 on each claim with excess coverage up to statutory limits. For general liability, the City is self-insured for the first \$500,000 on each claim with excess coverage up to a limit of \$25,000,000.

The City is insured for property losses with a deductible of \$10,000 for all-risk (fire and theft) and earthquake loss with a deductible of 2% or minimum \$100,000, whichever is greater.

Claims expenditures and liabilities (general and worker's compensation) are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. This liability is the City's best estimate based on available information.

The following is a summary of the changes in the claim liability over the past two fiscal years for the City:

Year	Liability Beginning of Year	Current Year Claims and Increases in Estimates	Payments and Decreases In Estimates	Liability End of Year
2017	\$ 13,486,849	\$ 3,626,901	\$ (3,249,129)	\$ 13,864,621
2018	13,864,621	7,125,364	(3,871,059)	17,118,926

**CITY OF MANHATTAN BEACH**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**

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**Note 12: Risk Management (Continued)**

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 Excess Insurance Authority (EIA) has published its own comprehensive annual financial report for the year ended June 30, 2017, which can be obtained at the following link:

<https://www.csac-eia.org/resources/eia-documents/financial-information/comprehensive-annual-financial-report-cafr/cafr-fy-ended-06-30-17/>

**Note 13: Net Position and Fund Balances Restatement**

Beginning net position and beginning fund balances have been restated as follows:

Governmental Funds / Governmental Activities

To eliminate the deficit in the Federal and State Grants fund for prior year receivable that will not be received .

General Fund	\$	(22,488)
Federal and State Grants		22,488
Implementation of GASB 75:		
Internal Service Funds		
Insurance Reserve		40,379
Information Systems		80,757
Fleet Management		26,076
Building Maintenance and Operations		65,188
Governmental activities		3,322,994
To reverse prior year revenue recognized under the full accrual basis		(22,488)
Total Governmental Activities	\$	<u>3,512,906</u>

Enterprise Funds / Business-Type Activities

Implementation of GASB 75:

Water	\$	121,903
Wastewater		31,941
Parking		18,253
Other Enterprise Funds		
Stormwater		13,038
Refuse		16,297
County Parking Log		5,215
State Pier and Parking Lot		5,216
Restatement for prior year construction in progress later considered maintenance and repair.		
Stormwater		(282,464)
Restatement for prior year street sweeping fees.		
Refuse		(4,558)
Total Business-Type Activities	\$	<u>(75,159)</u>

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

**Note 14: 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, 2017, was 22.7%.

Summarized audited financial information for SBRPCA at June 30, 2017\*, is presented below:

Statement of Net Position

Assets	
Current assets	\$ 3,487,850
Noncurrent assets	8,271,029
Total Assets	<u>11,758,879</u>
Deferred Outflows of Resources	<u>1,762,069</u>
Liabilities	
Current liabilities	795,179
Noncurrent liabilities	7,429,351
Total Liabilities	<u>8,224,530</u>
Deferred Inflows of Resources	<u>594,053</u>
Net Position	<u>\$ 4,702,365</u>

Statement of Activities

Operating Revenues	\$ 11,176,699
Operating Expenses	<u>10,389,575</u>
Operating income before depreciation	<u>787,124</u>
Depreciation	<u>(673,559)</u>
Operating income/loss	<u>113,565</u>
Non-operating revenues (expenses):	
Interest earnings	<u>17,256</u>
Non operating revenues (expenses)	<u>17,256</u>
Change in net position	130,821
Net Position - June 30, 2016	<u>4,571,544</u>
Net Position - June 30, 2017	<u>\$ 4,702,365</u>

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

CITY OF MANHATTAN BEACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

Note 14: Joint Ventures and Jointly Governed Organizations (Continued)

b. Jointly Governed Organization

Los Angeles Interagency Metropolitan Police Apprehension Crime Task Force

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

Summarized audited financial information for L.A. IMPACT at June 30, 2017\*, is presented below:

Statement of Net Position

Assets

Current assets	\$ 13,557,496
Noncurrent assets	361,821
Total Assets	<u>13,919,317</u>

Liabilities

Current liabilities	2,777,373
Noncurrent liabilities	404,855
Total liabilities	<u>3,182,228</u>
Net Position	<u>\$ 10,737,089</u>

Statement of Activities

Program Revenues	\$ 8,483,119
Expenses	<u>(7,610,794)</u>

Excess of Revenues Over Expenses	<u>872,325</u>
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Non operating revenues (expenses)

Investment earnings	73,102
Other revenue	211,117
Non operating revenues (expenses)	<u>284,219</u>

Change in net position	1,156,544
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Net Position - June 30, 2016	<u>9,580,545</u>
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Net Position - June 30, 2017	<u>\$ 10,737,089</u>
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\*LA Impact has issued its own separate financial statements, which are available at 5700 S. Eastern Avenue, Commerce, California 90040.

**CITY OF MANHATTAN BEACH****NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**

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**Note 15: 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, 2018:

<b>Project Title</b>	<b>Contract Amount</b>	<b>Expenditure to date as of June 30, 2018</b>	<b>Remaining Commitments</b>
Roundhouse Aquarium Project	\$ 2,908,721	\$ 1,913,008	\$ 995,713
Fire Station 2 Design Development & Interim Improvements	777,540	7,220	770,320
MV Park Fencing & Netting and Syntehtic Turf	793,592	53,710	739,882
Manhattan Ave and Highland Ave Pavement Rehab	1,240,999	544,612	696,387
Peck Reservoir Design	1,358,640	725,998	632,642
Storm Drain Project	831,282	470,037	361,245
MBB & Sepulveda Intersection Design	210,133	73,468	136,665
Dorsey Live Oak Park Netting Construction	122,593	-	122,593
Utility Underground Assessment District 12	202,300	116,823	85,477
Cycle 1 Sewer Spot Repairs	70,000	-	70,000

**Note 16: Subsequent Events**

On November 9, 2018, the former City Manager paid off his existing home mortgage balance. The amount paid included principal due of \$1,487,646 (from last payment of August 31, 2018) plus accumulated interest of \$2,081 (through November 9, 2018). As a result, the non-spendable portion of General Fund balance has been liquidated as of the payment date, with a corresponding increase in unassigned fund balance.

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# Required Supplementary Information





## **REQUIRED SUPPLEMENTARY INFORMATION**

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## CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1 as restated	\$ 25,025,147	\$ 25,025,147	\$ 25,025,147	\$ -
<b>Resources (Inflows):</b>				
Taxes and assessments	49,153,505	49,153,505	49,223,879	70,374
Licenses and permits	2,771,560	2,771,560	3,365,669	594,109
Intergovernmental	321,500	321,500	363,670	42,170
Charges for services	10,832,237	11,032,237	12,255,990	1,223,753
Use of money and property	3,478,831	3,478,831	2,746,518	(732,313)
Fines and forfeitures	2,796,000	2,796,000	2,472,310	(323,690)
Miscellaneous	712,900	712,900	1,180,783	467,883
Transfers in	179,181	179,181	246,618	67,437
Capital leases	830,000	830,000	-	(830,000)
<b>Amounts Available for Appropriations</b>	<b>96,100,861</b>	<b>96,300,861</b>	<b>96,880,584</b>	<b>579,723</b>
<b>Charges to Appropriations (Outflow):</b>				
Current:				
General government	14,221,146	15,453,593	14,018,095	1,435,498
Public safety	39,272,571	39,481,958	39,441,189	40,769
Culture and recreation	7,993,790	8,034,843	7,995,311	39,532
Public works	7,286,448	7,295,479	6,138,757	1,156,722
Capital outlay:				
General government	928,585	951,588	21,773	929,815
Public safety	180,000	240,054	51,837	188,217
Culture and recreation	10,000	10,000	-	10,000
Public works	45,000	45,000	32,303	12,697
Debt service:				
Principal retirement	265,000	265,000	265,000	-
Interest and fiscal charges	194,375	194,375	194,375	-
Fees	3,350	3,350	1,600	1,750
Transfers out	1,873,259	1,873,259	1,848,290	24,969
<b>Total Charges to Appropriations</b>	<b>72,273,524</b>	<b>73,848,499</b>	<b>70,008,530</b>	<b>3,839,969</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 23,827,337</b>	<b>\$ 22,452,362</b>	<b>\$ 26,872,054</b>	<b>\$ 4,419,692</b>

## CITY OF MANHATTAN BEACH

**MISCELLANEOUS PLAN  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
 AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

Measurement Date	2014	2015	2016	2017
<b>TOTAL PENSION LIABILITY</b>				
Service Cost	\$ 1,897,933	\$ 1,906,947	\$ 2,116,750	\$ 2,582,619
Interest	6,036,548	6,365,282	6,725,647	6,931,655
Difference Between expected and Actual Experience	-	(1,610,461)	(125,272)	(2,203,443)
Changes in Assumptions	-	(450,327)	-	5,953,464
Benefit Payments, Including Refunds of employee Contributions	(2,930,477)	(3,387,918)	(3,694,517)	(3,897,657)
<b>Net Change in Total Pension Liability</b>	<b>\$ 5,004,004</b>	<b>\$ 2,823,523</b>	<b>\$ 5,022,608</b>	<b>\$ 9,366,638</b>
<b>Total Pension Liability - Beginning</b>	<b>81,003,568</b>	<b>86,007,572</b>	<b>88,831,095</b>	<b>93,853,703</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 86,007,572</b>	<b>\$ 88,831,095</b>	<b>\$ 93,853,703</b>	<b>\$ 103,220,341</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contribution - Employer	\$ 1,512,406	\$ 1,619,438	\$ 1,856,633	\$ 2,139,788
Contribution - Employee	911,689	986,936	1,110,014	1,142,808
Net Investment Income	10,722,182	1,618,145	357,760	8,057,534
Benefit Payments, Including Refunds of Employee Contributions	(2,930,477)	(3,387,918)	(3,694,517)	(3,897,657)
Net Plan to Plan Resource Movement	-	-	(388)	-
Administrative Expense	-	(82,036)	(44,409)	(106,973)
<b>Net Change in Fiduciary Net Position</b>	<b>\$ 10,215,800</b>	<b>\$ 754,565</b>	<b>\$ (414,907)</b>	<b>\$ 7,335,500</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>61,897,924</b>	<b>72,113,724</b>	<b>72,868,289</b>	<b>72,453,382</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 72,113,724</b>	<b>\$ 72,868,289</b>	<b>\$ 72,453,382</b>	<b>\$ 79,788,882</b>
<b>Plan Net Pension Liability/(Assets) - Ending (a) - (b)</b>	<b>\$ 13,893,848</b>	<b>\$ 15,962,806</b>	<b>\$ 21,400,321</b>	<b>\$ 23,431,459</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>83.85%</b>	<b>82.03%</b>	<b>77.20%</b>	<b>77.30%</b>
<b>Covered Payroll</b>	<b>\$ 12,741,228</b>	<b>\$ 13,348,365</b>	<b>\$ 14,974,179</b>	<b>\$ 15,567,415</b>
<b>Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>109.05%</b>	<b>119.59%</b>	<b>142.91%</b>	<b>150.52%</b>

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2014 was the first year of implementation, therefore only four years are shown.

**Notes to Schedule:**

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes)

Changes of Assumptions: The discount rate was changed from 7.65 percent (net of administrative expense) to 7.15 percent.

**CITY OF MANHATTAN BEACH**

**MISCELLANEOUS PLAN  
SCHEDULE OF PLAN CONTRIBUTIONS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 1,526,186	\$ 1,648,896	\$ 1,881,560	\$ 2,137,977	\$ 2,241,242
Contribution in Relation to the Actuarially Determined Contribution	(1,526,186)	(1,648,896)	(1,881,560)	(2,137,977)	(2,241,242)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 12,741,228	\$ 13,348,365	\$ 14,974,179	\$ 15,567,415	\$ 16,275,409
Contributions as a Percentage of Covered Payroll	11.98%	12.35%	12.57%	13.73%	13.77%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2014 was the first year of implementation, therefore only five years are shown.

**Note to Schedule:**

Valuation Date:	June 30, 2015
Methods and assumptions used to determine contribution rates:	
Single and Agent Employers	Entry age normal
Amortization method	Level Percent of Payroll, closed 20 years
	20 Years as of the Valuation Date
Assets valuation method	Market value
Inflation	2.75%
Salary Increases	3.30% - 14.20% depending on age, service and type of employment
Investment rate of return	7.50% net of pension plan investment and administrative expense, including inflation
Retirement age	55 years
Mortality	RP-2000 Heath Annuitant Mortality Table

## CITY OF MANHATTAN BEACH

## SAFETY PLAN

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

Measurement Date	2014	2015	2016	2017
<b>Safety Plan</b>				
Proportion of the Net Pension Liability	0.482924%	0.816657%	0.854514%	0.738007%
Proportionate Share of the Net Pension Liability	\$ 30,049,799	\$ 33,649,892	\$ 44,229,612	\$ 51,004,452
Covered Payroll	\$ 11,899,053	\$ 12,509,404	\$ 13,396,233	\$ 13,476,008
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	252.54%	269.00%	330.16%	378.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.00%	78.30%	74.10%	73.30%

**Notes to Schedule:**Benefit Changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions:

The discount rate was changed from 7.65 percent (net of administrative expense) to 7.15 percent to correct for an adjustment to exclude administrative expense.

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2014 was the first year of implementation, therefore only four years are shown.

## CITY OF MANHATTAN BEACH

**SAFETY PLAN**  
**SCHEDULE OF PLAN CONTRIBUTIONS**  
**AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	2014	2015	2016	2017	2018
<b>Safety Plan</b>					
Actuarially Determined Contribution	\$ 3,200,572	\$ 3,437,160	\$ 4,000,319	\$ 4,035,127	\$ 4,413,119
Contribution in Relation to the Actuarially Determined Contribution	(3,200,572)	(3,437,160)	(4,000,319)	(4,035,127)	(4,413,119)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 11,899,053	\$ 12,509,404	\$ 13,396,233	\$ 13,476,008	\$ 11,023,713
Contributions as a Percentage of Covered Payroll	26.90%	27.48%	29.86%	29.94%	40.03%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2014 was the first year of implementation, therefore only five years are shown.

**Note to Schedule:**

Valuation Date:	June 30, 2015
Methods and assumptions used to determine contribution rates:	
Single and Agent Employers	Entry age normal
Amortization method	Level Percent of Payroll, closed 20 years
	20 Years as of the Valuation Date
Assets valuation method	Market value
Inflation	2.75%
	3.30% - 14.20% depending on age, service and
Salary Increases	type of employment
Investment rate of return	7.50% net of pension plan investment and
	administrative expense, including inflation
Retirement age	55 years
Mortality	RP-2000 Heath Annuitant Mortality Table



## CITY OF MANHATTAN BEACH

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Total pension liability:</b>					
Interest	\$ 4,535	\$ 3,868	\$ 4,465	\$ (552)	\$ 4,837
Benefit payments, including refunds of member contributions	(20,118)	(20,519)	(21,728)	(21,340)	(21,690)
Experience losses/(gains)	(6,296)	16,651	9,609	35,649	8,685
<b>Net change in total pension liability</b>	<b>(21,879)</b>	<b>-</b>	<b>(7,654)</b>	<b>13,757</b>	<b>(8,168)</b>
Total pension liability, beginning of year	133,183	111,304	111,304	103,650	117,407
<b>Total pension liability, end of year</b>	<b>111,304</b>	<b>111,304</b>	<b>103,650</b>	<b>117,407</b>	<b>109,239</b>
<b>Plan fiduciary net position:</b>					
Net investment income	4,535	3,868	4,465	(552)	496
Benefit payments, including refunds of member contributions	(20,118)	(20,519)	(21,728)	(21,340)	(21,690)
<b>Net change in plan fiduciary net position</b>	<b>(15,583)</b>	<b>(16,651)</b>	<b>(17,263)</b>	<b>(21,892)</b>	<b>(21,194)</b>
Total fiduciary net position, beginning of year	118,255	102,672	86,021	68,758	46,866
<b>Total fiduciary net position, end of year</b>	<b>102,672</b>	<b>86,021</b>	<b>68,758</b>	<b>46,866</b>	<b>25,672</b>
<b>Net pension liability (asset), end of year</b>	<b>\$ 8,632</b>	<b>\$25,283</b>	<b>\$34,892</b>	<b>\$70,541</b>	<b>\$83,567</b>
Plan fiduciary net position as a percentage of the total pension liability	92.24%	77.28%	66.34%	39.92%	23.50%
The Supplement Retirement Plan is dormant.					
Covered payroll	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

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

CITY OF MANHATTAN BEACH

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

	2014	2015	2016	2017	2018
<b>Employer contributions:</b>					
Actuarial determined contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Actual contributions	-	-	-	-	-
<b>Deficiency/(Excess)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Supplement Retirement Plan is dormant.

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

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

CITY OF MANHATTAN BEACH

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

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	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	4.40%	4.40%	3.60%	3.49%	4.12%

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

## CITY OF MANHATTAN BEACH

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

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Total pension liability:</b>					
Interest	\$12,194	\$ 9,588	\$13,610	\$ (1,639)	\$ 13,871
Benefit payments, including refunds of member contributions	(49,893)	(50,872)	(51,598)	(52,928)	(53,805)
Experience losses/(gains)	(20,492)	41,284	19,167	94,614	(12,652)
<b>Net change in total pension liability</b>	<b>(58,191)</b>	<b>-</b>	<b>(18,821)</b>	<b>40,047</b>	<b>(52,586)</b>
Total pension liability, beginning of year	373,634	315,443	315,443	296,622	336,669
<b>Total pension liability, end of year</b>	<b>315,443</b>	<b>315,443</b>	<b>296,622</b>	<b>336,669</b>	<b>284,083</b>
<b>Plan fiduciary net position:</b>					
Net investment income	12,194	9,588	13,610	(1,639)	1,616
Benefit payments, including refunds of member contributions	(49,893)	(50,872)	(51,598)	(52,928)	(53,805)
<b>Net change in plan fiduciary net position</b>	<b>(37,699)</b>	<b>(41,284)</b>	<b>(37,988)</b>	<b>(54,567)</b>	<b>(52,189)</b>
Total fiduciary net position, beginning of year	315,899	278,200	236,916	198,928	144,361
<b>Total fiduciary net position, end of year</b>	<b>278,200</b>	<b>236,916</b>	<b>198,928</b>	<b>144,361</b>	<b>92,172</b>
<b>Net pension liability (asset), end of year</b>	<b>\$37,243</b>	<b>\$78,527</b>	<b>\$97,694</b>	<b>\$192,308</b>	<b>\$191,911</b>
Plan fiduciary net position as a percentage of the total pension liability	88.19%	75.11%	67.06%	42.88%	32.45%
The Single Highest Year Plan is dormant.					
Covered payroll	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

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

## CITY OF MANHATTAN BEACH

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Employer contributions:</b>					
Actuarial determined contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Actual contributions	-	-	-	-	-
<b>Deficiency/(Excess)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Single Highest Year Plan is dormant.

