

# Staff Report

## City of Manhattan Beach

**TO:** Honorable Mayor Montgomery and Members of the City Council

**THROUGH:** Geoff Dolan, City Manager

**FROM:** Bruce Moe, Director of Finance  
 Sharon Koike, Assistant Director of Finance  
 Henry Mitzner, Controller

**DATE:** January 27, 2009

**SUBJECT:** Consideration of FY 2007-2008 Audit Results; Discussion of City's Investment Portfolio Performance During the Recent Financial Market Volatility; FY 2008-2009 Mid Year Budget Review and Preview of FY 2009-2010 Budget

### **RECOMMENDATION:**

Staff recommends that the City Council accept a presentation on the:

- a) audit results for FY 2007-2008
- b) City's investment portfolio performance during the recent market volatility
- c) FY 2008-2009 mid year budget review and FY 2009-2010 budget preview

### **FISCAL IMPLICATION:**

Specific fiscal implications for each topic are addressed below within this report. However, it is clear that we are facing financial challenges which will require us to adjust spending, enhance revenues and use reserves in order to weather the economic downturn. Current budget projections for the upcoming 2009-2010 fiscal year indicate a shortfall of up to \$3.6 million, which we will address as we prepare the 09-10 budget.

### **DISCUSSION:**

Tonight's report is segregated into three financial topics: a) FY 2007-2008 audit results; b) the City's investment portfolio; c) the City's budget by way of a review of FY 2008-2009 at mid year and a preview of the FY 2009-2010 budget.

### ***FY 2007-2008 Audit***

Attached to this report is the City's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2008. This independent audit report is prepared by the City's auditor, Lance, Soll and Lunghard, the certified public accountancy firm selected by the City Council in FY 2003-2004. We would like to take this opportunity to acknowledge the auditor's professionalism and diligence

in the planning, execution and completion of the FY 2007-2008 audit.

We are pleased to report that once again, the City has received an unqualified audit opinion, meaning that the auditor believes that the City's financial statements are fairly presented in all material respects in conformity with Generally Accepted Accounting Principles (GAAP).

In the course of their work, the auditors determined that there were two reportable conditions, which have been included in the letter to management. These included:

1. Identification of two investments that were purchased outside the City's adopted investment policy. The City's policy is to limit the term of medium term notes (corporate bonds) to three years. Staff inadvertently purchased two notes with a term of 4.5 years, exceeding policy by 1.5 years (all other policy limitations were met, and the purchase was within State law). This was discovered by the auditor during field work and was subsequently addressed through Finance Subcommittee action to allow for a temporary modification to policy to accommodate these investments. Staff has taken steps to ensure that this does not reoccur by clarifying and reformatting the investment policy document, which in its previous format may have contributed to the error.
2. Prior period adjustment – deletion of residual value in the temporary Metlox parking lot after it had been removed from service. When the City built the temporary parking lot at Metlox prior to construction of the plaza and subterranean parking facility, the cost of the temporary lot was appropriately capitalized. In the course of preparing the financial statements, staff discovered that the asset and accumulated depreciation were included in Parking Fund capital assets subsequent to demolition to make way for the new facility. The prior period adjustment restated the opening balance of net capital assets by reducing that amount by \$220,264. This condition, which was discovered by staff subsequent to audit field work, was reported to the auditor. While it was staff that detected the condition, the auditor is still compelled to include this in their management letter. This restatement appears in the Government Wide Financial Statements Business Type Activities and Fund Financial Statements – Business Type Activities Parking Fund pages. .

The attached report contains detailed information about the City's financial results for FY 2007-2008. The document, which is in industry-standard format, is organized as follows:

The **Introductory Section** includes the City's transmittal letter providing an executive summary of the financial and economic events characterizing the 2007-2008 fiscal year. A review of the transmittal letter will help the reader understand the City's organizational structure and provides performance highlights of the City's most significant funds and operations.

The **Financial Section** presents the independent auditor's report. The auditor's report contains two main sections: the Audit Opinion and the Management Discussion & Analysis (MD&A). **The Audit Opinion**, worded in an industry standard format, provides a statement by the auditor attesting to the fair presentation of financial data in conformity with generally accepted accounting principles and government accounting standards. The required **Management Discussion & Analysis (MD&A)** is intended to serve as an introduction to the City's basic financial statements, which comprise three components: 1) Government Wide Financial

statements, 2) Fund Financial statements, and 3) notes to the financial statements, which is an overview and analysis of the financial activities of the City of Manhattan Beach for the fiscal year ended June 30, 2008.

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. These statements utilize full accrual accounting requiring the capitalization of assets and fund consolidations much like is done in private industry. The statements included in this section are the *statement of net assets* and the *statement of activities*. Both government-wide statements are designed to show the annual increase or decrease in *net assets* and, in doing so, distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, planning, building and safety, and recreation. The City's business-type activities include water, waste water, storm water, refuse and parking.

The *Fund Financial Statements* include governmental funds reported on a budgetary modified accrual basis and Proprietary funds reported on a full accrual basis. Major governmental funds (General Fund, Capital Improvement Fund) and major enterprise funds (Water, Waste Water, Refuse and Parking) are shown individually, while non-major funds are aggregated into a single column. Internal Service Funds are considered minor proprietary funds and are aggregated following Enterprise funds.

The *Notes to the Financial Statements* section follows, which provides financial disclosures about the City's financial statements.

This section is followed by the *Combining Financial Statements & Schedules* and the *Statistical Section*. The combining statements are presented in the traditional fund manner and report on the detail of all non-major funds which appear on a combined basis in the front of the document. The Statistical Section, not subject to audit investigation, provides general trend information presenting financial and economic data over time.

We recommend that the Council, at a minimum, review the Letter of Transmittal, and Management Discussion and Analysis (MD&A) portions of the report. These will provide an overview of the audit results and financial highlights.

The audit results were discussed with the Finance Subcommittee at their December 2008 meeting. The auditor will be present at the Council meeting to provide additional information, and to answer questions.