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

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

CITY OF MANHATTAN BEACH

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

---

	2014	2015	2016	2017	2018
Annual money-weighted rate of return, net of investment expense	4.40%	4.40%	3.60%	3.49%	4.12%

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

## CITY OF MANHATTAN BEACH, CALIFORNIA

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

<b>Measurement Date</b>	<b>2017</b>
<b>Total OPEB Liability</b>	
Service cost	\$ 153,484
Interest on the total OPEB liability	373,003
Benefit payments	(292,220)
Net change in total OPEB liability	234,267
Total OPEB liability - beginning	5,809,993
<b>Total OPEB liability - ending (a)</b>	<b>6,044,260</b>
<b>Plan Fiduciary Net Position</b>	
Contribution - employer	-
Net investment income	696,310
Benefit payments	(292,220)
Administrative expense	(5,052)
Net change in plan fiduciary net position	399,038
Plan fiduciary net position - beginning	9,557,249
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 9,956,287</b>
<b>Net OPEB Liability (Asset) - ending (a) - (b)</b>	<b>\$ (3,912,027)</b>
Plan fiduciary net position as a percentage of the total OPEB liability	164.7%
Covered payroll	\$ 27,942,810
Net OPEB liability as a percentage of covered payroll	-14.00%

**Notes to Schedule:**

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

**CITY OF MANHATTAN BEACH, CALIFORNIA**

**SCHEDULE OF PLAN CONTRIBUTIONS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<b>2018</b>
Actuarially Determined Contribution (1)	\$ -
Contribution in Relation to the Actuarially Determined Contribution	-
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered payroll	\$ 28,350,135
Contributions as a percentage of covered payroll	0.00%

(1) The plan is superfunded. No contribution is required.

**Notes to Schedule:**

Actuarial methods and assumptions used to set the actuarially determined contribution for Fiscal Year 2018 were from the December 31, 2016 actuarial valuation.

Valuation Date:	June 30, 2017
Actuarial Cost Method:	Entry Age
Actuarial Assumptions:	
Discount Rate	6.5% per year net of expenses
Inflation	2.75% per year
Salary Increase	2.75% per year
Healthcare Trend	4.00% per year
Mortality	Police - 2014 CalPERS Mortality for Active Safety Employees Fire Fighters - 2014 CalPERS Mortality for Active Safety Employees Miscellaneous - 2014 CalPERS Active Mortality for Miscellaneous Employees
Retirement Rates	Police: Hired prior to 1/1/13: 2009 CalPERS 3.0%@50 Rates for Sworn Police Hired > 12/31/12: 2009 CalPERS 3.0%@55 Rates for Sworn Police adjusted to reflect minimum retirement age 52 Firefighters: Hired prior to 1/1/13: 2009 CalPERS 3.0%@55 Rates for Sworn Firefighters Hired > 12/31/12: 2009 CalPERS 3.0%@55 Rates for Sworn Firefighters adjusted to reflect minimum retirement age 52 Miscellaneous: Hired prior to 1/1/13: 2009 CalPERS 2.0%@55 Rates for Miscellaneous Employees Hired > 12/31/12: 2009 CalPERS 2.0%@60 Rates for Miscellaneous Employees adjusted to reflect minimum retirement age 52
Service Requirement	Police: 100% at 5 Years of Service for statutory minimum benefits 100% at 10 Years of Service with City (20 years in law enforcement) Firefighters: 100% at 5 Years of Service for statutory minimum benefits 100% at 20 Years of Service with City General Employees 100% at 5 Years of Service for statutory minimum benefits 100% at 15 Years of Service with City Management 100% at 5 Years of Service for statutory minimum benefits 100% at 15 Years of Service with City

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.



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**Note 1: Budgetary Comparison Information**

**a. General Budget Policies**

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

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

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

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

**b. Budgetary Control and Accountability**

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

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

**c. Basis of Budgeting**

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

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# **Combining and Individual Fund Financial Statements & Schedules**



**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS  
AND SCHEDULES**

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## **CITY OF MANHATTAN BEACH**

**JUNE 30, 2018**

### **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.

**Measure M Fund** is a half-cent sales tax approved by Los Angeles County voters to ease traffic congestion; expand rail and rapid transit system; repave local streets, repair potholes, and synchronize signals; make public transportation more accessible for seniors, students, and the disabled; and earthquake-retrofit bridges. The City of Manhattan Beach began receiving Measure M funds in fiscal 2017-2018 and established a separate fund to capture revenue and expenditures.



***CITY OF MANHATTAN BEACH***

**JUNE 30, 2018**

**NONMAJOR FUNDS**

**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.

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## CITY OF MANHATTAN BEACH

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<b>Special Revenue Funds</b>			
	<b>Street Lighting and Landscape</b>	<b>Gas Tax</b>	<b>Asset Forfeiture</b>	<b>Public Safety Grants</b>
<b>Assets:</b>				
Pooled cash and investments	\$ 84,586	\$ 2,917,785	\$ 506,121	\$ 219,818
Receivables:				
Accounts	6,355	-	-	-
Prepaid costs	-	-	-	-
Due from other governments	-	215,873	8,714	-
<b>Total Assets</b>	<b>\$ 90,941</b>	<b>\$ 3,133,658</b>	<b>\$ 514,835</b>	<b>\$ 219,818</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 90,941	\$ 53,365	\$ 4,112	\$ -
Accrued payables	-	151,510	-	-
Deposits payable	-	-	-	-
<b>Total Liabilities</b>	<b>90,941</b>	<b>204,875</b>	<b>4,112</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	93,956	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>93,956</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Public safety	-	-	510,723	219,818
Public works	-	-	-	-
Capital Projects	-	2,834,827	-	-
<b>Total Fund Balances</b>	<b>-</b>	<b>2,834,827</b>	<b>510,723</b>	<b>219,818</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 90,941</b>	<b>\$ 3,133,658</b>	<b>\$ 514,835</b>	<b>\$ 219,818</b>

## CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018

(CONTINUED)

	Special Revenue Funds			
	Federal and State Grants	Proposition A	Proposition C	AB 2766
<b>Assets:</b>				
Pooled cash and investments	\$ -	\$ 9,416	\$ 4,316,078	\$ 140,395
Receivables:				
Accounts	-	18,980	-	-
Prepaid costs	-	2,432	-	-
Due from other governments	-	-	754,854	11,684
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 30,828</b>	<b>\$ 5,070,932</b>	<b>\$ 152,079</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 22,378	\$ 24,490	\$ -
Accrued payables	-	8,450	-	-
Deposits payable	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>30,828</b>	<b>24,490</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	-	754,854	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>754,854</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Public safety	-	-	-	-
Public works	-	-	-	152,079
Capital Projects	-	-	4,291,588	-
<b>Total Fund Balances</b>	<b>-</b>	<b>-</b>	<b>4,291,588</b>	<b>152,079</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ -</b>	<b>\$ 30,828</b>	<b>\$ 5,070,932</b>	<b>\$ 152,079</b>

## CITY OF MANHATTAN BEACH

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<b>Special Revenue Fund</b>		<b>Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Measure R</b>	<b>Measure M</b>	<b>Underground Assessment District</b>	
<b>Assets:</b>				
Pooled cash and investments	\$ 1,337,396	\$ 370,688	\$ 197,789	\$ 10,100,072
Receivables:				
Accounts	-	-	-	25,335
Prepaid costs	-	-	-	2,432
Due from other governments	-	-	-	991,125
<b>Total Assets</b>	<b>\$ 1,337,396</b>	<b>\$ 370,688</b>	<b>\$ 197,789</b>	<b>\$ 11,118,964</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,820	\$ -	\$ -	\$ 197,106
Accrued payables	13,646	-	-	173,606
Deposits payable	-	-	1,741	1,741
<b>Total Liabilities</b>	<b>15,466</b>	<b>-</b>	<b>1,741</b>	<b>372,453</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	-	-	848,810
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>848,810</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Public safety	-	-	-	730,541
Public works	-	-	196,048	348,127
Capital Projects	1,321,930	370,688	-	8,819,033
<b>Total Fund Balances</b>	<b>1,321,930</b>	<b>370,688</b>	<b>196,048</b>	<b>9,897,701</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,337,396</b>	<b>\$ 370,688</b>	<b>\$ 197,789</b>	<b>\$ 11,118,964</b>

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## CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

	Special Revenue Funds			
	Street Lighting and Landscape	Gas Tax	Asset Forfeiture	Public Safety Grants
<b>Revenues:</b>				
Taxes	\$ 375,474	\$ -	\$ -	\$ -
Intergovernmental	-	1,013,566	34,841	139,416
Charges for services	18,429	-	-	-
Use of money and property	84	20,927	3,741	1,009
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>393,987</b>	<b>1,034,493</b>	<b>38,582</b>	<b>140,425</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	197,461	46,403
Culture and recreation	-	-	-	-
Public works	592,922	98,655	-	-
Capital outlay				
Public safety	-	-	-	13,963
Public works	-	1,855,140	-	-
<b>Total Expenditures</b>	<b>592,922</b>	<b>1,953,795</b>	<b>197,461</b>	<b>60,366</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(198,935)	(919,302)	(158,879)	80,059
<b>Other Financing Sources (Uses):</b>				
Transfers in	198,935	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>198,935</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	-	(919,302)	(158,879)	80,059
<b>Fund Balances:</b>				
Beginning of Year, as originally reported	-	3,754,129	669,602	139,759
Restatements	-	-	-	-
Beginning of Year, as restated	-	3,754,129	669,602	139,759
Net Change in Fund Balances	-	(919,302)	(158,879)	80,059
<b>End of Year</b>	<b>\$ -</b>	<b>\$ 2,834,827</b>	<b>\$ 510,723</b>	<b>\$ 219,818</b>

## CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

(CONTINUED)

	Special Revenue Funds			
	Federal and State Grants	Proposition A	Proposition C	AB 2766
<b>Revenues:</b>				
Taxes	\$ -	\$ 658,404	\$ 545,025	\$ -
Intergovernmental	-	-	22,840	45,413
Charges for services	-	7,583	-	-
Use of money and property	-	18	25,808	593
Miscellaneous	-	17,976	-	-
<b>Total Revenues</b>	<b>-</b>	<b>683,981</b>	<b>593,673</b>	<b>46,006</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	878,114	-	-
Public works	-	-	568,199	20,089
Capital outlay				
Public safety	-	-	-	-
Public works	-	-	163,729	-
<b>Total Expenditures</b>	<b>-</b>	<b>878,114</b>	<b>731,928</b>	<b>20,089</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(194,133)	(138,255)	25,917
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	194,133	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>194,133</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	-	-	(138,255)	25,917
<b>Fund Balances:</b>				
Beginning of Year, as originally reported	(22,488)	-	4,429,843	126,162
Restatements	22,488	-	-	-
Beginning of Year, as restated	-	-	4,429,843	126,162
Net Change in Fund Balances	-	-	(138,255)	25,917
<b>End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,291,588</b>	<b>\$ 152,079</b>



## CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

	Special Revenue Fund		Capital Projects Fund	Total Nonmajor Governmental Funds
	Measure R	Measure M	Underground Assessment District	
<b>Revenues:</b>				
Taxes	\$ 409,045	\$ 370,688	\$ -	\$ 2,358,636
Intergovernmental	-	-	-	1,256,076
Charges for services	-	-	-	26,012
Use of money and property	9,942	-	5,243	67,365
Miscellaneous	-	-	-	17,976
<b>Total Revenues</b>	<b>418,987</b>	<b>370,688</b>	<b>5,243</b>	<b>3,726,065</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	243,864
Culture and recreation	-	-	-	878,114
Public works	8,086	-	403,265	1,691,216
Capital outlay				
Public safety	-	-	-	13,963
Public works	510,376	-	-	2,529,245
<b>Total Expenditures</b>	<b>518,462</b>	<b>-</b>	<b>403,265</b>	<b>5,356,402</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(99,475)	370,688	(398,022)	(1,630,337)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	393,068
Transfers out	(194,133)	-	-	(194,133)
<b>Total Other Financing Sources (Uses)</b>	<b>(194,133)</b>	<b>-</b>	<b>-</b>	<b>198,935</b>
Net Change in Fund Balances	(293,608)	370,688	(398,022)	(1,431,402)
<b>Fund Balances:</b>				
Beginning of Year, as originally reported	1,615,538	-	594,070	11,306,615
Restatements	-	-	-	22,488
Beginning of Year, as restated	1,615,538	-	594,070	11,329,103
Net Change in Fund Balances	(293,608)	370,688	(398,022)	(1,431,402)
<b>End of Year</b>	<b>\$ 1,321,930</b>	<b>\$ 370,688</b>	<b>\$ 196,048</b>	<b>\$ 9,897,701</b>

## CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE**  
**STREET LIGHTING AND LANDSCAPE**  
**YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Taxes	377,883	377,883	375,474	(2,409)
Charges for services	18,007	18,007	18,429	422
Use of money and property	-	-	84	84
Transfers in	223,904	223,904	198,935	(24,969)
<b>Amounts Available for Appropriations</b>	<b>619,794</b>	<b>619,794</b>	<b>592,922</b>	<b>(26,872)</b>
<b>Charges to Appropriations (Outflow):</b>				
Current:				
Public works	619,794	623,419	592,922	30,497
<b>Total Charges to Appropriations</b>	<b>619,794</b>	<b>623,419</b>	<b>592,922</b>	<b>30,497</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ (3,625)</b>	<b>\$ -</b>	<b>\$ 3,625</b>

## CITY OF MANHATTAN BEACH

## BUDGETARY COMPARISON SCHEDULE

## GAS TAX

YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 3,754,129	\$ 3,754,129	\$ 3,754,129	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	1,013,087	2,916,034	1,013,566	(1,902,468)
Use of money and property	23,900	23,900	20,927	(2,973)
<b>Amounts Available for Appropriations</b>	<b>4,791,116</b>	<b>6,694,063</b>	<b>4,788,622</b>	<b>(1,905,441)</b>
<b>Charges to Appropriations (Outflow):</b>				
Current:				
Public works	32,060	32,060	98,655	(66,595)
Capital outlay:				
Public works	500,000	6,560,996	1,855,140	4,705,856
<b>Total Charges to Appropriations</b>	<b>532,060</b>	<b>6,593,056</b>	<b>1,953,795</b>	<b>4,639,261</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 4,259,056</b>	<b>\$ 101,007</b>	<b>\$ 2,834,827</b>	<b>\$ 2,733,820</b>

## CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE**  
**ASSET FORFEITURE**  
**YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ 669,602	\$ 669,602	\$ 669,602	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	-	34,841	34,841
Use of money and property	8,300	8,300	3,741	(4,559)
Capital leases	700,000	700,000	-	(700,000)
<b>Amounts Available for Appropriations</b>	<b>1,377,902</b>	<b>1,377,902</b>	<b>708,184</b>	<b>(669,718)</b>
<b>Charges to Appropriations (Outflow):</b>				
Current:				
Public safety	341,113	409,308	197,461	211,847
Capital outlay:				
Public safety	700,000	700,000	-	700,000
<b>Total Charges to Appropriations</b>	<b>1,041,113</b>	<b>1,109,308</b>	<b>197,461</b>	<b>911,847</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 336,789</b>	<b>\$ 268,594</b>	<b>\$ 510,723</b>	<b>\$ 242,129</b>

## CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE**  
**PUBLIC SAFETY GRANTS**  
**YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ 139,759	\$ 139,759	\$ 139,759	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	100,000	100,000	139,416	39,416
Use of money and property	1,400	1,400	1,009	(391)
<b>Amounts Available for Appropriations</b>	<b>241,159</b>	<b>241,159</b>	<b>280,184</b>	<b>39,025</b>
<b>Charges to Appropriations (Outflow):</b>				
Current:				
Public safety	105,000	123,382	46,403	76,979
Capital outlay:				
Public safety	-	-	13,963	(13,963)
<b>Total Charges to Appropriations</b>	<b>105,000</b>	<b>123,382</b>	<b>60,366</b>	<b>63,016</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 136,159</b>	<b>\$ 117,777</b>	<b>\$ 219,818</b>	<b>\$ 102,041</b>

## CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE**  
**PROPOSITION A**  
**YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Taxes	654,839	654,839	658,404	3,565
Charges for services	7,500	7,500	7,583	83
Use of money and property	-	-	18	18
Miscellaneous	17,500	17,500	17,976	476
Transfers in	216,202	216,202	194,133	(22,069)
<b>Amounts Available for Appropriations</b>	<b>896,041</b>	<b>896,041</b>	<b>878,114</b>	<b>(17,927)</b>
<b>Charges to Appropriations (Outflow):</b>				
Current:				
Culture and recreation	896,042	896,042	878,114	17,928
<b>Total Charges to Appropriations</b>	<b>896,042</b>	<b>896,042</b>	<b>878,114</b>	<b>17,928</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (1)</b>	<b>\$ (1)</b>	<b>\$ -</b>	<b>\$ 1</b>

## CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE  
 PROPOSITION C  
 YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 4,429,843	\$ 4,429,843	\$ 4,429,843	\$ -
<b>Resources (Inflows):</b>				
Taxes	543,172	543,172	545,025	1,853
Intergovernmental	810,000	17,703,325	22,840	(17,680,485)
Use of money and property	40,000	40,000	25,808	(14,192)
<b>Amounts Available for Appropriations</b>	<b>5,823,015</b>	<b>22,716,340</b>	<b>5,023,516</b>	<b>(17,692,824)</b>
<b>Charges to Appropriations (Outflow):</b>				
Current:				
Public works	69,183	69,183	568,199	(499,016)
Capital outlay:				
Public works	1,300,000	21,712,953	163,729	21,549,224
<b>Total Charges to Appropriations</b>	<b>1,369,183</b>	<b>21,782,136</b>	<b>731,928</b>	<b>21,050,208</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 4,453,832</b>	<b>\$ 934,204</b>	<b>\$ 4,291,588</b>	<b>\$ 3,357,384</b>