### ***City Investment Portfolio***

The City invests its idle cash in various instruments in an effort to fully utilize those assets. Our investment objectives are safety, liquidity and yield in that order. State law limits the types of investments we can use, and our own policies further restrict how we invest the funds. Typically,

we have invested our short term cash in the State-run Local Agency Investment Fund (LAIF), with our longer term cash being invested in Government Sponsored Entities (also know as Agencies) such as Federal National Mortgage Association, Federal Farm Credit Bank, and Federal Home Loan Bank. We also invest in United States Treasury Notes and in Medium Term Corporate Notes.

Because of State law, and our own policies, our investment risk is minimized. However, that is not to say that there is no risk because, as we have seen in the past five months, even traditionally "safe" investments have been affected by the recent, historic events.

The country's financial crisis deepened dramatically in September 2008. Several major events occurred, which triggered a rapid downturn of the financial markets, including:

- Lehman Holding company filed for bankruptcy;
- Bank of America agreed to buy Merrill Lynch so that Merrill could avoid insolvency;
- The Net Asset Value of the Reserve Primary Fund, one of the oldest money market mutual funds, fell below \$1, sending tremors through the markets since it basically meant that those investing a dollar in the money market fund (which is presumed to be very safe) would get back less than was deposited.
- AIG, the world's largest insurance company, was rescued by the U.S. government to avoid its failure;
- Washington Mutual Inc. collapsed with \$307 billion in assets - one of the largest U.S. bank failures to ever occur.

Much of what took place in September were historical events that had a negative trickle down impact throughout the financial markets, creating more turmoil and perpetuating further panic in the markets. Further, this occurred against the backdrop of the continuing housing crisis. The full impacts are still unknown at this time.

As these events unfolded, the Finance Subcommittee and staff held an emergency meeting to discuss the City's investment portfolio, potential impacts and exposures, and what action should be taken to safeguard the City's investment assets. While the City holds paper from corporate entities such as Bank of America, General Electric and Citigroup, there were two corporate notes the City held that were of the greatest concern: a \$500,000 note from Morgan Stanley, and a \$1 million note from Wachovia Bank. Both companies were considered at risk for failure, and therefore likely to default on their debt. Market indicators in the form of credit default swap (CDS) rates were at very high levels, indicating a high likelihood of default. As a result, there was virtually no market for the corporate debt. If a buyer was available, the paper was estimated to be worth between 25% to 75% of the par (face) value of the note. If we were to have sold these two notes at that time, we would have sustained significant losses of several hundred thousand dollars.

As the Finance Subcommittee discussed our options, the Federal government was in the process of crafting what is now known as TARP, or the Troubled Asset Relief Program. This evolving plan allows the government to purchase assets and equity from financial institutions in order to strengthen the financial sector. TARP had the affect of calming the crisis for the time being. Additionally, a flurry of acquisition and restructuring activity (Wachovia being purchased by Wells Fargo, and Morgan Stanley converting to a bank holding company, both moves designed

to provide liquidity and funding access) resurrected the value of the debt we held in these companies dramatically (also evidenced by the drop in CDS rates for these firms). As a result, we were able to retain the debt without loss, and at reduced risk levels.

The Finance Subcommittee held additional meetings in the coming weeks, and continued to discuss market conditions and our investments. One of the City's investment brokers attended a Subcommittee meeting to provide detailed information for all the medium term notes (corporate notes) in the City's portfolio, as well as additional insight into the financial market conditions. The Subcommittee concluded that we would retain the notes, but that if the markets reached a point where the City's exposure to corporate notes could be reduced at a minimal cost, we would take the opportunity to do so.

With the crisis invading all aspects of the financial markets, the Finance Subcommittee discussed the safety and security of the State's Local Agency Investment Fund (LAIF) and how LAIF invests the pooled funds held. Based on uncertainty over LAIF's investments, coupled with concerns over the State's own continued budget crisis and the perceived possibility that the State may attempt to borrow our funds on deposit with LAIF, the Finance Subcommittee directed withdrawal of all funds (\$10,450,000) from LAIF, and placement of the funds into appropriately safe investments that provide the necessary liquidity needed for the City. The Finance Subcommittee also directed staff to continue to monitor alternative investments, especially related to the corporate notes previously discussed.

At the end of December, with market conditions having improved, and in an effort to reduce corporate holdings, staff negotiated the sale of \$3.5 million of corporate notes, including the entire Morgan Stanley holding, as well as substantial portions of General Electric and Citigroup holdings. This effectively reduced the City's exposure to medium term notes from 20% to 12% of the portfolio.

By avoiding panic decisions, gathering information, closely monitoring the financial market situation and staying focused on the goal of protecting City funds, we were able to avoid losses and reduce exposure. The City did not experience any loss of principal from the sale of investments, but instead recognizing a small gain of \$62,820 on the sale of the corporate notes.

Unfortunately, reinvestment opportunities are yielding extremely low rates. Permissible investments are yielding less than 1% for one year, and less than 1.5% for two years. The City relies on our investment returns to fund daily operations, and these lower rates translate into lower revenues at a time when our other revenue sources are faltering.

Safeguarding the City's assets remains a top priority. While cities around us have sustained losses on investments that once were considered among the safest, we have thus far successfully navigated these currents. We remain cautious and monitor developments daily.

**Budget**

***FY 2008-2009 Mid Year Budget Review***

As we review the mid year results, and begin the budgeting process for FY 2009-2010, we are faced with financial challenges that we have not encountered before. The national and state economies have been decimated by the perfect storm of the housing crisis, massive stock market declines, a financial system in chaos, growing unemployment and the rapid and severe reduction in consumer spending. While we pride ourselves in being somewhat insulated from such shockwaves, it is clear that these factors affect many of our key revenue sources. The good news is that our tradition of fiscal conservatism and proactive planning will now provide us some protection from the economic downturn. What remains to be seen is the duration and severity of the events.

The recession is hitting many of our most significant revenue sources. Property Tax, which has been our engine of growth for several years, is showing the affects of the housing market correction. Sales tax is weakening from the drop in consumer spending. Transient Occupancy Tax is also dropping along with tourism and travel. And, of course, the housing market is hitting our construction related permit and planning fees. While past recessions and economic slowdowns have affected our revenues, it has not been as broad-based and severe.

While more information is provided below, by way of a summary at mid year, we are currently projecting that revenues will fall short of budgetary estimates by \$1.68 million. We further expect expenditures will come in \$1.06 million under estimates, leaving us with an overall imbalance of expenditures in excess of revenues of \$1,124,560. The original budget included an imbalance of \$508,264 due to the \$520,000 contribution to the school district. The year end projections increase that imbalance by \$616,296 – the direct result of the recession, and it’s affects on our revenues. Fortunately, we have sufficient unreserved fund balance available to accommodate this deficit, while also maintaining our policy reserve of 20% of General Fund expenditures (\$10.4 million) and our Economic Uncertainty reserve (\$4 million). By using these funds to completely cover the imbalance, we project that we will have an unreserved General Fund balance of \$1.3 million at fiscal year end. It is important to note that any operating shortfall in FY 2008-2009 will come from the unreserved General Fund balance and not from established reserves.

	<u>Revenues</u>	<u>Expenditures</u>	<u>Difference</u>
FY 2008-2009 Budget	\$51,813,219	\$52,321,483	(\$508,264)
Full Year Estimate	<u>\$50,135,500</u>	<u>\$51,260,060</u>	<u>(\$1,124,560)</u>
Positive/(Negative)	(\$1,677,719)	\$ 1,061,423	(\$616,296)

Based on our estimates, we will use available unreserved fund balance this year, and will likely need to use reserves next year. However, steps are already being taken to improve our budget picture. For example, all positions that become vacant are closely evaluated before recruitment is commenced. Since labor represents approximately 70% of all General Fund expenditures, staffing vacancies play a key role in realizing significant savings. Of course, vacancies often affect service levels. There are a number of positions that are remaining unfilled in an effort to

reduce costs. These include a Permits Technician in Community Development, the Revenue Services Specialist in Finance, a Public Works Inspector and an Associate Engineer in Public Works. These positions, along with other vacancies, save us \$32,000 each month they remain vacant. Some savings are also realized while positions remain vacant until filled.

Council will recall that the biennial resident satisfaction survey scheduled for this fiscal year was postponed, which saved \$30,000. We also hired a development impact fee consultant to ensure that we are collecting all potential development-related revenues, but reduced the scope of that contract to a feasibility study, saving \$25,000. Departments are actively monitoring day-to-day expenditures and are limiting travel and training to that deemed essential.

Another area in which we will realize savings is in Community Development plan checks and inspections. By design, we have augmented our own staff with outside contract labor for these services. This allows us to staff at the minimum level necessary. As activity expands and contracts, we can meet demand without the added cost of permanent full time employees. This is beneficial during the current housing crisis since remodel and new construction activity has dropped significantly.

We continue to closely monitor our expenditures while maintaining service levels as we review our options for FY 2009-2010.

***General Fund Revenues***

The chart below illustrates our General Fund revenues for FY 2008-2009 through mid year, as well as projections for FY 2009-2010 (which is discussed in more detail later in this report):

<u>Key Revenues</u>	<u>2009 Budget</u>	<u>2009 Estimated</u>	<u>Difference</u>	<u>2010 Estimate</u>
Property Tax	\$ 19,310,000	\$ 19,705,800	2.0%	\$ 20,305,700
Sales & Use Tax	8,372,000	7,842,220	-6.3%	7,450,100
Transient Occupancy Tax	3,700,000	3,084,500	-16.6%	2,960,000
Building Permit Fees	785,000	701,397	-10.7%	650,000
Plan Check Fees	735,000	582,820	-20.7%	500,000
Business License Tax	2,550,000	2,550,000	0.0%	2,550,000
Interest Income	1,310,722	1,260,000	-3.9%	750,000
Real Estate Transfer Tax	550,000	244,430	-55.6%	230,000
<u>Other Revenues by Category</u>				
Other Taxes	1,587,500	1,570,596	-1.1%	1,549,300
Revenue From Permits	638,094	499,407	-21.7%	475,000
Fines & Forfeitures	2,246,300	2,418,187	7.7%	2,568,200
Use of Property & Money	2,174,700	2,170,645	-0.2%	2,190,200
Other Governments	506,000	410,093	-19.0%	394,000
Service Charges	3,883,403	3,994,850	2.9%	3,686,600
Miscellaneous Revenue/Interfund Transfers	3,464,500	3,100,535	-10.5%	3,631,500
<b>Total General Fund Estimated Revenue</b>	<b>\$ 51,813,219</b>	<b>\$ 50,135,478</b>	<b>-3.2%</b>	<b>\$ 49,890,600</b>

Property Tax

Property tax is the General Fund’s largest revenue source, accounting for 38% of General Fund revenues. We have forecast Property Tax to come in \$395,800 (2%) over budget. While we have enjoyed solid growth in this major revenue over the past several years, the housing crisis will affect this revenue in earnest in FY 2009-2010, with growth rates currently estimated by our property tax consultants in the 2.5% to 3% range (well below the 7.7% growth this past year). We are also seeing an increase in property tax delinquencies county-wide which affect all cities in the county, since delinquencies are allocated across all cities in the county, not just to the city in which the delinquency occurs. Ultimately, those late payments are collected through the sale process, but it may take several years. We estimate that this year’s delinquencies will result in \$600,000 in deferred revenue, which has already been factored into the full-year estimates above.

FY 2008 Actual Revenue:	\$18,567,451
FY 2009 Budget:	\$19,310,000
FY 2009 Full Year Estimate:	\$19,705,800
FY 2010 Preliminary Budget Estimate:	\$20,305,700

Real Estate Transfer Tax

As discussed in the FY 2007-2008 audit report Letter of Transmittal, single family residential sales volume has dropped dramatically, and with that, prices. In 2007, sales volume for single family residential properties was 391 units, with a median price of \$1,628,500. Our most recent report indicated expected sales volume in 2008 of 300 units (a decrease of 23%), with a median price of \$1,540,000 (a 5.4% decrease). The drop off in sales volume, coupled with reductions in sale prices will impact our Real Estate Transfer Tax revenue, which is derived from a charge of fifty-five cents per \$500 of sales price, split evenly between the City and the County of Los Angeles. While originally budgeted at \$550,000 for FY 2008-2009, we now forecast this revenue source to total \$244,430 for FY 2008-2009 – a shortfall of \$305,570. In estimating the 2009-2010 revenue, we utilized a median price of \$1.4 million and sales volume of 300 units.