## CITY OF MANHATTAN BEACH

## BUDGETARY COMPARISON SCHEDULE

AB 2766

YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 126,162	\$ 126,162	\$ 126,162	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	48,612	48,612	45,413	(3,199)
Use of money and property	1,800	1,800	593	(1,207)
<b>Amounts Available for Appropriations</b>	<b>176,574</b>	<b>176,574</b>	<b>172,168</b>	<b>(4,406)</b>
<b>Charges to Appropriations (Outflow):</b>				
Current:				
Public works	11,300	117,268	20,089	97,179
<b>Total Charges to Appropriations</b>	<b>11,300</b>	<b>117,268</b>	<b>20,089</b>	<b>97,179</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 165,274</b>	<b>\$ 59,306</b>	<b>\$ 152,079</b>	<b>\$ 92,773</b>



## CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE**  
**MEASURE R**  
**YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ 1,615,538	\$ 1,615,538	\$ 1,615,538	\$ -
<b>Resources (Inflows):</b>				
Taxes	407,387	407,387	409,045	1,658
Use of money and property	13,500	13,500	9,942	(3,558)
<b>Amounts Available for Appropriations</b>	<b>2,036,425</b>	<b>2,036,425</b>	<b>2,034,525</b>	<b>(1,900)</b>
<b>Charges to Appropriations (Outflow):</b>				
Current:				
Public works	25,311	25,311	8,086	17,225
Capital outlay:				
Public works	250,000	1,719,268	510,376	1,208,892
Transfers out	216,202	216,202	194,133	22,069
<b>Total Charges to Appropriations</b>	<b>491,513</b>	<b>1,960,781</b>	<b>712,595</b>	<b>1,248,186</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,544,912</b>	<b>\$ 75,644</b>	<b>\$ 1,321,930</b>	<b>\$ 1,246,286</b>

## CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 MEASURE M  
 YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Taxes	415,899	415,899	370,688	(45,211)
<b>Amounts Available for Appropriations</b>	<b>415,899</b>	<b>415,899</b>	<b>370,688</b>	<b>(45,211)</b>
<b>Charges to Appropriation (Outflow):</b>				
Current:				
Public works	42,185	42,185	-	42,185
Capital outlay:				
Public works	200,000	200,000	-	200,000
<b>Total Charges to Appropriations</b>	<b>242,185</b>	<b>242,185</b>	<b>-</b>	<b>242,185</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 173,714</b>	<b>\$ 173,714</b>	<b>\$ 370,688</b>	<b>\$ 196,974</b>

## CITY OF MANHATTAN BEACH

**BUDGETARY COMPARISON SCHEDULE  
 CAPITAL IMPROVEMENT  
 YEAR ENDED JUNE 30, 2018**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary Fund Balance, July 1	\$ 7,961,065	\$ 7,961,065	\$ 7,961,065	\$ -
<b>Resources (Inflows):</b>				
Taxes	760,000	760,000	664,396	(95,604)
Licenses and permits	21,804	21,804	18,170	(3,634)
Intergovernmental	100,000	3,285,229	1,964,146	(1,321,083)
Charges for services	712,000	712,000	636,154	(75,846)
Use of money and property	-	-	1,985	1,985
Fines and forfeitures	133,000	133,000	98,664	(34,336)
Miscellaneous	-	699,999	700,358	359
<b>Amounts Available for Appropriations</b>	<b>9,687,869</b>	<b>13,573,097</b>	<b>12,044,938</b>	<b>(1,528,159)</b>
<b>Charges to Appropriations (Outflow):</b>				
Current:				
General government	-	-	22	(22)
Public works	168,738	168,738	376,607	(207,869)
Capital outlay:				
General government	-	38,723	-	38,723
Public safety	-	881,238	-	881,238
Culture and recreation	-	419,891	116,147	303,744
Public works	2,715,000	10,540,371	214,302	10,326,069
Debt service:				
Principal retirement	480,000	480,000	480,000	-
Interest and fiscal charges	285,162	285,162	285,162	-
Fees	2,200	2,200	3,210	(1,010)
<b>Total Charges to Appropriations</b>	<b>3,651,100</b>	<b>12,816,323</b>	<b>1,475,450</b>	<b>11,340,873</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 6,036,769</b>	<b>\$ 756,774</b>	<b>\$ 10,569,488</b>	<b>\$ 9,812,714</b>

## CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 UNDERGROUND ASSESSMENT DISTRICT  
 YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 594,070	\$ 594,070	\$ 594,070	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	1,800	1,800	5,243	3,443
<b>Amounts Available for Appropriations</b>	<b>595,870</b>	<b>595,870</b>	<b>599,313</b>	<b>3,443</b>
<b>Charges to Appropriation (Outflow):</b>				
Current:				
Public works	-	-	403,265	(403,265)
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>-</b>	<b>403,265</b>	<b>(403,265)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 595,870</b>	<b>\$ 595,870</b>	<b>\$ 196,048</b>	<b>\$ (399,822)</b>

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**CITY OF MANHATTAN BEACH**

**JUNE 30, 2018**

**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.

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

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

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

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

## CITY OF MANHATTAN BEACH

**COMBINING STATEMENT OF NET POSITION  
NON-MAJOR ENTERPRISE FUNDS  
JUNE 30, 2018**

	<b>Business-Type Activities - Enterprise Funds</b>				
	<b>Stormwater</b>	<b>Refuse</b>	<b>County Parking Lot</b>	<b>State Pier and Parking Lot</b>	<b>Totals</b>
<b>Assets:</b>					
Current:					
Cash and investments	\$ 1,615,309	\$ 891,494	\$ 366,673	\$ 1,358,396	\$ 4,231,872
Receivables:					
Accounts	6,617	315,331	-	-	321,948
Total Current Assets	1,621,926	1,206,825	366,673	1,358,396	4,553,820
Noncurrent:					
Net OPEB Asset	13,642	17,052	5,457	5,457	41,608
Capital assets - net of accumulated depreciation	4,240,506	-	-	-	4,240,506
Total Noncurrent Assets	4,254,148	17,052	5,457	5,457	4,282,114
<b>Total Assets</b>	<b>5,876,074</b>	<b>1,223,877</b>	<b>372,130</b>	<b>1,363,853</b>	<b>8,835,934</b>
<b>Deferred Outflows of Resources:</b>					
Deferred pension related items	34,266	46,184	8,598	8,598	97,646
<b>Total Deferred Outflows     of Resources</b>	<b>34,266</b>	<b>46,184</b>	<b>8,598</b>	<b>8,598</b>	<b>97,646</b>
<b>Liabilities:</b>					
Current:					
Accounts payable	130,288	324,186	349,232	453,353	1,257,059
Accrued payables	44,886	-	-	34,246	79,132
Deposits payable	590,220	-	-	193,835	784,055
Total Current Liabilities	765,394	324,186	349,232	681,434	2,120,246
Noncurrent:					
Net pension liability	102,048	165,426	26,038	26,038	319,550
Total Noncurrent Liabilities	102,048	165,426	26,038	26,038	319,550
<b>Total Liabilities</b>	<b>867,442</b>	<b>489,612</b>	<b>375,270</b>	<b>707,472</b>	<b>2,439,796</b>
<b>Deferred Inflows of Resources:</b>					
Deferred pension related items	11,596	16,390	-	-	27,986
<b>Total Deferred Inflows     of Resources</b>	<b>11,596</b>	<b>16,390</b>	<b>-</b>	<b>-</b>	<b>27,986</b>
<b>Net Position:</b>					
Net investment in capital assets	4,240,506	-	-	-	4,240,506
Unrestricted	790,796	764,059	5,458	664,979	2,225,292
<b>Total Net Position</b>	<b>\$ 5,031,302</b>	<b>\$ 764,059</b>	<b>\$ 5,458</b>	<b>\$ 664,979</b>	<b>\$ 6,465,798</b>

## CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
NON-MAJOR ENTERPRISE FUNDS  
YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds				Totals
	Stormwater	Refuse	County Parking Lot	State Pier and Parking Lot	
<b>Operating Revenues:</b>					
Sales and service charges	\$ 349,888	\$ 4,305,162	\$ 801,824	\$ 537,224	\$ 5,994,098
Miscellaneous	-	1,795	-	311,151	312,946
<b>Total Operating Revenues</b>	<b>349,888</b>	<b>4,306,957</b>	<b>801,824</b>	<b>848,375</b>	<b>6,307,044</b>
<b>Operating Expenses:</b>					
Salaries	30,118	113,591	23,992	23,992	191,693
Employee benefits	17,082	38,340	10,787	10,785	76,994
Contract and professional services	727,440	3,777,091	34,439	194,088	4,733,058
Materials and services	542,318	103,115	5,427	1,217,549	1,868,409
Utilities	27,349	405	4,768	32,061	64,583
Administrative service charges	161,196	191,148	34,547	90,864	477,755
Leases and rents	-	-	441,003	-	441,003
Depreciation expense	152,383	-	-	-	152,383
<b>Total Operating Expenses</b>	<b>1,657,886</b>	<b>4,223,690</b>	<b>554,963</b>	<b>1,569,339</b>	<b>8,005,878</b>
Operating Income (Loss)	(1,307,998)	83,267	246,861	(720,964)	(1,698,834)
<b>Nonoperating Revenues (Expenses):</b>					
Interest revenue	5,524	4,321	-	8,769	18,614
Grant revenue	-	18,816	-	-	18,816
<b>Total Nonoperating Revenues (Expenses)</b>	<b>5,524</b>	<b>23,137</b>	<b>-</b>	<b>8,769</b>	<b>37,430</b>
Income (Loss) Before Transfers and Contributions	(1,302,474)	106,404	246,861	(712,195)	(1,661,404)
Transfers in	982,355	-	-	-	982,355
Transfers out	-	-	(246,618)	-	(246,618)
Changes in Net Position	(320,119)	106,404	243	(712,195)	(925,667)
<b>Net Position:</b>					
Beginning of Year, as originally reported	5,620,847	645,916	-	1,371,958	7,638,721
Restatements	(269,426)	11,739	5,215	5,216	(247,256)
Beginning of Fiscal Year, as restated	5,351,421	657,655	5,215	1,377,174	7,391,465
Changes in Net Position	(320,119)	106,404	243	(712,195)	(925,667)
<b>End of Fiscal Year</b>	<b>\$ 5,031,302</b>	<b>\$ 764,059</b>	<b>\$ 5,458</b>	<b>\$ 664,979</b>	<b>\$ 6,465,798</b>



## CITY OF MANHATTAN BEACH

**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**YEAR ENDED JUNE 30, 2018**

	<b>Business-Type Activities - Enterprise Funds</b>				
	<b>Stormwater</b>	<b>Refuse</b>	<b>County Parking Lot</b>	<b>State Pier and Parking Lot</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers and users	\$ 488,095	\$ 4,281,232	\$ 801,824	\$ 553,071	\$ 6,124,222
Cash paid to suppliers for goods and services	(1,701,211)	(4,065,277)	(472,919)	(1,319,568)	(7,558,975)
Cash paid to employees for services	(10,048)	(147,804)	(32,825)	(8,287)	(198,964)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(1,223,164)</b>	<b>68,151</b>	<b>296,080</b>	<b>(774,784)</b>	<b>(1,633,717)</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Cash transfers out	-	-	(246,618)	-	(246,618)
Cash transfers in	982,355	-	-	-	982,355
Grant Subsidy	-	18,816	-	-	18,816
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>982,355</b>	<b>18,816</b>	<b>(246,618)</b>	<b>-</b>	<b>754,553</b>
<b>Cash Flows from Investing Activities:</b>					
Interest received	5,524	4,321	-	8,769	18,614
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>5,524</b>	<b>4,321</b>	<b>-</b>	<b>8,769</b>	<b>18,614</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(235,285)</b>	<b>91,288</b>	<b>49,462</b>	<b>(766,015)</b>	<b>(860,550)</b>
Cash and Cash Equivalents at Beginning of Year	1,850,594	800,206	317,211	2,124,411	5,092,422
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,615,309</b>	<b>\$ 891,494</b>	<b>\$ 366,673</b>	<b>\$ 1,358,396</b>	<b>\$ 4,231,872</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>					
Operating income (loss)	\$(1,307,998)	\$ 83,267	\$ 246,861	\$ (720,964)	\$(1,698,834)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>					
Net position restatement for Net OPEB Asset	13,038	11,739	5,215	5,216	35,208
Depreciation	152,383	-	-	-	152,383
(Increase) decrease in accounts receivable	899	(25,725)	-	958	(23,868)
(Increase) decrease in net OPEB asset	(13,642)	(17,052)	(5,457)	(5,457)	(41,608)
Increase (decrease) in accounts payable	(242,908)	6,482	47,265	214,994	25,833
Increase (decrease) in accrued payables	33,697	-	-	24,533	58,230
Increase (decrease) in deposits payable	137,308	-	-	(296,262)	(158,954)
Increase (decrease) in net pension liability	5,414	12,593	2,930	2,931	23,868
Increase (decrease) in deferred pension related items	(1,355)	(3,153)	(734)	(733)	(5,975)
<b>Total Adjustments</b>	<b>84,834</b>	<b>(15,116)</b>	<b>49,219</b>	<b>(53,820)</b>	<b>65,117</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$(1,223,164)</b>	<b>\$ 68,151</b>	<b>\$ 296,080</b>	<b>\$ (774,784)</b>	<b>\$(1,633,717)</b>

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

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

**CITY OF MANHATTAN BEACH**

**JUNE 30, 2018**

**INTERNAL SERVICE FUNDS**

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

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

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

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

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

## CITY OF MANHATTAN BEACH

**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2018**

	<b>Governmental Activities - Internal Service Funds</b>				
	<b>Insurance Reserve</b>	<b>Information Systems</b>	<b>Fleet Management</b>	<b>Building Maintenance and Operations</b>	<b>Totals</b>
<b>Assets:</b>					
Current:					
Cash and investments	\$ 14,319,264	\$ 759,198	\$ 3,388,034	\$ 80,027	\$ 18,546,523
Prepaid costs	861	15,724	-	-	16,585
Inventories	-	-	-	84,436	84,436
Total Current Assets	14,320,125	774,922	3,388,034	164,463	18,647,544
Noncurrent:					
Net OPEB Asset	42,205	84,411	27,283	68,209	222,108
Capital assets - net of accumulated depreciation	-	-	4,702,887	-	4,702,887
Total Noncurrent Assets	42,205	84,411	4,730,170	68,209	4,924,995
<b>Total Assets</b>	<b>14,362,330</b>	<b>859,333</b>	<b>8,118,204</b>	<b>232,672</b>	<b>23,572,539</b>
<b>Deferred Outflows of Resources:</b>					
Deferred pension related items	136,508	308,923	111,676	146,681	703,788
<b>Total Deferred Outflows of Resources</b>	<b>136,508</b>	<b>308,923</b>	<b>111,676</b>	<b>146,681</b>	<b>703,788</b>
<b>Liabilities:</b>					
Current:					
Accounts payable	5,397	90,551	58,696	81,408	236,052
Accrued liabilities	825	-	-	2,646	3,471
Workers' compensation claims	9,103,614	-	-	-	9,103,614
Accrued claims and judgments	1,448,292	-	-	-	1,448,292
Total Current Liabilities	10,558,128	90,551	58,696	84,054	10,791,429
Noncurrent:					
Net pension liability	362,872	976,767	383,241	538,793	2,261,673
Workers' compensation claims	5,874,677	-	-	-	5,874,677
Accrued claims and judgments	692,343	-	-	-	692,343
Total Noncurrent Liabilities	6,929,892	976,767	383,241	538,793	8,828,693
<b>Total Liabilities</b>	<b>17,488,020</b>	<b>1,067,318</b>	<b>441,937</b>	<b>622,847</b>	<b>19,620,122</b>
<b>Deferred Inflows of Resources:</b>					
Deferred pension related items	-	48,331	43,332	51,886	143,549
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>48,331</b>	<b>43,332</b>	<b>51,886</b>	<b>143,549</b>
<b>Net Position:</b>					
Net investment in capital assets	-	-	4,702,887	-	4,702,887
Unrestricted	(2,989,182)	52,607	3,041,724	(295,380)	(190,231)
<b>Total Net Position</b>	<b>\$ (2,989,182)</b>	<b>\$ 52,607</b>	<b>\$ 7,744,611</b>	<b>\$ (295,380)</b>	<b>\$ 4,512,656</b>

## CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Funds				
	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	Totals
<b>Operating Revenues:</b>					
Interdepartmental service charges	\$ 7,072,860	\$ 2,283,324	\$ 2,002,621	\$ 1,631,174	\$ 12,989,979
Miscellaneous	19,949	-	23,738	-	43,687
<b>Total Operating Revenues</b>	<b>7,092,809</b>	<b>2,283,324</b>	<b>2,026,359</b>	<b>1,631,174</b>	<b>13,033,666</b>
<b>Operating Expenses:</b>					
Salaries	373,194	858,076	167,575	397,290	1,796,135
Employee benefits	154,854	300,142	144,996	149,452	749,444
Contract for professional services	158,324	473,617	222,909	601,210	1,456,060
Materials and services	214,009	635,579	449,077	384,264	1,682,929
Utilities	7,524	2,351	-	132,022	141,897
Claims expense	8,079,726	-	-	-	8,079,726
Depreciation expense	-	-	991,490	-	991,490
<b>Total Operating Expenses</b>	<b>8,987,631</b>	<b>2,269,765</b>	<b>1,976,047</b>	<b>1,664,238</b>	<b>14,897,681</b>
Operating Income (Loss)	(1,894,822)	13,559	50,312	(33,064)	(1,864,015)
<b>Nonoperating Revenues (Expenses):</b>					
Interest expense	-	-	(1,095)	-	(1,095)
Gain (loss) on disposal of capital assets	-	-	(31,146)	-	(31,146)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>(32,241)</b>	<b>-</b>	<b>(32,241)</b>
Income (Loss) Before Transfers	(1,894,822)	13,559	18,071	(33,064)	(1,896,256)
Transfers in	667,000	-	-	-	667,000
Changes in Net Position	(1,227,822)	13,559	18,071	(33,064)	(1,229,256)
<b>Net Position:</b>					
Beginning of Year, as originally reported	(1,801,739)	(41,709)	7,700,464	(327,504)	5,529,512
Restatements	40,379	80,757	26,076	65,188	212,400
Beginning of Fiscal Year, as restated	(1,761,360)	39,048	7,726,540	(262,316)	5,741,912
Changes in Net Position	(1,227,822)	13,559	18,071	(33,064)	(1,229,256)
<b>End of Fiscal Year</b>	<b>\$ (2,989,182)</b>	<b>\$ 52,607</b>	<b>\$ 7,744,611</b>	<b>\$ (295,380)</b>	<b>\$ 4,512,656</b>