FY 2008 Actual Revenue:	\$450,299
FY 2009 Budget:	\$550,000
FY 2009 Full Year Estimate:	\$244,430
FY 2010 Preliminary Budget Estimate:	\$230,000

Sales Tax

Sales tax is the city’s second largest General Fund revenue source, accounting for 16% of total revenue. At mid-year, we are seeing revenue similar to the prior year, but below budget estimates. As a result, we expect year end totals to be below the original budget by up to \$529,780 (off by 6.3%). While Sales Tax typically sees a boost in the 4<sup>th</sup> quarter due to holiday shopping, we do not get those statistics until March, so the effects of this past holiday season will remain unknown for a few more weeks. However, based upon widely reported dismal retail sales, as well as informal discussions with local merchants, we can expect a decline year-over-year in this revenue for the 4<sup>th</sup> quarter. Further, with sales volume down, along with prices, we can expect lower revenue for the remainder of 2008-2009 and into 2009-2010. As a result, we are



estimating FY 2009-2010 revenue to be 5% lower than our 2008-2009 projected revenues. Sales Tax revenue remains sensitive as approximately 50% of our revenue is derived from fifteen businesses.

FY 2008 Actual Revenue	\$8,230,387
FY 2009 Budget:	\$8,372,000
FY 2009 Full Year Estimate:	\$7,842,220
FY 2010 Preliminary Budget Estimate:	\$7,450,100

Transient Occupancy Tax (TOT)

Also known as the hotel bed tax, the TOT through the first quarter of the fiscal year was performing on-par with last year, but below budgetary estimates. November, December and January receipts (which reflect October, November and December hotel room sales) are down 12.4%, 10.3% and 13.7% respectively from the same periods in 2007-2008. Clearly, the worldwide recession will continue to have impacts on tourism and business travel. In estimating 08-09, we assume the trend continues, and each month for the rest of the fiscal year performs 13% below the prior year actual receipts. As a result, we expect that our hotel bed tax (General Fund portion) will total \$3.08 million - \$615,500 below budgetary estimates. This will also affect our Capital Improvement Project Fund revenue by \$105,680 since 15% of the TOT is dedicated for Police & Fire Facility debt service<sup>1</sup> and future projects within that fund. For FY 2009-2010, we assumed that the entire fiscal year room sales and rates will remain at similar depressed levels. The activity will also be evident in the Marriott Hotel Rent line item that is partially derived from performance of the hotel.

	<u>Gen. Fund</u>	<u>CIP Fund</u>	<u>Total</u>
FY 2008 Actual Revenue:	\$3,306,386	\$644,111	\$3,950,497
FY 2009 Budget:	\$3,700,000	\$650,000	\$4,350,000
FY 2009 Full Year Estimate:	\$3,084,500	\$544,320	\$3,628,820
FY 2010 Preliminary Budget Estimate:	\$2,960,600	\$522,100	\$3,482,700

Building Permit & Plan Check Fees

The housing and construction slowdown is reflected in the performance and projections of the Building Permits and Plan Check Fee revenues. While we conservatively budgeted this year's revenues given last year's declines, we expect them to still fall short of budget by a combined \$237,200, or 15%. It is important to note, however, that through this slow down, we are also seeing a decrease in our plan check costs since fewer projects are being reviewed by our outside contractor. Overall, we have seen a large decline in residential activity, but a slight increase in commercial activity. In particular, residential demolition permits, which a few years ago averaged 15 per month, has dropped to just one in December 2008. This statistic serves as a leading indicator of future residential construction and permits/planning fees.

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<sup>1</sup> Sufficient revenue remains dedicated to the CIP Fund to cover the annual debt service.

	<u>Building Permit</u>	<u>Plan Check</u>
FY 2008 Actual Revenue:	\$816,619	\$763,352
FY 2009 Budget:	\$785,000	\$735,000
FY 2009 Full Year Estimate:	\$700,000	\$582,800
FY 2010 Preliminary Budget Estimate:	\$650,000	\$500,000

Business License Tax

Business license tax, which is generally calculated upon a business's gross receipts, is expected to decline from 2007-2008 levels based on overall economic conditions. Annual renewals commence in February, so trends based on actual receipts will not be known for several months. However, statewide sales trends from various reporting entities would suggest that retail sales (and therefore gross receipts) are declining. Fortunately, our estimate for 08-09 appears conservative given actual collections in 2007-2008.

FY 2008 Actual Revenue:	\$2,747,098
FY 2009 Budget:	\$2,550,000
FY 2009 Full Year Estimate:	\$2,550,000
FY 2010 Preliminary Budget Estimate:	\$2,550,000

Interest Income

The City invests its idle cash in a number of instruments ranging from a money market account and corporate debt, to U.S. Treasury notes and Governmental Agencies. During this financial crisis, short term (and long term) interest rates have declined dramatically – the result of the Federal Reserve Bank's rate reductions to stimulate the economy. While the City has a number of investments that mature between 2009-2013, 25% of the portfolio will mature in 2009. Those funds will be reinvested at rates that may be dramatically lower than the current yields in the 5% range, if current trends hold true. For example, using rates at the time this report was prepared, two-year non-callable U.S. Governmental Agencies such as Federal National Mortgage Association or Federal Farm Credit Bank were yielding in the 1.5% range, well below the 3.25% rate in July 2008. As a result, the City's interest income will suffer, which will in turn affect all funds that receive such income (General, Water, Parking funds, etc.). We expect this revenue to slightly under perform our budget estimate by \$60,722.

FY 2008 Actual Revenue:	\$1,389,331
FY 2009 Budget:	\$1,310,722
FY 2009 Full Year Estimate:	\$1,250,000
FY 2010 Preliminary Budget Estimate:	\$ 750,000

***General Fund Expenditures:***

General Fund expenditures through December 2008 are trending near budgetary levels. Vacancies (discussed above) and current spending patterns lead us to project overall General Fund expenditure savings on the order of \$1 million.

Two departments (Fire and Recreation) are tracking over budget at mid-year. For Recreation, expected cost patterns from the summer season (early in the FY) give the appearance of going over budget, but are expected to normalize as the year progresses. The Fire Department has incurred additional overtime costs as a result of our involvement in mutual aid responses to several regional fires (we are reimbursed by the State for these costs), and overtime incurred as the result of our Firefighters temporarily filling vacancies with the Hermosa Beach Fire department, which appear as expenditures, but are offset by reimbursement from Hermosa. However, the expenditure is presented without the reimbursement revenue. The cost of this assistance is fully reimbursed.

To reiterate, we are actively monitoring costs, taking steps where appropriate, and reducing expenditures where possible. But, there is no “free lunch.” Cutting costs almost inevitably translates to reduced service levels in some form or another. It is our intent to maintain service at the highest levels despite spending reductions.

***Capital Project Fund:***

Due to the weak performance of TOT, of which 15% is dedicated to the Capital Improvement Fund (CIP), we expect to see a shortfall in revenue of approximately \$106,000. Expenditures in the Capital Improvement Fund at mid-year are at 39.7% of budget. The most material costs in this fund are the debt service for the Police & Fire Facility (\$815,000) and the Energy Audit (\$150,000). With a large portion of the fund revenues dedicated to paying the debt service, the funding of additional capital projects is largely subject to our ability to generate General Fund surpluses.

***Other Funds:***

All other City fund revenues are at or near expected rates at mid-year. Citywide expenditures for all other operating funds are pacing below budget levels on a combined basis. The City's Special Revenue and Enterprise Funds are also operating as expected and remain in line with budget expectations. On a positive note, the Insurance Reserve Fund is performing better than expected. Workers Compensation claims paid is trending well below the prior year, however, higher than expected liability claims paid has offset some of the gains from Workers Compensation.

***FY 2009-2010 Budget Preview***

While the budgeting process for FY 2009-2010 has just started, we believe it is important to provide a preview of what the fiscal outlook is for next year as early as possible, given the current economic conditions. We listed the individual projections for key revenue sources above, but now present total revenues in the context of expenditure projections. **It is important to note that given the dynamic nature of the economy, and the timing of data for key revenues, these projections are subject to significant change by the time the proposed FY 2009-2010 budget is presented for Council consideration in May 2009.**

Our goal in developing the FY 2009-2010 budget is to not impact service levels to our residents. In presenting the Council with a balanced budget, we will utilize a combination of tools: revenue enhancements, spending reductions and reserves. For example, to the extent we can increase revenue, we will reduce the impact on service levels from spending cuts, or will need to use less in reserves. Alternately, as more spending cuts are identified, the reliance on the use of reserves diminishes.

On a budgetary basis, we are projecting overall General Fund revenues to decline from FY 2008-2009 levels by \$1.9 million (3.7%) while expenditures are projected to grow by \$1.16 million (2.2%). If these estimates hold true, this would result in a \$3.6 million shortfall in FY 2009-2010:

Estimated 09-10 General Fund Revenues	\$49,900,000
Estimated 09-10 General Fund Expenditures	<u>\$53,500,000</u>
Estimated 09-10 Shortfall Requiring Revenue Enhancements/ Use of Reserves/Spending Reductions	<u>(\$ 3,600,000)</u>

We will present the City Council with a balanced budget by using our best judgment and utilizing the tools we have available. We will also be prepared to provide alternatives for the Council to consider. Ultimately, it is up to the City Council to adopt a budget that you are comfortable with.

Because the City has been fiscally conservative over the years, we are fortunate to have accumulated reserves for economic hard times. We have \$4 million in an Economic Uncertainty reserve, as well as approximately \$10.4 million in a Financial Policy reserve. We also expect to have \$1.3 million in unreserved General Fund balance available at fiscal year end. We believe that it is prudent to use a portion of those funds in order to “balance” next year’s budget.

***Challenges – FY 2009-2010 and Beyond***

Over the past several years, we have seen a recurring pattern of General Fund expenses growing at a faster pace than revenues. Given the current recession, this will most certainly be the case again for FY 2009-2010, unless we enhance revenues and/or cut expenditures. Some of the challenges we face include:

- *Revenues.* Our overall revenue outlook is lower, particularly in the housing related revenues (property tax, building permits, plan check fees, etc.). Revenue enhancements will need to be considered.
- *Increasing labor costs.* While we have long term agreements with all of our bargaining units, labor costs represent over 70% of our General Fund expenditures, so even cost-of-living adjustments have a major impact on expenditure levels.
- *Safety staffing.* This coming spring, the City Council will be considering the Fire Department staffing study results. Possible outcomes include the need to add firefighters for suppression, paramedic and emergency preparedness purposes. If the Council supports such a move, new revenue sources will need to be identified and acted upon in order to fund such a service level enhancement.
- *Pension Costs.* As has been widely reported, CalPERS, who is the trustee for our employees' pensions, has lost 25% of market value year-to-date. If these losses persist for the remainder of the fiscal year, the City's contribution rates in FY 2011-2012 will increase by an estimated 5%. This translates into an additional estimated \$1.2 million in new on-going costs. Rates beyond 2011-2012 will be determined by subsequent CalPERS rates of return on investment.
- *Medical Benefits.* Providing employees with adequate healthcare also comes with a price tag that often goes up each year by double digits.
- *State Budget Crisis.* Despite the passage of Proposition 1A in November 2004, there are circumstances under which the State may borrow from local government in a fiscal emergency (which the Governor has declared). The question at this point is not "if," but "when" the raid on local government funds will take place. When it occurs, it will have a dramatic and immediate impact on us, further exacerbating our use of reserves to create a balanced budget.
- *Subsidization of Other Funds by the General Fund.* As discussed in the recent audit reports, a number of funds that should be self-sustaining are receiving funding from the General Fund. For example, the Street Lighting and Landscaping Fund has a -0- fund balance and assessments are inadequate to fund operations or provide for future capital needs. As a result, the General Fund subsidized this fund by \$189,000 in FY 2007-2008. The General Fund is also providing uncompensated services to the Storm Water Fund of over \$400,000 per year, this as the fund will encounter higher operating costs due to legislative action to clean storm water runoff. While these issues require a Proposition 218 vote, it is clear that the General Fund can no longer afford to support these ancillary services.