## CITY OF MANHATTAN BEACH

**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2018**

	<b>Governmental Activities - Internal Service Funds</b>				
	<b>Insurance Reserve</b>	<b>Information Systems</b>	<b>Fleet Management</b>	<b>Building Maintenance and Operations</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers and users	\$ 19,952	\$ -	\$ 23,738	\$ -	\$ 43,690
Cash received from/(paid to) interfund service provided	7,072,860	2,283,324	2,002,621	1,631,174	12,989,979
Cash paid to suppliers for goods and services	(5,250,178)	(1,122,634)	(803,082)	(1,103,292)	(8,279,186)
Cash paid to employees for services	(496,498)	(1,092,882)	(292,216)	(513,409)	(2,395,005)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>1,346,136</b>	<b>67,808</b>	<b>931,061</b>	<b>14,473</b>	<b>2,359,478</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Cash transfers in	667,000	-	-	-	667,000
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>667,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>667,000</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets	-	-	(497,249)	-	(497,249)
Interest paid on capital debt	-	-	(1,095)	-	(1,095)
Proceeds from sales of capital assets	-	-	22,111	-	22,111
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>(476,233)</b>	<b>-</b>	<b>(476,233)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>2,013,136</b>	<b>67,808</b>	<b>454,828</b>	<b>14,473</b>	<b>2,550,245</b>
Cash and Cash Equivalents at Beginning of Year	12,306,128	691,390	2,933,206	65,554	15,996,278
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 14,319,264</b>	<b>\$ 759,198</b>	<b>\$ 3,388,034</b>	<b>\$ 80,027</b>	<b>\$ 18,546,523</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>					
Operating income (loss)	\$ (1,894,822)	\$ 13,559	\$ 50,312	\$ (33,064)	\$ (1,864,015)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>					
Net position restatement for Net OPEB Asset	40,379	80,757	26,076	65,188	212,400
Depreciation	-	-	991,490	-	991,490
(Increase) decrease in accounts receivable	3	-	-	-	3
(Increase) decrease in prepaid expense	173	4,391	-	570	5,134
(Increase) decrease in Net OPEB Asset	(42,205)	(84,411)	(27,283)	(68,209)	(222,108)
(Increase) decrease in inventory	-	-	-	(1,650)	(1,650)
Increase (decrease) in accounts payable	(45,073)	(15,478)	16,410	15,284	(28,857)
Increase (decrease) in accrued payables	825	-	-	2,646	3,471
Increase (decrease) in net pension liability	43,424	92,034	28,765	44,968	209,191
Increase (decrease) in deferred pension related items	(10,873)	(23,044)	(154,709)	(11,260)	(199,886)
Increase (decrease) in workers' compensation claims	2,102,511	-	-	-	2,102,511
Increase (decrease) in claims and judgments	1,151,794	-	-	-	1,151,794
<b>Total Adjustments</b>	<b>3,240,958</b>	<b>54,249</b>	<b>880,749</b>	<b>47,537</b>	<b>4,223,493</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 1,346,136</b>	<b>\$ 67,808</b>	<b>\$ 931,061</b>	<b>\$ 14,473</b>	<b>\$ 2,359,478</b>

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

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

***CITY OF MANHATTAN BEACH***

**JUNE 30, 2018**

**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(k) plan deposits, utility development deposits, art development fees and other miscellaneous deposits.

## CITY OF MANHATTAN BEACH

**COMBINING BALANCE SHEET**  
**ALL AGENCY FUNDS**  
**JUNE 30, 2018**

	Special Assessment Redemption	Special Deposits	Totals
<b>Assets:</b>			
Pooled cash and investments	\$ 337,070	\$ 1,414,887	\$ 1,751,957
Receivables:			
Accounts	27,447	-	27,447
Restricted assets:			
Cash and investments with fiscal agents	529,649	-	529,649
<b>Total Assets</b>	<b>\$ 894,166</b>	<b>\$ 1,414,887</b>	<b>\$ 2,309,053</b>
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 3	\$ 3
Art development fees	-	1,392,959	1,392,959
Deposits payable	-	21,925	21,925
Due to bond holders	894,166	-	894,166
<b>Total Liabilities</b>	<b>\$ 894,166</b>	<b>\$ 1,414,887</b>	<b>\$ 2,309,053</b>

## CITY OF MANHATTAN BEACH

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2018**

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
<b><u>Special Assessment Redemption</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 876,610	\$ 1,092,030	\$ 1,631,570	\$ 337,070
Receivables:				
Accounts	23,326	27,447	23,326	27,447
Restricted assets:				
Cash and investments with fiscal agents	969,189	6,667,405	7,106,945	529,649
<b>Total Assets</b>	<b>\$ 1,869,125</b>	<b>\$ 7,786,882</b>	<b>\$ 8,761,841</b>	<b>\$ 894,166</b>
<b>Liabilities:</b>				
Due to bondholders	\$ 1,869,125	\$ 7,786,882	\$ 8,761,841	\$ 894,166
<b>Total Liabilities</b>	<b>\$ 1,869,125</b>	<b>\$ 7,786,882</b>	<b>\$ 8,761,841</b>	<b>\$ 894,166</b>
<b><u>Special Deposits</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 697,136	\$ 8,473,466	\$ 7,755,715	\$ 1,414,887
<b>Total Assets</b>	<b>\$ 697,136</b>	<b>\$ 8,473,466</b>	<b>\$ 7,755,715</b>	<b>\$ 1,414,887</b>
<b>Liabilities:</b>				
Accounts payable	\$ 1,500	\$ 8,690	\$ 10,187	\$ 3
Art development fees	660,008	742,156	9,205	1,392,959
Deposits payable	35,628	207,761	221,464	21,925
<b>Total Liabilities</b>	<b>\$ 697,136</b>	<b>\$ 958,607</b>	<b>\$ 240,856</b>	<b>\$ 1,414,887</b>
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 1,573,746	\$ 9,565,496	\$ 9,387,285	\$ 1,751,957
Receivables:				
Accounts	23,326	27,447	23,326	27,447
Restricted assets:				
Cash and investments with fiscal agents	969,189	6,667,405	7,106,945	529,649
<b>Total Assets</b>	<b>\$ 2,566,261</b>	<b>\$ 16,260,348</b>	<b>\$ 16,517,556</b>	<b>\$ 2,309,053</b>
<b>Liabilities:</b>				
Accounts payable	\$ 1,500	\$ 8,690	\$ 10,187	\$ 3
Art development fees	660,008	742,156	9,205	1,392,959
Deposits payable	35,628	207,761	221,464	21,925
Due to bond holders	1,869,125	7,786,882	8,761,841	894,166
<b>Total Liabilities</b>	<b>\$ 2,566,261</b>	<b>\$ 8,745,489</b>	<b>\$ 9,002,697</b>	<b>\$ 2,309,053</b>



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# **Statistical Section**



## Statistical Section (Unaudited)

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

### Contents

### Exhibits

#### **Financial Trends**

**A-2 to A-5**

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

#### **Revenue Capacity**

**A-6 to A-14**

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

#### **Debt Capacity**

**A-15 to A-18**

*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.*

#### **Demographic and Economic Information**

**A-19 to A-21**

*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.*

#### **Operating & Other Information**

**A-22 to A-25**

*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.*

**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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities					
Net Investment in capital assets	\$ 95,603,960	\$ 94,713,693	\$ 93,795,303	\$ 93,795,301	\$ 98,930,447
Restricted:					
Debt Service & Restricted Cash	2,062,149	1,960,662	1,999,346	2,062,187	1,130,434
Special Revenue Funds	6,003,666	6,651,292	7,479,933	9,122,955	9,065,922
Post-Employment Benefits	-	-	-	-	-
Total Restricted	8,065,815	8,611,954	9,479,279	11,185,142	10,196,356
Unrestricted (1,2)	27,972,613	29,916,356	31,513,669	29,224,129	31,058,162
Total governmental activities net position	<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>
Business-type activities					
Net Investment in capital assets	\$ 24,967,604	\$ 25,485,791	\$ 27,111,091	\$ 28,293,829	\$ 33,902,701
Restricted:					
Business Improvement district	598,329	508,617	517,072	523,928	520,514
Debt Service & Restricted Cash	1,213,448	1,221,763	1,208,833	1,210,125	-
Total Restricted	1,811,777	1,730,380	1,725,905	1,734,053	520,514
Unrestricted	12,660,558	12,384,155	13,385,526	17,942,198	21,754,310
Total business-type activities net position	<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>
Primary government					
Net Investment in capital assets	\$ 120,571,564	\$ 120,199,484	\$ 120,906,394	\$ 122,089,130	\$ 132,833,148
Restricted:					
Business Improvement district	598,329	508,617	517,072	523,928	520,514
Debt Service & Restricted Cash	3,275,597	3,182,425	3,208,179	3,272,312	1,130,434
Special Revenue Funds	6,003,666	6,651,292	7,479,933	9,122,955	9,065,922
Post-Employment Benefits	-	-	-	-	-
Total Restricted	9,877,592	10,342,334	3,725,251	3,796,240	1,650,948
Unrestricted	40,633,171	42,300,511	44,899,195	47,166,327	52,812,472
Total primary government net position	<u>\$ 171,082,327</u>	<u>\$ 172,842,329</u>	<u>\$ 169,530,840</u>	<u>\$ 173,051,697</u>	<u>\$ 187,296,568</u>

(1) Starting in Fiscal Year ending June 30, 2015, activities reflect pension expense in accordance with GASB 68

(2) Starting in Fiscal Year ending June 30, 2018, activities reflect OPEB pronouncements in accordance with GASB 75

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

**Exhibit A-2**

	Fiscal Year Ending				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental activities					
Net Investment in capital assets	\$ 100,924,816	\$ 101,159,813	\$ 102,028,495	\$ 103,345,895	\$ 103,659,026
Restricted:					
Debt Service & Restricted Cash	977,888	32,566	12,586	-	-
Special Revenue Funds	10,266,913	10,186,991	10,784,745	11,329,103	9,897,701
Post-Employment Benefits	-	-	-	-	763,621
Total Restricted	11,244,801	10,219,557	10,797,331	11,329,103	10,661,322
Unrestricted (1,2)	31,714,367	(17,546,716)	(15,597,553)	(16,091,037)	(14,862,095)
Total governmental activities net position	<u>\$ 143,883,984</u>	<u>\$ 93,832,654</u>	<u>\$ 97,228,273</u>	<u>\$ 98,583,961</u>	<u>\$ 99,458,253</u>
Business-type activities					
Net Investment in capital assets	\$ 34,342,910	\$ 35,610,816	\$ 40,621,092	\$ 42,329,262	\$ 43,188,261
Restricted:					
Business Improvement district	532,510	546,317	541,863	552,266	553,653
Debt Service & Restricted Cash	215,656	204,856	-	-	-
Total Restricted	748,166	751,173	541,863	552,266	553,653
Unrestricted	29,522,345	36,006,212	38,979,894	43,669,078	48,387,171
Total business-type activities net position	<u>\$ 64,613,421</u>	<u>\$ 72,368,201</u>	<u>\$ 80,142,849</u>	<u>\$ 86,550,606</u>	<u>\$ 92,129,085</u>
Primary government					
Net Investment in capital assets	\$ 135,267,726	\$ 136,770,629	\$ 142,649,587	\$ 145,675,157	\$ 146,847,287
Restricted:					
Business Improvement district	532,510	546,317	541,863	552,266	553,653
Debt Service & Restricted Cash	1,193,544	237,422	12,586	-	-
Special Revenue Funds	10,266,913	10,186,991	10,784,745	11,329,103	9,897,701
Post-Employment Benefits	-	-	-	-	763,621
Total Restricted	1,726,054	783,739	554,449	552,266	11,214,975
Unrestricted	61,236,712	18,459,496	23,382,341	27,578,041	33,525,076
Total primary government net position	<u>\$ 198,230,492</u>	<u>\$ 156,013,864</u>	<u>\$ 166,586,377</u>	<u>\$ 173,805,464</u>	<u>\$ 191,587,338</u>



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

	Fiscal Year Ending				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities (1,2)	\$ (38,338,326)	\$ (36,383,705)	\$ (37,329,002)	\$ (36,947,373)	\$ (36,817,562)
Business-type activities (1,2)	(948,109)	34,906	2,574,845	5,702,741	8,332,241
Total primary government net expense	<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>
<b>General Revenues and Other Changes</b>					
Governmental activities:					
Taxes					
Property taxes	\$ 19,930,492	\$ 20,006,558	\$ 19,791,425	\$ 20,408,314	\$ 21,626,173
Sales taxes	7,436,912	7,646,109	8,148,688	8,788,599	9,103,160
Transient occupancy tax	3,507,775	3,174,319	3,229,823	3,240,364	3,881,174
Motor vehicle in lieu tax	105,883	108,815	118,296	95,915	18,887
Business license tax	2,767,070	2,783,641	2,844,066	3,018,177	3,124,644
Franchise taxes	1,185,406	1,220,171	1,289,443	1,335,815	1,471,197
Real estate transfer taxes	325,001	356,367	473,275	521,274	587,399
Rental income	2,021,352	1,925,895	2,029,355	2,087,648	2,406,174
Investment earnings	1,385,481	476,463	696,066	603,334	226,951
Other	145,047	150,229	148,451	151,219	151,613
Transfers	110,230	134,753	106,362	99,884	200,583
Total governmental activities	<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>
Business-type activities:					
Investment earnings	439,576	260,234	153,713	144,701	56,266
Transfers	(110,230)	(134,753)	(106,362)	(99,884)	(200,583)
Other	-	-	-	-	19,521
Total business-type activities	<u>329,346</u>	<u>125,481</u>	<u>47,351</u>	<u>44,817</u>	<u>(124,796)</u>
Total primary government	<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>
<b>Change in Net Position</b>					
Governmental activities	\$ 582,323	\$ 1,599,615	\$ 1,546,248	\$ 3,403,170	\$ 5,980,393
Business-type activities	(618,763)	160,387	2,622,196	5,747,558	8,207,445
Total primary government	<u>\$ (36,440)</u>	<u>\$ 1,760,002</u>	<u>\$ 4,168,444</u>	<u>\$ 9,150,728</u>	<u>\$ 14,187,838</u>

(1) Starting in Fiscal Year ending June 30, 2015, activities reflect pension expense in accordance with GASB 68

(2) Starting in Fiscal Year ending June 30, 2018, activities reflect OPEB pronouncements in accordance with GASB 75

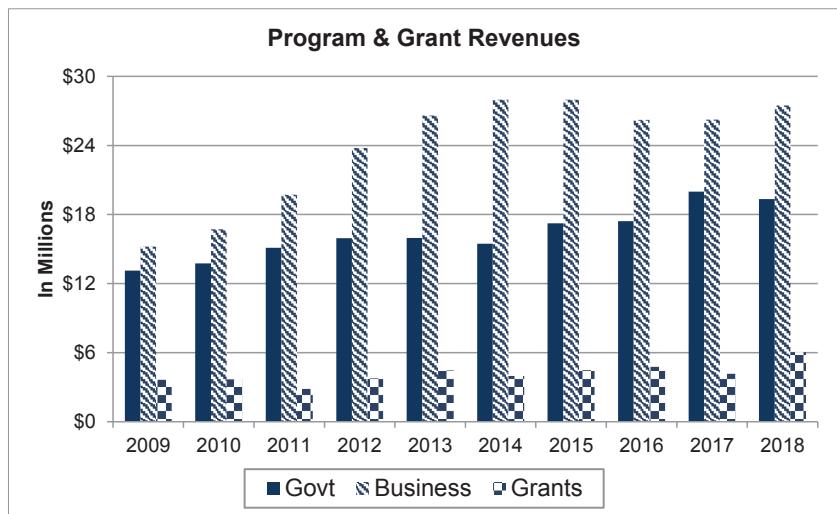
Source: City of Manhattan Beach Finance Department

Exhibit A-3  
Continued

Fiscal Year Ending				
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ (41,341,316)	\$ (44,898,091)	\$ (46,732,528)	\$ (50,261,000)	\$ (54,347,122)
9,059,751	9,228,820	6,618,665	5,293,554	4,690,850
\$ (32,281,565)	\$ (35,669,271)	\$ (40,113,863)	\$ (44,967,446)	\$ (49,656,272)
\$ 23,353,743	\$ 24,435,184	\$ 26,344,276	\$ 28,215,709	\$ 30,318,225
8,921,346	9,268,657	8,826,767	9,088,502	9,083,389
4,289,009	4,809,421	5,139,425	5,201,518	4,429,080
15,631	15,099	14,430	15,812	18,680
3,140,273	3,376,113	3,475,792	3,658,194	3,718,418
1,441,769	1,539,453	1,439,957	1,256,125	1,262,037
642,718	720,826	850,974	776,298	788,203
2,554,820	2,751,302	3,028,151	3,299,373	2,402,463
480,568	433,200	841,905	195,755	413,405
-	111,382	809,976	724,240	10,345
200,458	250,324	(643,506)	(814,838)	(735,737)
45,040,335	47,710,961	50,128,147	51,616,688	51,708,508
151,923	273,944	479,475	70,885	224,471
(200,458)	(250,324)	643,506	814,838	735,737
43,388	74,643	60,678	258,030	2,580
(5,147)	98,263	1,183,659	1,143,753	962,788
\$ 45,035,188	\$ 47,809,224	\$ 51,311,806	\$ 52,760,441	\$ 52,671,296
\$ 3,699,019	\$ 2,812,870	\$ 3,395,619	\$ 1,355,688	\$ (2,638,614)
9,054,604	9,327,083	7,802,324	6,437,307	5,653,638
\$ 12,753,623	\$ 12,139,953	\$ 11,197,943	\$ 7,792,995	\$ 3,015,024

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

	Fiscal Year				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Program Revenues</b>					
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
<b>Total governmental activities program revenues</b>	<b>16,306,044</b>	<b>17,376,014</b>	<b>17,947,115</b>	<b>19,684,296</b>	<b>19,850,580</b>
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
<b>Total business-type activities program revenues</b>	<b>15,680,170</b>	<b>16,782,156</b>	<b>19,743,471</b>	<b>23,812,615</b>	<b>27,170,617</b>
<b>Total primary government program revenues</b>	<b>\$ 31,986,214</b>	<b>\$ 34,158,170</b>	<b>\$ 37,690,586</b>	<b>\$ 43,496,911</b>	<b>\$ 47,021,197</b>



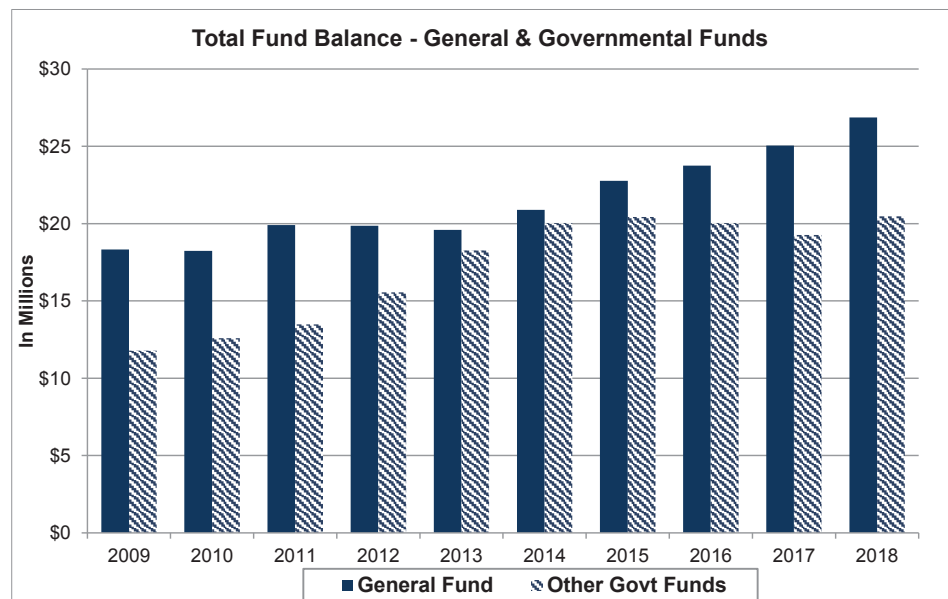
City of Manhattan Beach  
Program Revenues by Function/Program,  
Last Ten Fiscal Years  
*(accrual basis of accounting)*

Exhibit A-4

	Fiscal Year				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General Government	\$ 4,950,743	\$ 5,814,648	\$ 5,859,027	\$ 7,099,310	\$ 4,198,331
Public Safety	4,154,836	4,309,976	4,182,052	4,173,082	4,586,742
Culture and recreation	2,798,673	3,034,335	3,135,249	3,420,580	3,731,563
Public works	3,563,085	4,074,858	4,253,809	5,293,202	6,831,671
Operating grants and contributions	1,638,522	1,739,455	1,587,534	2,304,536	3,253,902
Capital grants and contributions	2,314,830	2,724,621	2,316,956	1,850,921	2,461,094
<b>Total governmental activities program revenues</b>	<b>19,420,689</b>	<b>21,697,893</b>	<b>21,334,627</b>	<b>24,141,631</b>	<b>25,063,303</b>
Business-type activities:					
Charges for services:					
Water	16,275,584	16,101,667	14,514,443	14,670,316	15,527,415
Stormwater	344,556	353,616	345,736	348,880	349,888
Wastewater	3,626,144	3,562,456	3,281,179	3,293,933	3,417,772
Refuse	3,965,882	4,063,886	4,242,316	4,205,361	4,306,957
Parking	3,761,948	3,899,746	3,828,054	3,715,624	3,862,585
Operating grants and contributions	19,880	10,020	19,611	9,353	331,705
Capital grants and contributions	-	-	850,000	-	-
<b>Total business-type activities program revenues</b>	<b>27,993,994</b>	<b>27,991,391</b>	<b>27,081,339</b>	<b>26,243,467</b>	<b>27,796,322</b>
<b>Total primary government program revenues</b>	<b>\$ 47,414,683</b>	<b>\$ 49,689,284</b>	<b>\$ 48,415,966</b>	<b>\$ 50,385,098</b>	<b>\$ 52,859,625</b>

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

	Fiscal Year Ending				
	2009	2010	2011	2012	2013
General Fund					
Reserved					
Debt service & restricted cash	\$ 1,244,971	\$ 1,143,587			
Encumbrances & other items	373,980	213,938			
Unreserved	16,710,818	16,888,308			
Nonspendable					
Prepaid costs			\$ 19,519	\$ 48,989	\$ 42,514
Notes and loans			432,000	432,000	432,000
Advances to other funds			-	-	22,488
Restricted					
Post-employment benefits					
Debt service & restricted cash			1,182,271	1,245,112	1,130,434
Committed					
School safety/security					
Unassigned			18,270,832	18,134,492	17,961,324
<b>Total General fund</b>	<b>18,329,769</b>	<b>18,245,833</b>	<b>19,904,622</b>	<b>19,860,593</b>	<b>19,588,760</b>
All Other Governmental Funds					
Reserved					
Continuing Projects	4,618,592	6,755,397			
Debt service & restricted cash	817,178	817,075			
Encumbrances & other items	71,887	393,852			
Unreserved, reported in:					
Special revenue funds	2,340,055	2,692,575			
Capital projects funds	3,934,840	1,925,704			
Nonspendable					
Notes and loans			42,744	38,336	45,052
Advances to other funds			1,073,000	771,100	469,200
Restricted					
Public safety			1,247,014	1,187,562	1,073,789
Parks and recreation			80,284	107,428	179,663
Public works			3,324,947	4,558,434	4,826,828
Capital projects			2,827,688	3,269,531	3,572,234
Debt service			817,075	817,075	8,278
Committed					
Capital projects			4,089,866	4,823,535	8,122,690
Unassigned			(22,488)	(22,488)	(22,488)
<b>Total all other governmental funds</b>	<b>11,782,552</b>	<b>12,584,603</b>	<b>13,480,130</b>	<b>15,550,513</b>	<b>18,275,246</b>
<b>Total all governmental funds</b>	<b>\$ 30,112,321</b>	<b>\$ 30,830,436</b>	<b>\$ 33,384,752</b>	<b>\$ 35,411,106</b>	<b>\$ 37,864,006</b>



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)*

**Exhibit A-5**

	Fiscal Year Ending				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund					
Reserved					
Debt service & restricted cash					
Encumbrances & other items					
Unreserved					
Nonspendable					
Prepaid costs	\$ 46,823	\$ 46,080	\$ 82,138	\$ 133,786	\$ 753,765
Notes and loans	1,700,000	1,649,129	3,771,864	1,546,266	1,494,268
Advances to other funds	-	-	-	-	-
Restricted					
Post-employment benefits					763,621
Debt service & restricted cash	813,407	32,566	12,586	-	-
Committed					
School safety/security					1,000,000
Unassigned	18,338,105	21,036,975	19,883,693	23,367,583	22,860,400
<b>Total General fund</b>	<b>20,898,335</b>	<b>22,764,750</b>	<b>23,750,281</b>	<b>25,047,635</b>	<b>26,872,054</b>
All Other Governmental Funds					
Reserved					
Continuing Projects					
Debt service & restricted cash					
Encumbrances & other items					
Unreserved, reported in:					
Special revenue funds					
Capital projects funds					
Nonspendable					
Notes and loans	-	58,232	-	-	-
Advances to other funds	-	-	-	-	-
Restricted					
Public safety	1,084,541	1,000,434	873,595	809,361	730,541
Parks and recreation	-	-	-	-	-
Public works	4,546,040	4,613,796	5,272,830	5,495,829	348,127
Capital projects	4,636,332	4,572,761	4,638,320	5,023,913	8,819,033
Debt service	164,481	-	-	-	-
Committed					
Capital projects	9,617,146	10,208,481	9,270,230	7,961,065	10,569,488
Unassigned	(22,488)	(22,488)	(22,488)	(22,488)	-
<b>Total all other governmental funds</b>	<b>20,026,052</b>	<b>20,431,216</b>	<b>20,032,487</b>	<b>19,267,680</b>	<b>20,467,189</b>
<b>Total all governmental funds</b>	<b>\$ 40,924,387</b>	<b>\$ 43,195,966</b>	<b>\$ 43,782,768</b>	<b>\$ 44,315,315</b>	<b>\$ 47,339,243</b>

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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.*

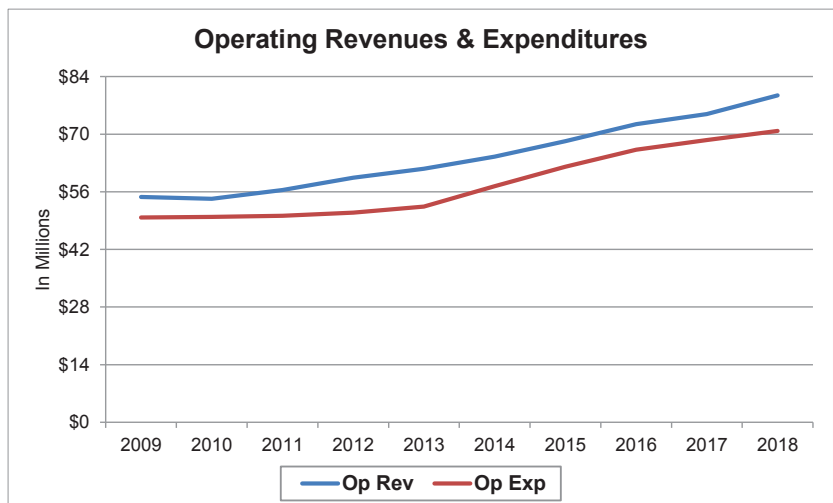


**City of Manhattan Beach**  
**Changes in Fund Balances**  
**Governmental Funds, Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

	Fiscal Year Ending				
	2009	2010	2011	2012	2013
<b>Revenues</b>					
Tax and assessments	\$ 36,839,471	\$ 36,582,239	\$ 37,697,637	\$ 39,389,241	\$ 42,273,666
Licenses, fees, and permits	1,200,529	1,200,347	1,289,183	1,418,230	1,513,821
Intergovernmental	2,072,660	2,638,044	1,749,382	2,566,478	1,599,821
Charges for services	8,202,164	8,291,275	9,396,606	9,706,289	9,202,436
Interest and Rents	3,607,997	2,344,105	2,723,666	2,692,576	2,633,124
Fines and forfeitures	2,400,483	2,984,868	2,867,072	2,805,559	2,588,865
Net change fair value investments	(201,163)	58,253	(21,680)	(21,265)	(95,900)
Other revenues	634,524	192,965	751,112	878,475	1,867,612
<b>Total revenues</b>	<b>54,756,665</b>	<b>54,292,096</b>	<b>56,452,978</b>	<b>59,435,583</b>	<b>61,583,445</b>
<b>Expenditures</b>					
General government	9,215,265	9,785,663	8,660,865	8,560,273	9,101,953
Public Safety	28,727,983	28,461,175	29,176,141	30,449,560	30,470,567
Culture and recreation	5,599,052	5,699,228	6,192,471	5,552,632	5,680,001
Public works	6,207,990	5,923,828	6,149,939	6,369,092	7,155,292
<b>Total operating expenditures</b>	<b>49,750,290</b>	<b>49,869,894</b>	<b>50,179,416</b>	<b>50,931,557</b>	<b>52,407,813</b>
<b>Excess of revenue over expenditures</b>	<b>5,006,375</b>	<b>4,422,202</b>	<b>6,273,562</b>	<b>8,504,026</b>	<b>9,175,632</b>
Capital outlay	3,124,353	1,705,513	1,510,341	4,272,496	2,485,027
Debt service					
Interest	1,192,716	811,711	896,096	820,494	640,413
Principal	1,235,000	1,325,000	1,425,000	1,485,000	2,985,000
Fees					
Cost of Issuance	-	-	-	-	150,944
Payment to refunding bond escrow agent	-	-	-	-	821,153
Total Non Operating expenditures	5,552,069	3,842,224	3,831,437	6,577,990	7,082,537
<b>Excess of revenues over expenditures</b>	<b>(545,694)</b>	<b>579,978</b>	<b>2,442,125</b>	<b>1,926,036</b>	<b>2,093,095</b>
<b>Other financing sources (Uses)</b>					
Bonds issued	-	-	-	-	-
Premium on bonds issues	-	-	-	-	-
Proceeds from sale of capital assets	3,006	3,384	5,829	434	-
Transfers in	331,183	424,211	830,712	3,353,075	3,770,569
Transfers out	(220,953)	(289,458)	(724,350)	(3,253,191)	(3,569,986)
Other financing sources	-	-	-	-	11,010,846
Other financing uses	-	-	-	-	(10,851,624)
<b>Total other financing sources (uses)</b>	<b>113,236</b>	<b>138,137</b>	<b>112,191</b>	<b>100,318</b>	<b>359,805</b>
Prior Period Adjustment	(20,000)				
<b>Net change in fund balances</b>	<b>(452,458)</b>	<b>718,115</b>	<b>2,554,316</b>	<b>2,026,354</b>	<b>2,452,900</b>

**Debt - % of Operating Expenditures & Debt**

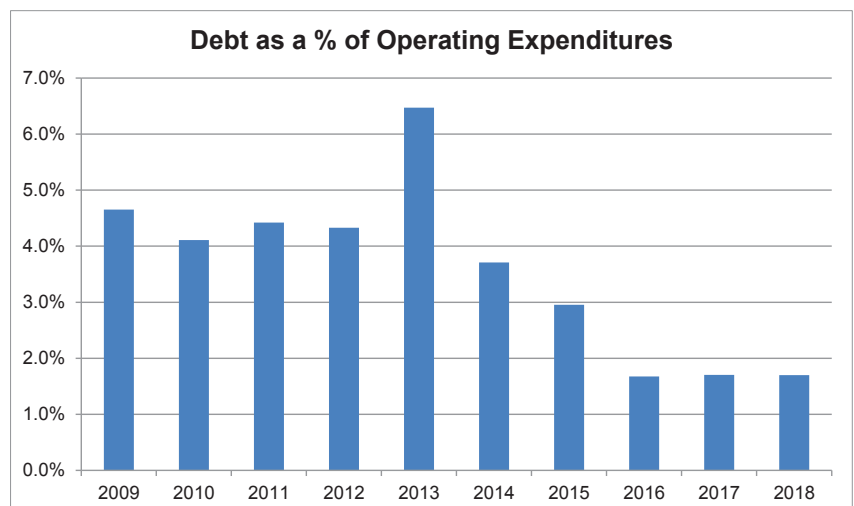
4.7%	4.1%	4.4%	4.3%	6.5%
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**City of Manhattan Beach**  
**Changes in Fund Balances**  
**Governmental Funds, Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

**Exhibit A-6**

	Fiscal Year Ending				
	2014	2015	2016	2017	2018
<b>Revenues</b>					
Tax and assessments	\$ 44,213,347	\$ 46,601,118	\$ 48,908,825	\$ 50,405,516	\$ 52,246,911
Licenses, fees, and permits	1,759,180	2,185,871	2,812,480	2,738,149	3,383,839
Intergovernmental	2,183,990	2,495,207	2,406,440	2,093,411	3,583,892
Charges for services	10,253,540	10,362,276	10,284,762	11,724,813	12,918,156
Interest and Rents	3,048,749	3,184,502	3,870,056	3,495,128	2,815,868
Fines and forfeitures	2,566,436	2,637,538	2,615,306	2,599,654	2,570,974
Net change fair value investments	30,910	13,651	254,377	(519,971)	(518,607)
Other revenues	490,870	820,295	1,267,893	2,348,814	2,417,724
<b>Total revenues</b>	<b>64,547,022</b>	<b>68,300,458</b>	<b>72,420,139</b>	<b>74,885,514</b>	<b>79,418,757</b>
<b>Expenditures</b>					
General government	10,467,524	11,838,504	13,360,320	13,290,308	14,018,117
Public Safety	33,525,828	34,897,663	37,189,782	38,522,882	39,685,053
Culture and recreation	6,831,568	7,349,487	8,335,111	8,656,533	8,873,425
Public works	6,527,537	8,026,650	7,356,842	8,113,384	8,206,580
<b>Total operating expenditures</b>	<b>57,352,457</b>	<b>62,112,304</b>	<b>66,242,055</b>	<b>68,583,107</b>	<b>70,783,175</b>
<b>Excess of revenue over expenditures</b>	<b>7,194,565</b>	<b>6,188,154</b>	<b>6,178,084</b>	<b>6,302,407</b>	<b>8,635,582</b>
Capital outlay	2,819,131	2,275,709	3,153,156	3,669,140	2,979,570
Debt service					
Interest	379,123	412,240	403,458	442,116	479,537
Principal	1,830,000	1,480,000	725,000	745,000	745,000
Fees	-	-	-	-	4,810
Cost of Issuance	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	11,334	-
Total Non Operating expenditures	5,028,254	4,167,949	4,281,614	4,867,590	4,208,917
<b>Excess of revenues over expenditures</b>	<b>2,166,311</b>	<b>2,020,205</b>	<b>1,896,470</b>	<b>1,434,817</b>	<b>4,426,665</b>
<b>Other financing sources (Uses)</b>					
Bonds issued	-	-	-	5,905,000	-
Premium on bonds issues	-	-	-	438,570	-
Proceeds from sale of capital assets	693,612	1,050	838	-	-
Transfers in	1,260,327	534,480	714,082	1,685,005	639,686
Transfers out	(1,059,869)	(284,156)	(2,024,588)	(2,587,281)	(2,042,423)
Other financing sources	-	-	-	-	-
Other financing uses	-	-	-	(6,343,564)	-
<b>Total other financing sources (uses)</b>	<b>894,070</b>	<b>251,374</b>	<b>(1,309,668)</b>	<b>(902,270)</b>	<b>(1,402,737)</b>
Prior Period Adjustment	-	-	-	-	-
<b>Net change in fund balances</b>	<b>3,060,381</b>	<b>2,271,579</b>	<b>586,802</b>	<b>532,547</b>	<b>3,023,928</b>
<b>Debt - % of Operating Expenditures &amp; Debt</b>	<b>3.7%</b>	<b>3.0%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>1.7%</b>