Other challenges include the City's water and waste water utilities. As reported in the FY 2007-2008 audit report, the Water Fund suffered a net operating loss of \$498,873 – the result of operating expenses (imported water, labor and materials) rising at a faster pace than revenues, which actually declined in 07-08 by 5% from the prior year. Further, costs are expected to continue to rise as imported water may be rationed, and tiered rates based on consumption are implemented by our main supplier, MWD. Of course, as demand for water decreases in response

to calls for conservation, some costs are reduced, while certain other costs of operating this utility remain constant, placing further pressure on the fund. Finally, operating a utility effectively requires constant repairs, maintenance and improvements. Given these factors, Council approved an infrastructure analysis and rate study in the FY 2008-2009 budget (we anticipate presenting the results and recommendations from those studies to the Council in spring 2009). Ultimately, the combination of higher costs, reduced consumption and infrastructure maintenance and replacements will require that we raise rates to maintain this utility.

A similar situation exists in the Waste Water Fund. This utility's net operating income has declined from \$244,530 in FY 2005-2006 to just \$70,115 in FY 2007-2008. Operating expenses were relatively flat from the prior year, but because revenues are tied to water consumption, as water usage declines, so does Waste Water funding. The water utility infrastructure studies mentioned above include our Waste Water utility. While we believe the utility will perform as expected in FY 2008-2009, these studies will illustrate that operations and maintenance, along with infrastructure enhancements, will need to be funded through rate increases in the coming months, in order to adequately fund this utility.

All-in-all, it is clear that our financial situation across a number of funds will require attention in the immediate future so that we can sustain service levels.

#### **BUDGET CONCLUSION:**

Despite the economic problems we face today, Manhattan Beach is prepared to weather the current storm. Our prudent build-up of reserves, which in the past, some in the community questioned as being overly cautious or conservative, will now prove useful as we face the toughest fiscal challenges in decades. Using the three-pronged approach of new revenue, spending cuts and reserves, we will get through what we expect will be a challenging few years. **However, it is clear that we will soon need a long term solution for our revenue-expenditure imbalance.**

In addition to the challenges discussed above, the economic environment will leave few if any opportunities for even minimal capital projects, since we rely on General Fund surpluses to produce the bulk of the funding for these community projects. With the exception of the Library project, which has its own dedicated and restricted resources for construction, we clearly will not have the funding for significant projects identified in the Facility Strategic Plan, or for any major rehabilitation of our existing facilities.

Our labor costs, which represent approximately 70% of the General Fund expenditures, will continue to rise through existing labor agreements, the first of which does not expire until 2010 (Fire). The potential need to augment Fire Department staffing levels to provide fire, paramedic and emergency preparedness services, which the City Council will consider this coming spring, may also have cost impacts. Finally, given the free fall in CalPERS investment returns, retirement benefit costs will increase dramatically in the coming years.

With our major General Fund revenues dropping or growing at anemic paces, at the same time our costs continue to rise at a more rapid pace, it is clear that new revenues will need to be seriously considered in the near term. We have several options, including asking the voters to approve updated street lighting and storm water assessments, which have not been changed in well over 13

years (at the same time costs have increased). Such revenue increases could eliminate the on-going General Fund subsidy of street lighting (\$189,000 in FY 2007-2008), and recover over \$400,000 in General Fund indirect support to the storm water enterprise. We could also consider a citywide sidewalk & landscape assessment district which would provide enhanced service levels for our residents, along with a funding source that would replace current General Fund contributions, thus freeing-up General Fund monies for other pressing needs.

While those assessments above would help stop the bleeding from services provided in excess of the associated service charges, it is clear that a new major revenue source is needed for the long term. Manhattan Beach is one of few cities in the South Bay that does not have a utility user tax (UUT). This tax, which is added as a percentage of utility bills (telephone, gas, electric, water, trash, cable, etc.) and collected by the utilities for remittance to the City, has the potential of adding \$700,000 per one percent of tax. With South Bay UUT rates averaging up to 6.8% (and some cities as high as 10%) similar rates could generate between \$4.76 million and \$7 million annually in General Fund revenue. A UUT, or other major revenue generating proposals, need to be discussed in the near future in order to sustain our funding and service levels.

The FY 2009-2010 proposed budget will be presented to the City Council in May. As always, there will be several opportunities for public input, including the budget study session, in which Council will review each department's budget, as well as two Town Hall style meetings where staff is available to review the spending plan and answer questions in small group settings. Input may also be received at the public hearing prior to adoption.

Attachments: A. Comprehensive Annual Financial Report for FY 2007-2008





# **City of Manhattan Beach, California**



## **Comprehensive Annual Financial Report**

**Year Ended June 30, 2008**

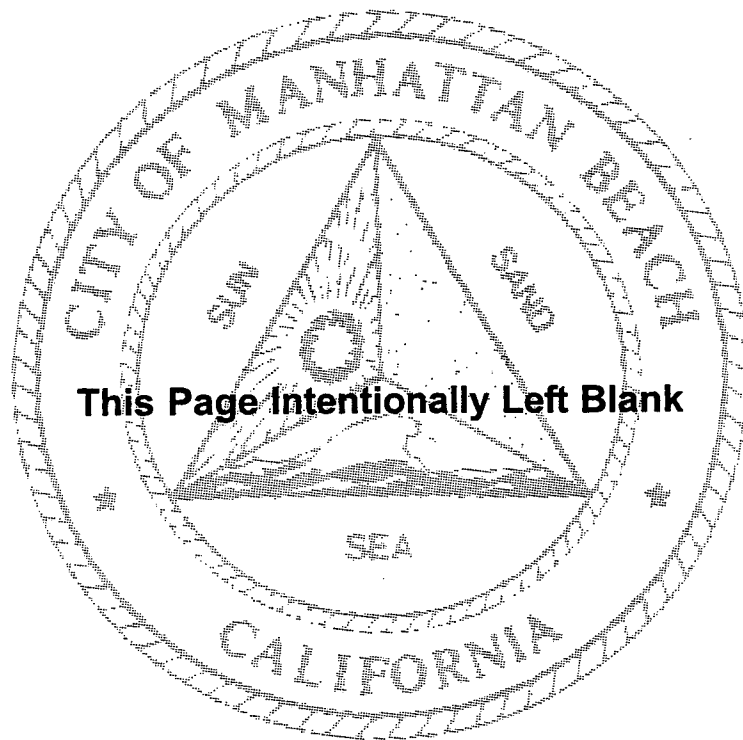


CITY OF MANHATTAN BEACH, CALIFORNIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2008



Prepared by the Finance Department

Bruce Moe, Finance Director



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CITY OF MANHATTAN BEACH  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2008

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# Introduction





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

*January 27, 2009*

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Manhattan Beach for the Fiscal Year ended June 30, 2008. This report has been prepared in accordance with generally accepted accounting principles (GAAP) as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB).

The City's financial policies require an independent audit be performed annually, and that the auditor's opinions be included in the Comprehensive Annual Financial Report. Further, it states that the results be reviewed with the Finance Subcommittee, and presented to the City Council no later than February 1<sup>st</sup> of the following year. The Finance Subcommittee met with the auditors and discussed the results in December 2008.

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.

The City's financial statements have been audited by Lance, Soll & Lunghard, CPAs, an accounting firm selected by the City Council, based on a recommendation from the Finance Subcommittee. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Manhattan Beach's financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with GAAP.

Fire Department Temporary Facility Address: 1599 Valley Drive, Manhattan Beach, CA 90266 FAX (310) 802-5201  
Police Department Temporary Facility Address: 1501 N. Peck Ave., Manhattan Beach, CA 90266 FAX (310) 802-5101  
Public Works Department Address: 3621 Bell Avenue, Manhattan Beach, CA 90266 FAX (310) 802-5301  
Visit the City of Manhattan Beach Web Site at [www.citymb.info](http://www.citymb.info)

The independent auditors' report is presented as the first component of the financial section of this report. The City was not required to conduct a single-audit, an audit of Federal Grant Funding, and, as such, no separate single audit opinion and report is included.

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

### **Profile of the Government**

The City of Manhattan Beach was 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 serves as Mayor for a nine month period once during his or her four year term in office. The City Treasurer is also elected to a four year term, and serves as the chairperson for the Finance Subcommittee. City Councilmembers are limited to two terms.

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

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

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

### **Service Efforts**

The city provides a variety of services to the community, including:

Police	Fire and paramedic services
Parks 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

In FY 2008, the City of Manhattan Beach continued to provide a high level of service to the community. In fact, our most recent biennial resident satisfaction survey, conducted in November 2006, indicated continued, very high levels of satisfaction with City services.

The City adhered to its financial policies and adopted financial plan. \$73.2 million was originally budgeted to support the City's many services and programs. Additionally, \$2.85 million in capital

equipment and projects was budgeted for the year. Budgetary limits were adhered to on a citywide basis. All funds performed as expected in line with the City's financial policy guidelines and reserves have been maintained.

Some of the key capital improvement and equipment expenditures in FY 2007-2008 include the following:

- \$1.7 million for street and sidewalk maintenance and repairs
- \$1.1 million in Water and Wastewater system improvements mainly related water tower maintenance, line replacements and valve and control upgrades.
- \$1.09 million to construct pervious pavement parking lots, which was primarily grant funded
- \$739,899 in vehicle and equipment purchases
- \$700,500 for synthetic turf at the Manhattan Village Soccer Field
- \$185,350 for Strand Improvements
- \$196,600 for the Facilities Strategic Plan project
- \$162,400 for the Council Chambers remodeling project
- \$127,600 towards Polliwog Park playground equipment

### **Major Initiatives**

In FY 2008, the City of Manhattan Beach made significant progress on many of the key work plan items identified in the operating budget. A recap of these accomplishments follows:

***Environmental Programs:*** In FY 2007-2008, the Council focused on ways for the City to reduce carbon emissions, water and air pollution, and, in general, become more "green." After signing on to the U.S. Mayors Climate Protection Agreement, an assessment of the City's carbon footprint was developed, which will help guide the desired goal of a 7% reduction from 1990 levels of greenhouse gas emissions by 2012 – in line with the Kyoto Protocol. Other areas include development of green building standards, reduction of storm water runoff, and reductions in water waste. Subsequently, in FY 2008-2009, the Council established the Environmental Task Force to address the myriad issues to protecting the environment.

***City Newsletter:*** Past resident satisfaction surveys indicated an opportunity to improve communications with residents, which has long been a goal of the City Council. To that end, a new stand-alone newsletter was created (previously, city news was incorporated with the Parks & Recreation class guide). The new format works in conjunction with the City's redesigned website to provide residents with up-to-date information on city events.

***Downtown Parking:*** Substantial progress was made during the fiscal year on this project, the objective of which is to ensure that the parking supply is used efficiently and effectively in this important commercial zone. Tasks included time-of-day and seasonal utilization surveys, as well as future demand evaluation of parking code requirements. Final implementation from the study recommendations subsequently occurred in FY 2008-2009.

### ***Community Facility Strategic Plan***

During FY 2006-2007, we commenced the Community Facility Strategic Plan. This effort continued into FY 2007-2008, and involved many community meetings, as well as surveys of our residents. The ultimate goal of the plan was to identify our needs for new and replacement facilities with which to serve our residents well into the future. With that objective accomplished during FY 2007-2008, the near term focus is on a new library in the civic center. The City is in discussions with the County of Los Angeles, which owns and operates the current library facility, on ways in which to fund and construct a new, larger and more appropriate facility for our community.

### ***Older Adult Transportation and Programming***

The Council recognized the need to enhance and improve services to this group by hiring a dedicated full time position to support older adult services. Dial-a-Ride bus service hours were expanded and a taxicab backup program was developed to meet the needs of those with scheduled appointments that conflict with Dial-A-Ride schedules. Additional programs were also developed that include exercise, health, painting and cultural arts activities.