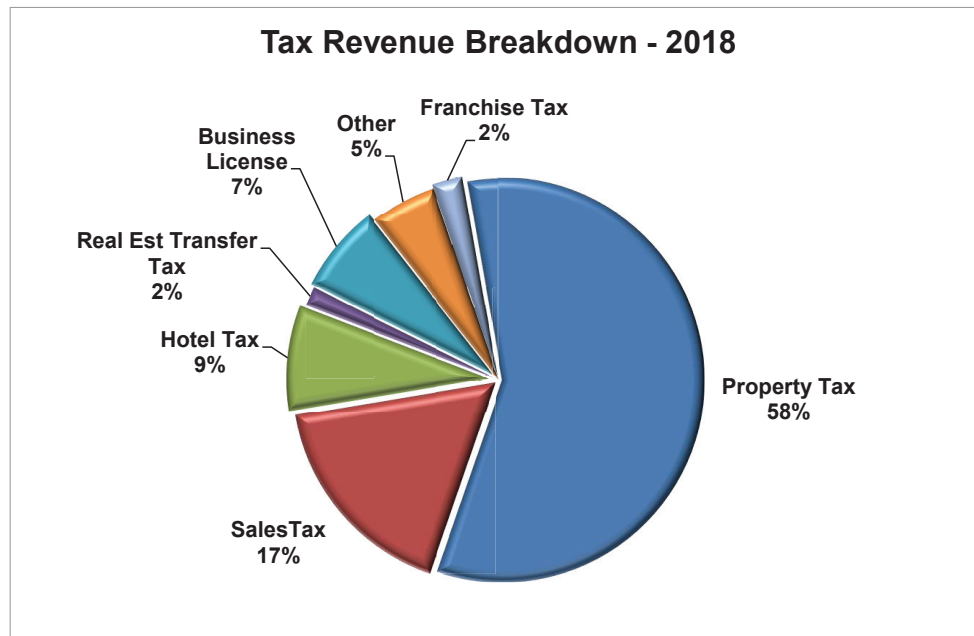


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**City of Manhattan Beach**  
**Taxes & Assessment Revenues by Source, Governmental Funds, and Assessment**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

**Exhibit A-7**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales &amp; Use</b>	<b>Hotel</b>	<b>Franchise</b>	<b>Real Est Transfer</b>	<b>Business License</b>	<b>Other Taxes Assessments</b>	<b>Total</b>
2018	\$30,318,225	\$8,970,809	\$4,429,080	\$1,262,037	\$788,203	\$3,718,418	\$2,760,140	\$52,246,911
2017	28,215,709	8,962,617	5,201,518	1,256,125	756,049	3,658,194	2,355,304	50,405,516
2016	26,344,276	9,348,605	5,139,425	1,439,957	792,829	3,475,792	2,367,941	48,908,825
2015	24,435,184	9,171,515	4,809,421	1,539,453	720,826	3,376,113	2,548,606	46,601,118
2014	23,353,743	9,135,806	4,289,009	1,441,769	642,718	3,140,273	2,210,029	44,213,347
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
<b>Change 2009-2018</b>	52.1%	19.9%	26.3%	6.5%	142.5%	34.4%	68.0%	41.8%



**City of Manhattan Beach**  
**Assessed Value and Estimated Actual Value of Taxable Property,**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Other Property</b>
2009	10,136,131,042	847,686,744	280,998,547	758,566,064
2010	10,279,360,710	870,969,553	286,618,511	760,569,467
2011	10,310,125,299	857,387,446	272,285,842	798,171,374
2012	10,639,403,753	900,787,632	355,749,068	624,994,067
2013	11,115,348,658	873,633,618	273,166,539	782,689,333
2014	11,778,259,052	922,429,548	275,869,861	810,528,769
2015	12,500,544,975	959,518,199	281,151,363	791,941,297
2016	13,616,966,542	1,012,547,408	293,730,521	765,998,032
2017	14,551,610,225	1,105,261,590	298,209,901	824,621,493
2018	15,552,647,698	1,171,070,581	305,302,530	888,775,373

Source: HdL Coren & Cone

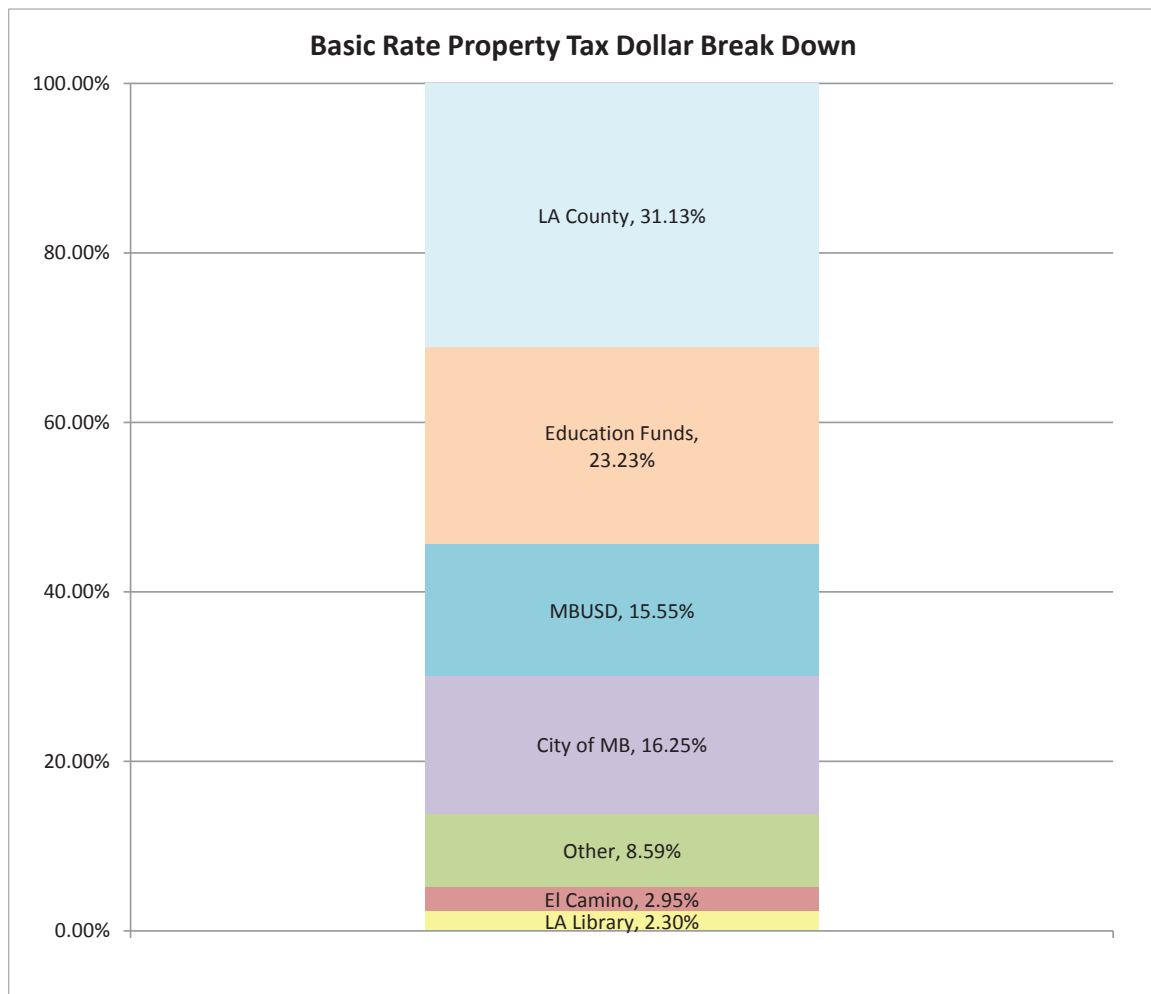
<b>Total Assessed Value</b>	<b>Tax-Exempt Property</b>	<b>Total Direct Tax Rate</b>	<b>Net Taxable Value</b>	<b>Taxable Assessed Value as a Percentage of Actual Taxable Value</b>
12,023,382,397	301,140,740	0.15857%	11,697,899,600	102.782%
12,197,518,241	301,140,740	0.15842%	11,871,677,111	102.745%
12,237,969,961	301,140,740	0.15619%	11,913,602,319	102.723%
12,520,934,520	301,140,740	0.15928%	12,190,853,653	102.708%
13,044,838,148	301,114,939	0.15951%	12,713,329,765	102.608%
13,787,087,230	301,114,939	0.16012%	13,453,303,900	102.481%
14,533,155,834	301,114,939	0.16059%	14,196,903,333	102.368%
15,689,242,503	301,114,939	0.16127%	15,352,495,483	102.193%
16,779,703,209	301,127,715	0.16190%	16,442,347,904	102.052%
17,917,796,182	289,572,846	0.16250%	17,591,875,267	101.853%

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

Exhibit A-9

Fiscal Year	City Direct Rates		Overlapping Rates						
	General Levy (Basic Rate)	City Direct Rate	LA County	Colleges & School Districts	Metro Water District	Flood Control District	Total Overlap Rate	General Levy	Total Rate
2009	1.00000%	0.15857%	0.00000	0.05377	0.00430	0.00000	0.05807	1.00000	1.05807
2010	1.00000%	0.15842%	0.00000	0.05497	0.00430	0.00000	0.05927	1.00000	1.05927
2011	1.00000%	0.15619%	0.00000	0.05907	0.00370	0.00000	0.06277	1.00000	1.06277
2012	1.00000%	0.15928%	0.00000	0.06489	0.00370	0.00000	0.06859	1.00000	1.06859
2013	1.00000%	0.15951%	0.00000	0.07998	0.00350	0.00000	0.08348	1.00000	1.08348
2014	1.00000%	0.16012%	0.00000	0.08755	0.00350	0.00000	0.09105	1.00000	1.09105
2015	1.00000%	0.16059%	0.00000	0.08928	0.00350	0.00000	0.09278	1.00000	1.09278
2016	1.00000%	0.16127%	0.00000	0.08403	0.00350	0.00000	0.08753	1.00000	1.08753
2017	1.00000%	0.16190%	0.00000	0.09062	0.00350	0.00000	0.09412	1.00000	1.09412
2018	1.00000%	0.16250%	0.00000	0.11581	0.00350	0.00000	0.11931	1.00000	1.11931





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

<b><u>Taxpayer</u></b>	<b>2017/18</b>	
	<b>Net Value</b>	<b>Percentage of Total City Net Value</b>
Northrop Grumman Systems Corp	\$ 217,707,807	1.24%
Rreef America Reit II Corporation BBB	174,032,768	0.99%
CRP MB Studios LLC	159,308,619	0.91%
ONNI Manhattan Towers LP	97,996,500	0.56%
Host Marriott MB LP	89,429,515	0.51%
Parstem Realty Company Inc	72,355,039	0.41%
WH Manhattan Beach LP	55,072,870	0.31%
Michael Greenberg Trust	50,044,508	0.28%
Skechers USA Inc.	46,200,047	0.26%
Ponderosa Belamar LLC	40,857,884	0.23%
Top Ten Total	<u>\$ 1,003,005,557</u>	<u>5.70%</u>
City Total	<u><u>\$ 17,591,875,267</u></u>	

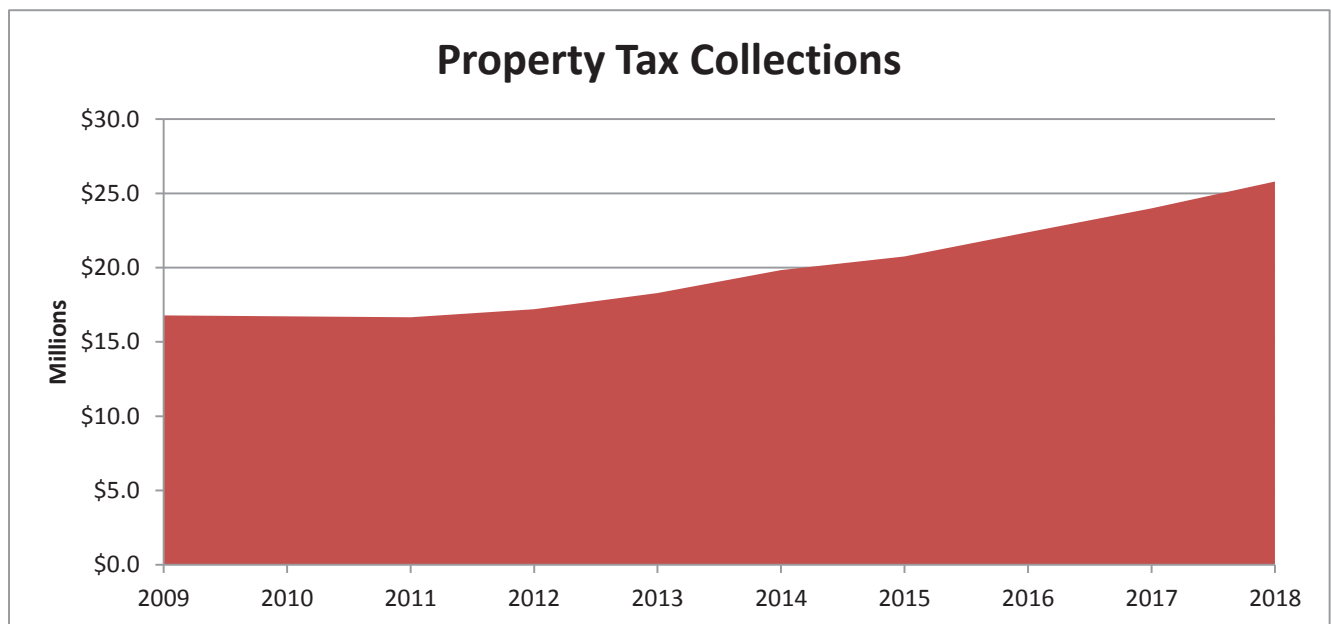
<b><u>Taxpayer</u></b>	<b>2008/09</b>	
	<b>Net Value</b>	<b>Percentage of Total City Net Value</b>
Northrop Grumman Space and Mission	\$ 227,505,898	1.94%
CRP MB Studios LLC	153,000,000	1.31%
Reef America Reit II Corporation BBB	152,721,774	1.31%
Wells REIT II Manhattan Towers LLC	100,470,000	0.86%
Pastern Realty Company Inc.	63,930,617	0.55%
Host Marriott Corporation Interstate	59,713,931	0.51%
Skechers USA	34,305,144	0.29%
Sun Manhattan LLC	32,889,152	0.28%
St Paul Properties Inc.	29,249,720	0.25%
Kinecta Federal Credit Union	23,438,924	0.20%
	<b>\$ 877,225,160</b>	<b>7.51%</b>
	<b>\$ 11,697,899,600</b>	

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

**Exhibit A-11**

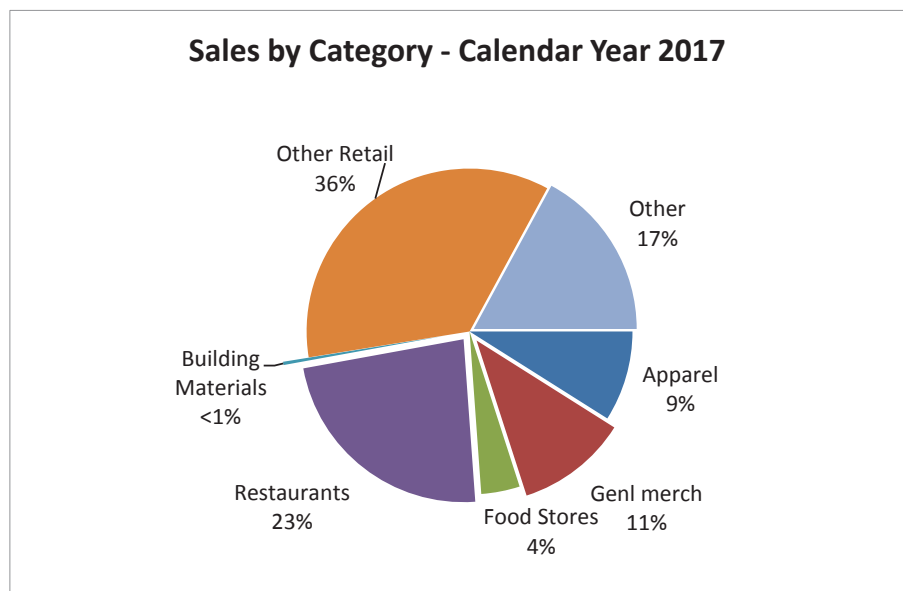
Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Prior Year	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	16,795,932	15,888,783	94.60%	902,280	16,791,063	99.97%
2010	17,041,081	16,054,348	94.21%	661,930	16,716,278	98.09%
2011	16,836,854	16,056,305	95.36%	604,649	16,660,953	98.96%
2012	17,529,077	16,865,345	96.21%	334,117	17,199,461	98.12%
2013	18,294,098	17,716,515	96.84%	569,183	18,285,698	99.95%
2014	19,402,284	19,103,356	98.46%	725,598	19,828,955	102.20%
2015	20,507,194	19,991,754	97.49%	757,337	20,749,092	101.18%
2016	22,195,519	21,697,312	97.76%	682,877	22,380,189	100.83%
2017	23,822,585	23,386,545	98.17%	596,471	23,983,016	100.67%
2018	25,520,518	25,119,981	98.43%	675,026	25,795,007	101.08%



Percent of levy may be over 100% since collections include current and prior years

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

	<b>Calendar Year</b>				
	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
Apparel Stores	\$ 68,248	\$ 62,635	\$ 67,294	\$ 70,746	\$ 73,110
General Merchandise	112,692	104,754	101,300	103,665	104,276
Food Stores	30,180	30,399	30,040	29,743	30,351
Eating and Drinking Establishments	144,732	142,172	147,756	158,938	172,168
Building Materials	2,594	1,977	1,955	2,364	2,262
Service Stations	37,086	27,722	28,395	36,163	41,752
Other Retail Stores	293,553	267,606	280,816	288,594	303,299
All Other Outlets	121,499	105,997	169,561	221,184	247,112
<b>Total</b>	<b><u>\$ 810,584</u></b>	<b><u>\$ 743,262</u></b>	<b><u>\$ 827,117</u></b>	<b><u>\$ 911,397</u></b>	<b><u>\$ 974,330</u></b>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%



\* Calendar Year Data available through December 2017.

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

**Exhibit A-12**

	<b>Calendar Year</b>				
	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>
Apparel Stores	\$ 73,708	\$ 73,809	\$ 75,919	\$ 74,515	\$ 77,995
General Merchandise	106,017	104,277	102,310	101,038	96,353
Food Stores	31,819	31,832	33,110	34,634	33,270
Eating and Drinking Establishments	180,221	189,227	200,840	202,915	202,646
Building Materials	2,424	2,734	2,605	2,623	2,829
Service Stations	43,169	42,789	37,000	31,670	32,992
Other Retail Stores	305,320	286,140	295,157	303,311	308,555
All Other Outlets	<u>252,074</u>	<u>261,863</u>	<u>176,347</u>	<u>154,628</u>	<u>148,764</u>
<b>Total</b>	<b><u>\$ 994,752</u></b>	<b><u>\$ 992,671</u></b>	<b><u>\$ 923,288</u></b>	<b><u>\$ 905,334</u></b>	<b><u>\$ 903,404</u></b>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%

\* Calendar Year Data available through December 2017.

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

**Exhibit A-13**

<b><u>Fiscal Year</u></b>	<b><u>City Direct Rate</u></b>	<b><u>L.A. County</u></b>
2018	1.00%	.25%
2017	1.00%	.25%
2016	1.00%	.25%
2015	1.00%	.25%
2014	1.00%	.25%
2013	1.00%	.25%
2012	1.00%	.25%
2011	1.00%	.25%
2010	1.00%	.25%
2009	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**

**2018**

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Apple  
Barnes & Noble  
BevMo  
Chevron  
Dos Amigos Designs  
Frys Electronics  
Houston's  
Kettle  
Macys  
Manhattan Beach Toyota Scion  
Nick's  
Office Depot  
Old Navy  
Olive Garden  
Ralphs Fresh Fare  
REI  
Sephora  
Strand House Standbar  
Target  
Tin Roof Bistro  
Toyota Lease Trust  
Trader Joes  
True Religion  
Vons  
Wrights

**2009**

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Apple  
Arco  
Barnes & Noble  
California Pizza Kitchen  
Chevron  
CVS Pharmacy  
Frys Electronics  
Frys Manhattan Chevron  
Houston's  
Kwik/AI Sal Oil  
Macys  
Manhattan Beach Marriott  
Manhattan Beach Toyota Scion  
Mobil Oil  
Office Depot  
Old Navy  
Olive Garden  
Ralphs Fresh Fare  
REI  
Rock 'N Fish  
Sephora  
Target  
Trader Joes  
Vons  
Williams Sonoma

\* Listed Alphabetically



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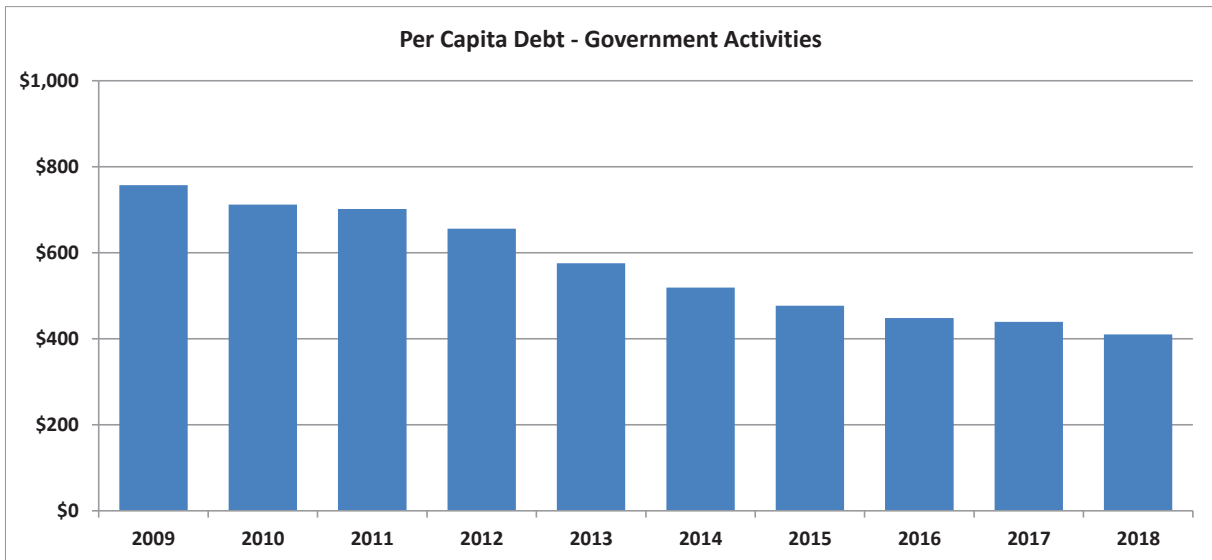
## **Statistical Section**

### **Debt Capacity**

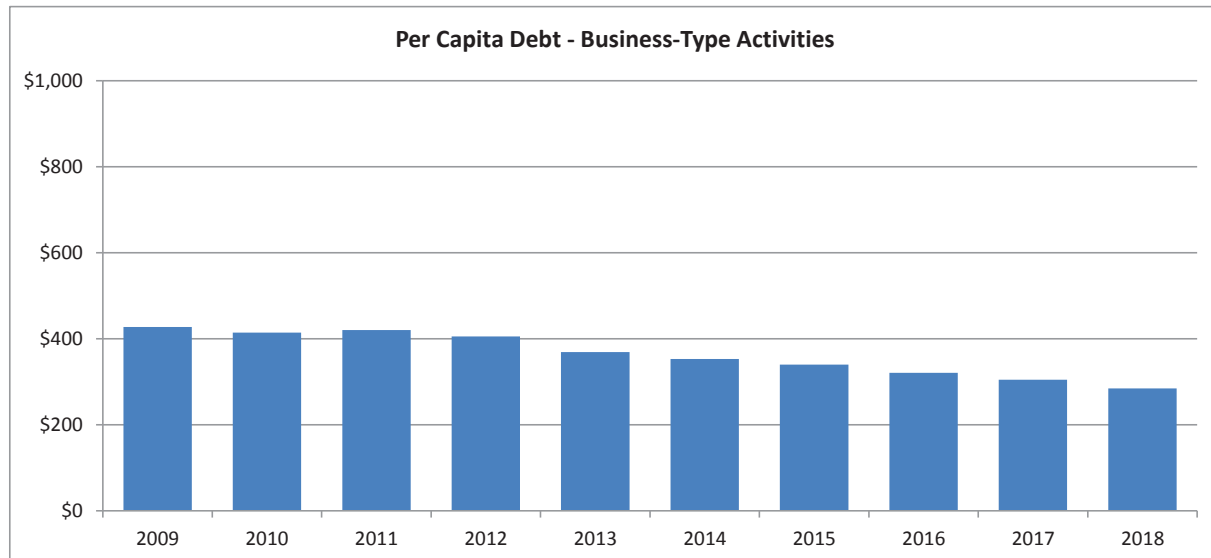
*These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.*

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

<b>Governmental Activities</b>									
<b>Fiscal Year</b>	<b>RCC Facility</b>	<b>Pension Obligation Bonds</b>	<b>Marine Certificates of Participation</b>	<b>Marine Refunding Certificates of Participation</b>	<b>Police/Fire Certificates of Participation</b>	<b>Police/Fire Refunding Bonds</b>	<b>Capital Leases</b>	<b>Total Governmental</b>	<b>Total Per Capita</b>
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	656
2013	-	1,860,000	7,235,000	-	-	10,510,000	903,841	20,508,841	576
2014	-	765,000	6,980,000	-	-	10,030,000	719,342	18,494,342	519
2015	-	-	6,715,000	-	-	9,580,000	531,820	16,826,820	477
2016	-	-	6,445,000	-	-	9,125,000	341,224	15,911,224	448
2017	-	-	-	6,317,766	-	9,042,225	147,506	15,507,497	439
2018	-	-	-	6,026,968	-	8,535,865	-	14,562,833	410



Business-type Activities						Total		
Utility Revenue Bonds	Metlox Certificates of Participation	Utility Refunding Certificates of Participation	Metlox Refunding Certificates of Participation	Total Business Type	Total Per Capita	Total Primary Government	Percentage of Personal Income	Total Per Capita
\$ 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	1.46%	1,126
3,370,000	11,435,000	-	-	14,805,000	420	39,535,000	1.41%	1,122
3,240,000	11,125,000	-	-	14,365,000	406	37,610,000	1.32%	1,062
-	-	2,860,695	10,290,752	13,151,447	369	33,660,288	1.14%	945
-	-	2,686,239	9,896,927	12,583,166	353	31,077,508	1.08%	872
-	-	2,506,784	9,498,103	12,004,887	340	28,831,707	0.99%	817
-	-	2,317,328	9,079,279	11,396,607	321	27,307,831	0.92%	769
-	-	2,117,872	8,645,454	10,763,326	305	26,270,823	0.90%	744
-	-	1,913,417	8,191,630	10,105,047	285	24,667,880	0.83%	695



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City of Manhattan Beach  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2017

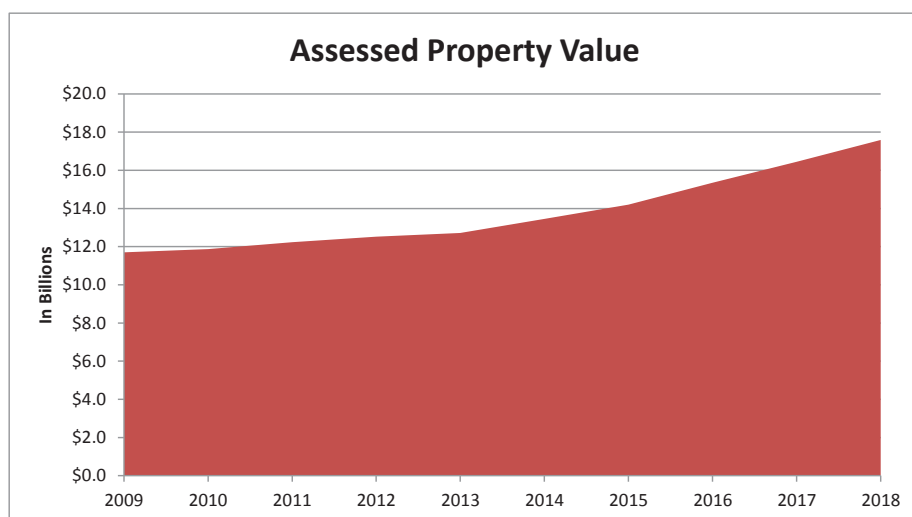
Exhibit A-16

<u>Governmental Unit</u>	<u>Gross Bonded Debt Balance</u>	<u>Percentage Applicable To City</u>	<u>Net Bonded Debt</u>
<b>Direct Debt</b>			
City of Manhattan Beach:			
Certificates of Participation Marine Avenue Park	\$ 6,026,968	100.000%	\$ 6,026,968
Refunding Certificates of Participation Police/Fire	8,535,865	100.000%	8,535,865
<b>Total Direct Debt</b>			<b><u>14,562,833</u></b>
<b>Overlapping Debt</b>			
Manhattan Beach UNIF 96 SER A DS	\$ 2,432,813	99.997%	2,432,752
Manhattan Beach UNIF DS 1998 SER B	4,515,553	99.997%	4,515,439
Manhattan Beach USD DS 1999 SER C	2,323,813	99.997%	2,323,754
Manhattan Beach USD DS 2001 SER D	3,107,397	99.997%	3,107,319
Manhattan Beach USD DS 1995 SER E	4,628,829	99.997%	4,628,712
Manhattan Beach USD DS 2000 SER B	5,905,156	99.997%	5,905,007
Manhattan Beach USD DS 2008, 2011 SER C	7,651,589	99.997%	7,651,396
Manhattan Beach USD DS 2008 2012 SER D	9,738,877	99.997%	9,738,631
Manhattan Beach USD DS 2008 2012 SER E	7,675,000	99.997%	7,674,806
Manhattan Beach USD DS 2008 2013 SER F	10,260,000	99.997%	10,259,741
Manhattan Beach USD DS 2013 REF 2000 SER A	20,720,000	99.997%	20,719,477
Manhattan Beach USD DS 2016 SER A MEAS C	42,000,000	99.997%	41,998,940
Manhattan Beach USD DS 2016 SER A MEAS EE	39,000,000	99.997%	38,999,016
Metropolitan Water District	29,354,442	1.535%	450,589
El Camino CCS DS 2002 SER 2012C	179,006,523	16.809%	30,090,086
El Camino CCS DS 2012 REF BONDS	36,320,000	16.809%	6,105,207
El Camino CCD DS 2012 SER 2016 A	95,500,000	16.809%	16,053,064
El Camino CCS DS 2016 REF BONDS	75,585,000	16.809%	12,705,454
<b>Total Overlapping Debt</b>			<b><u>225,359,390</u></b>
<b>Total Direct and Overlapping Debt</b>			<b><u>\$ 239,922,223</u></b>

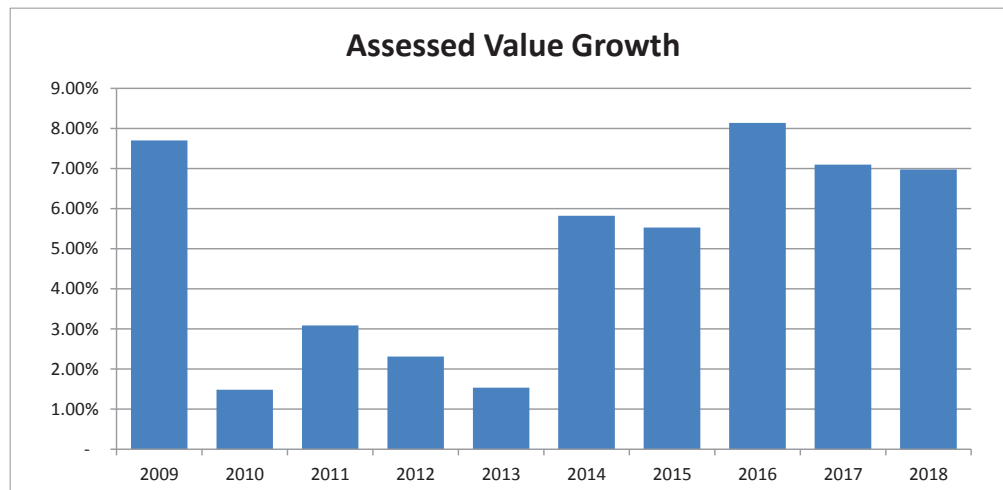
In this particular instance of overlapping debt, overlapping governments are those whose boundaries whole or in part contained within the boundaries of a District that is issuing debt. The percent of overlap is based on the ratio assessed value of the land of the government to that of total assessed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

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

	<b>Fiscal Year</b>				
	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>
Total Assessed Value	\$ 11,697,899,600	\$ 11,871,677,111	\$ 11,913,602,319	\$ 12,190,853,653	\$ 12,713,329,765
Legal debt limit (3.75%)	438,671,235	445,187,892	446,760,087	457,157,012	476,749,866
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 438,671,235</u>	<u>\$ 445,187,892</u>	<u>\$ 446,760,087</u>	<u>\$ 457,157,012</u>	<u>\$ 476,749,866</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	7.70%	1.49%	0.35%	2.33%	4.29%



Fiscal Year				
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 13,453,303,900	\$ 14,196,903,333	\$ 15,352,495,483	\$ 16,442,347,904	\$ 17,591,875,267
504,498,896	532,383,875	575,718,581	616,588,046	659,695,323
-	-	-	-	-
\$ 504,498,896	\$ 532,383,875	\$ 575,718,581	\$ 616,588,046	\$ 659,695,323
0.00%	0.00%	0.00%	0.00%	0.00%
5.82%	5.53%	8.14%	15.82%	14.59%





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

<b>Water - Wastewater Debt Service Principal and Interest</b>						
<b>Fiscal Year</b>	<b>Utility Service Charges</b>	<b>(a) Less: Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>		<b>Times Coverage</b>
				<b>Principal</b>	<b>Interest</b>	
2009	8,697,768	9,060,376	(362,608)	110,000	218,235	(1.10)
2010	9,668,966	9,129,202	539,764	115,000	212,345	1.65
2011	12,149,167	9,230,873	2,918,294	120,000	205,769	8.96
2012	15,572,398	9,431,747	6,140,651	130,000	201,090	18.55
2013 (c)	18,322,360	10,105,431	8,216,929	85,000	93,150	46.12
2014	19,908,104	10,611,569	9,296,535	160,000	93,150	36.72
2015	19,674,895	10,082,087	9,592,808	165,000	89,950 (b)	37.63
2016	17,814,103	10,389,899	7,424,204	175,000	83,350 (b)	28.74
2017	17,977,445	11,279,607	6,697,838	185,000	76,350 (b)	25.63
2018	18,947,767	11,818,853	7,128,914	190,000	68,950 (b)	27.53

(a) Operating Expense less depreciation expense

(b) Interest "expense" for this purpose reflects Footnote 5 Debt Service Requirements as presented in prior years' CAFRs and is presented

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

Parking Debt Service Principal and Interest					
Parking Fund Revenue	(a) Less: Operating Expenses	Net Available Revenue	Debt Service		Times Coverage
			Principal	Interest	
1,735,739	664,415	1,071,324	280,000	585,311	1.24
1,591,919	789,917	802,002	285,000	575,046	0.93
2,094,783	765,202	1,329,581	300,000	564,432	1.54
2,302,557	988,324	1,314,233	310,000	552,580	1.52
2,305,348	1,326,796	978,552	360,000	342,475	1.39
2,432,958	1,356,782	1,076,176	370,000	348,762	1.50
2,566,403	1,505,208	1,061,195	375,000	341,363 (b)	1.48
2,533,935	1,676,685	857,250	395,000	326,362 (b)	1.19
2,460,627	1,687,183	773,444	410,000	310,563 (b)	1.07
2,525,275	1,813,828	711,447	430,000	294,163 (b)	0.98

ented on a cash basis

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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.*

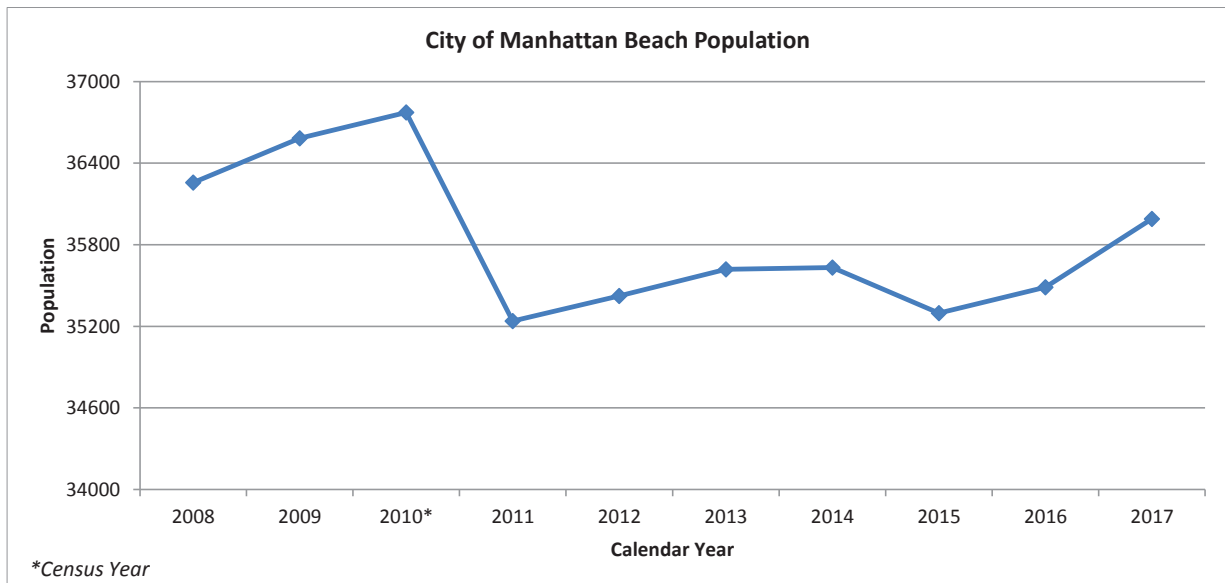
**City of Manhattan Beach  
Demographic and Economic Statistics,  
Last Ten Calendar Years**

**Exhibit A-19**

Calendar Year	Population	Man Beach Personal Income (in thousands)	Personal Income L.A. County <sup>1</sup> (in thousands)	Per Capita Personal Income L.A. County <sup>1</sup>	Per Capita Personal Income Man Beach	Unempl Rate	School Enrollment
2008	36,258	2,695,601	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	420,900,000	42,696	79,541	4.4%	6,651
2012	35,423	2,850,383	435,300,000	43,916	80,467	3.2%	6,768
2013	35,619	2,945,228	451,100,000	45,024	82,687	2.6%	6,814
2014	35,633	2,864,394	487,900,000	48,456	80,386	3.4%	6,787
2015	35,297	2,906,208	521,900,000	51,207	82,335	2.7%	6,687
2016	35,488	2,969,983	557,382,000	54,432	83,689	2.1%	6,682
2017	35,991	3,102,178	587,755,000	57,064	86,192	2.6%	6,703

Source: HdL Companies, County of Los Angeles Comprehensive Annual Financial Report

<sup>1</sup> Represents fiscal year ended June 30th.



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

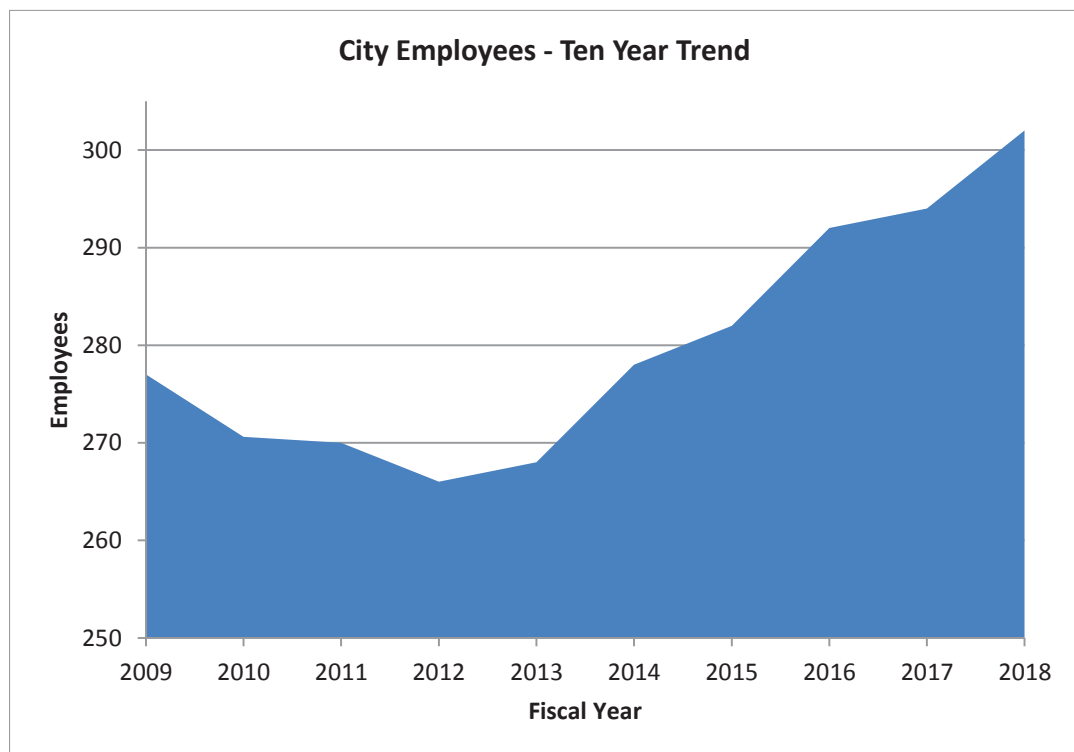
<u>Employer</u>	2018	
	<u>Employees</u>	<u>Percentage of Total Employment</u>
Northrop Grumman Systems Corp.	1,819	16.26%
Manhattan Beach Unified School District	764	6.83%
Kinecta Federal Credit Union	550	4.92%
Target Stores T199 Target Corp	405	3.62%
Skechers USA Inc	372	3.32%
City of Manhattan Beach	274	2.45%
Fry's Electronics, Inc.	264	2.36%
Skechers U.S.A., Inc.	259	2.31%
Manhattan Beach Marriott	233	2.08%
Ralphs Grocery Company #166	167	1.49%
Skechers USA, Inc.	148	1.32%
Bristol Farms	129	1.15%
Olive Garden #1723	117	1.05%
Houston's Restaurant	115	1.03%
24 Hour Fitness #163	108	0.97%
California Pizza Kitchen	106	0.95%
Il Fornaio	99	0.88%
Manhattan Country Club	90	0.80%
Boston Consulting Group, Inc	85	0.76%
Chili's Grill & Bar #860	85	0.76%
Western America	84	0.75%
Manhattan Beach Toyota	82	0.73%
Islands Fine Burgers & Drinks	75	0.67%
Recreational Equipment Inc-REI	75	0.67%
Belamar Hotel	71	0.63%
Old Navy #6043	71	0.63%
<b>Total</b>	<b><u>6,647</u></b>	<b><u>59.41%</u></b>

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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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General government										
Management services	14	14	14	13	12	13	13	17	17	17
Finance*	21	20	20	20	20	25	25	17	17	17
Information Technology*	-	-	-	-	-	-	-	9	9	9
Human Resources	7	7	7	6	6	6	6	8	8	8
Planning & Building	22	20	20	19	20	21	22	24	24	28
Parks and Recreation	19	20	20	20	20	21	23	25	25	25
Police										
Officers	65	63	64	62	65	65	65	65	65	65
Civilians	35	35	34	35	36	39.8	39.8	39.8	41.8	41.8
Fire										
Firefighters & officers	30	30	30	30	30	30	31	30	30	30
Civilians	1	1	1	1	1	1.2	1.2	1.2	1.2	1.2
Public works										
Engineering	9	8	8	8	8.2	7.25	7.25	7.5	8.5	11
Water	13	13.5	14.25	14.25	11.7	11.2	11.2	11.2	11.35	10.85
Wastewater	3	3.1	3.35	3.35	3.3	3.2	3.2	3.2	3.45	3
Other	38	36	34.4	34.4	34.8	34.35	34.35	34.1	32.7	35.15
Total	<u>277</u>	<u>270.6</u>	<u>270</u>	<u>266</u>	<u>268</u>	<u>278</u>	<u>282</u>	<u>292</u>	<u>294</u>	<u>302</u>



Source: City of Manhattan Beach Finance Department



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

June 30, 2018

<u>TYPE OF COVERAGE</u>	<u>POLICY NUMBER</u>	<u>FROM</u>
<b>Liability</b>		
Self-Insured - MOC		07/01/17
<b>Excess Liability</b>		
CSAC-Excess Insurance		
Authority (Pool) - MOC	EIA-PE 17 EL-109	07/01/17
Great American Insurance Company		07/01/17
Evanston InsuranceCo./Lloyds Syndicates		07/01/17
Argonaut Insurance/Evanston Insurance Co.		07/01/17
<b>Building &amp; Property (Including Boiler and Machinery and \$61M EQ)</b>		
Lexington Insurance Company	25860222	07/01/17
Other Carriers	Various	07/01/17
Other Carriers	Various	07/01/17
Other Carriers	Various	07/01/17
Other Carriers	Various	07/01/17
<b>Workers' Comp.</b>		
Self-Insured	-	07/01/17
<b>Excess Workers' Comp.</b>		
CSAC-EIA (MOC) (Reinsurance by Great Ar	EIA-PE EWC-153	07/01/17
CSAC-EIA (MOC) (Reinsurance by ACE Am	EIA-PE EWC-153	07/01/17
Liberty Insurance Corporation	EW7-641-4444785-017	07/01/17
<b>Government Crime Policy</b>		
National Fire Union Insurance	01-425-57-41	06/30/15
<b>Inland Marine - Fine Arts</b>		
Travelers Property and	QT6607A065752TIL17	07/02/17
<b>Cyber Risk</b>		
Beazley Syndicate/Lloyd's of London	PH1733951	7/1/2017

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

June 30, 2018

<u>TO</u>	<u>LIMITS OF COVERAGE</u>	<u>ANNUAL PREMIUM</u>
07/01/18	\$500,000 per occurrence	\$294,759
07/01/18	\$4,500,000 excess of \$500,000	Included in above
07/01/18	\$5,000,000 excess of \$5,000,000	Included in above
07/01/18	\$5,000,000 excess of \$10,000,000	Included in above
07/01/18	\$10,000,000 excess of \$15,000,000	Included in above
03/31/18	\$25,000,000	\$164,805
03/31/18	\$35,000,000 excess of \$25,000,000	Included in above
03/31/18	\$40,000,000 excess of \$60,000,000	Included in above
03/31/18	\$100,000,000 excess of \$100,000,000	Included in above
03/31/18	\$100,000,000 excess of \$200,000,000	Included in above
07/01/18	\$750,000 per occurrence	\$263,112
07/01/18	\$4,250,000 excess of \$750,000	
07/01/18	\$45,000,000 excess of \$5,000,000	
07/01/18	Statutory limits excess of \$50,000,000	Included in above
06/30/18	\$15,000,000	\$6,500
07/02/18	\$1,000,000	\$4,790
07/01/18	\$2,000,000	\$1,162

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

**Exhibit A-23**

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
General government										
Building permits issued	1,077	1,254	1,318	1,484	1,339	1,673	1,847	1,853	1,223	1,644
Building inspections conducted	11,401	9,544	9,676	10,298	11,165	13,370	14,708	14,630	14,796	16,032
Police										
Arrests	1,242	1,224	1,007	1,387	1,173	1,367	1,383	1,590	1,371	1,095
Parking citations	71,810	72,789	70,001	68,080	63,624	61,651	63,423	66,255	64,105	57,624
Traffic citations	6,674	9,513	8,591	9,605	6,890	6,339	4,222	4,723	3,682	4,209
Fire (a)										
Emergency responses	3,158	3,036	3,100	3,254	3,176	3,379	3,434	3,690	3,760	3,637
Fires extinguished	124	94	98	94	95	76	56	63	76	87
Inspections	1,155	1,300	973	1,650	933	1,078	536	852	697	688
Refuse collection										
Refuse collected (tons per day)	58.09	62.33	60.27	47.78	43.55	42.05	49.48	52.72	53.31	51.01
Recyclables collected (tons per day)	39.22	42.44	44.07	45.18	48.16	50.19	53.05	47.7	41.55	34.66
Other public works										
Street resurfacing (miles)	3.6	8.5	6.6	3.9	-	1.0	3.0	1.0	0.7	2.9
Parks and recreation										
Athletic field permits issued	4,246	4,501	4,887	5,901	7,002	7,779	10,369	9,912	10,328	8,499
Community center admissions*	143,441	134,144	147,630	41,374	89,134	107,632	76,860	52,424	63,083	64,592
Water										
Water main breaks	-	-	4	3	4	6	7	4	9	8
Average daily consumption (thousands of gallons)	4,819	5,096	4,900	4,920	5,123	4,929	4,468	4,021	4,130	4,392
Peak daily consumption (thousands of gallons)	5,783	7,644	7,350	6,712	6,989	7,169	5,344	5,344	6,190	5,735
Transportation										
Total route miles	43,406	51,736	65,517	43,461	38,995	41,680	44,067	46,175	40,961	42,535
Passengers	12,842	14,945	18,831	18,899	16,039	17,059	20,065	22,067	26,810	25,963

(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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	23	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	108	108	108	108	108	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	18	18	18	18	18
Soccer/football fields	15	15	15	15	15	19	19	19	19	19
Community centers	2	2	2	2	2	3	3	3	3	3
Water										
Water mains (miles)	106	106	106	106	106	106	106	106	106	106
Fire hydrants	671	775	774	774	774	774	774	774	774	774
Storage capacity (1000s Gallons)	9,830	9,830	9,800	9,800	9,800	9,800	9,800	9,800	9,800	9,800
Wastewater										
Sanitary sewers (miles)	84.0	84.0	81.6	82.0	82.0	82.0	82.0	82.0	82.0	82.0
Storm sewers (miles)	16.0	16.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Transportation—minibuses	4	4	4	4	4	4	4	4	5	5

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):**

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

**Household Type:**

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

**Population distribution by age group:**

	<b>Number of Persons</b>	<b>Percent</b>
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	4,457	13%
	<b>35,135</b>	<b>100%</b>

**Population distribution by gender:**

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



# **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:

- Marine Refunding Certificates of Participation, Series 2016
- Metlox and Water/Wastewater Refunding Certificates of Participation, Series 2012
- Police and Fire Facility Refunding Certificates of Participation, Series 2013
- Reassessment District Limited Obligation Refunding Bonds, Series 2018

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

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## Reporting of Events with Respect to Debt Issuance during Fiscal Year 2017-18

The City refunded five existing Utility Underground Assessment District Bond issues (UOAD No. 04-1, 04-3, 04-5, 05-2 and 05-6), combining into one Reassessment District and issuing limited obligation refunding bonds to secure historically low long-term rates. Refer to Note 7 for more information.

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## Information relating to Reassessment District Bonds for Fiscal Year 2017-18

Principal Amount Outstanding	\$4,995,000
Balances in:	
Improvement Fund	\$196,048
Debt Service Reserve Fund	\$500,502

The balance in the Debt Service Reserve Fund exceeds the reserve requirement.

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## Delinquencies of Reassessment District Bonds for Fiscal Year 2017-18

*As of June 30, 2018*

PARCEL	TAX LEVIED	TAX PAID	Delinquencies
4169010015	2,388.76	1,194.38	1,194.38
4178010019	1,812.12	906.06	906.06
4178013081	1,341.83	670.91	670.92
4175027016	1,030.40	-	1,030.40
4175029007	834.18	-	834.18
4176028020	834.18	814.50	19.68
4175030007	834.18	-	834.18
4175030009	834.18	-	834.18
4175021014	639.01	634.61	4.40
4176025034	639.01	-	639.01
<b>TOTAL DELIQUENCIES</b>			<b>\$6,967.39</b>

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**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 13 – Investment Portfolio Summary**

*As of June 30, 2018*

<b>Type of Investment</b>	<b>Market Value</b>
Cash	\$2,808,838
Local Government Fund	31,141,558
US Treasury & Agency Notes	64,754,980
Medium-Term Notes	18,249,060
Funds Held by Fiscal Agent	1,698,208
Petty Cash	5,287
<b>Total</b>	<b>\$118,657,931</b>

**Table 14 – Unrepresented Unit and Employee Associations**

*As of June 30, 2018*

<b>Employee Unit</b>	<b>No. Full-Time Employees*</b>	<b>Percent of Workforce</b>
Manhattan Beach Fire Association	26	8.7%
Manhattan Beach Fire Management Association	3	1.0%
Manhattan Beach Police Officers' Association	57	19.0%
Manhattan Beach Police Management Association	7	2.3%
Miscellaneous Unit - Teamsters Local 911	145	48.3%
Manhattan Beach Mid-Managers Employee Association	38	12.7%
Management/Confidential (not represented)	24	8.0%
<b>Total</b>	<b>300</b>	<b>100.0%</b>

*\* As Budgeted. Excludes elected officials.*

**Additional Information**

The City maintains triple-A general obligation ratings from both Moody's and Standard and Poor's. Standard & Poor's reaffirmed the City's AAA Credit Rating on November 4, 2016.