## **Financial Controls and Procedures**

***Financial Policies:*** Throughout the years, the City of Manhattan Beach has followed a fiscally conservative philosophy of building and maintaining healthy financial reserves. This practice has allowed the City to continue providing quality services to its residents in a time when many local agencies were being forced to cut back due to fiscal constraints. In 1997-1998, the City Council approved the City's first set of financial policies, designed to promote sound financial management and ensure that the City's fiscal integrity remains intact as staff and Councilmembers change. This Comprehensive Annual Financial Report reflects these financial guidelines and presents all fund reserves and designations in an effort to define fund balance commitments and obligations as of the financial report date.

***Internal Control Structure:*** 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.

***Budgetary Controls and Changes:*** The City of Manhattan Beach maintains strong budget controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Budget control is primarily maintained at the fund level in the governmental fund types. The City maintains a centralized purchasing function as one method of accomplishing budgetary controls. All purchase orders are reviewed by Finance management to assure adequate budget funding before binding commitments are finalized. Additionally, all machinery and equipment purchases are processed through centralized warehouse receiving to further strengthen internal controls. The City's financial software includes a full encumbrance purchasing-accounting system with real time approval and budget checking capabilities. Full encumbrance accounting allows for the rapid identification of fund obligations at the time of requisition, providing tremendous budgetary control. The Comprehensive Annual Financial Report isolates all

encumbrance obligations existing at June 30, 2008, related to governmental funds, and presents them as fund balance reserves on the respective balance sheets.

**Cash Management:** It is the City's policy to invest all temporarily idle short-term funds and longer-term reserves in a manner that will maximize return without sacrificing security and jeopardizing liquidity requirements. Idle funds are invested in accordance with the State's Government Code and a formal City investment policy which is adopted annually by the City Council. The policy allows investments in a variety of specific instruments such as Certificates of Deposit, Bankers Acceptances, U.S. Government and Agency securities, Repurchase Agreements, Commercial Paper, and the State's Local Agency Investment Fund.

**Risk Management.** The City is a member of the Independent Cities Risk Management Authority (ICRMA), a joint powers authority consisting of twenty-two medium-sized California municipalities, for the purpose of pooling the City of Manhattan Beach's risk for general liability losses with those of other member cities. The City's self-insured retention is \$500,000 per occurrence for Liability and \$750,000 for Worker's Compensation. Under ICRMA, Worker's Compensation and liability insurance coverage in excess of the self-insured amount is provided up to a limit of \$100 million and \$20 million respectively. Premiums for excess insurance coverage are set annually based upon actual claims experience, actuarial projections and payroll factors.

## **Executive Financial Overview**

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

### **General Fund**

The General fund is the primary operating fund of the City of Manhattan Beach. In comparing year end 2008 to 2007, the total fund balance decreased by \$2.54 million. This decrease is the direct result of the use of \$4.7 million in General Fund reserves to pre-pay employee retirement healthcare benefits provided through the collective bargaining process, or by law. At the end of fiscal year 2008, the total General Fund balance equaled \$18.4 million after \$207,984 of net transfers out, primarily to the Street Lighting and Landscape Fund. The unreserved fund balance is \$16.6 million. Within the unreserved fund balance, City Council has established designations for financial policy and economic uncertainties of \$13.7 million leaving an unreserved and undesignated fund balance of \$2.9 million, which is available for use at City Council's discretion.

General Fund expenditures exceeded revenues by \$2.36 million. The cause of the imbalance was the result of the prepayment of \$5,704,981 covering accrued liability and current year expenditure for retiree medical benefits, technically referred to as "Other Post Employment Benefits, " or OPEB. OPEB refers to those retiree benefits that are in addition to pension and, in accordance with Governmental Accounting Standards Board pronouncement 45 (GASB 45), must be recognized and actuarially determined. The prepayment was made from a combination of reserves and existing funds set aside for the benefits. The funds were deposited with the California Public Employees Retirement System medical trust plan, and are invested in the same manner that public pension funds are invested. The proper accounting for this transaction treats the \$1.1 million transferred from the

City's Pension Fund to the General Fund (which was then deposited with CalPERS) as a General Fund revenue (included in Miscellaneous revenue in the chart below), while the funds deposited with CalPERS were treated as an expenditure. When considering this transaction, the year-end results in the General Fund decreased fund balance by \$2,358,950 before transfers.

General Fund transfers included:

- \$189,967 to the Street Lighting and Landscape Fund to relieve a deficit fund balance
- \$18,017 to the Insurance Reserve Fund to maintain policy reserve levels
- \$25,079 of excess reserves from the County Lot Fund was transferred to the General Fund in line with the contract with the County of Los Angeles

With the exception of property tax revenue, and interest and rent income, the City's General Fund showed signs of the slowing economy in a number of areas, particularly sales tax and construction related fees such as building permits and plan check fees. This can be noted by the following trends:

Revenue Category	2007 Actual	2008 Actual	Increase (Decrease)	%
Property Tax	\$ 17,116,975	\$ 18,567,451	\$ 1,450,476	8.5%
Other Taxes (Sales, Hotel, Business License)	\$ 15,993,673	\$ 16,278,198	\$ 284,525	1.8%
Licenses and Permits (Building, Construction, Film Permits)	\$ 1,639,680	\$ 1,408,697	\$ (230,983)	-14.1%
Fines (Parking Citations, Vehicle Code Fines)	\$ 2,025,694	\$ 2,047,187	\$ 21,493	1.1%
Interest and Rents (Including Ground Leases)	\$ 3,655,099	\$ 3,897,287	\$ 242,188	6.6%
Received From Other Agencies (Vehicle License Fees, Grants)	\$ 775,941	\$ 571,403	\$ (204,538)	-26.4%
Service Charges (Plan Check Fees, P&R Class, Ambulance Fees)	\$ 4,542,896	\$ 4,638,335	\$ 95,439	2.1%
Interfund Charges (Admin. Svc. Charges)	\$ 2,706,096	\$ 2,829,644	\$ 123,548	4.6%
Miscellaneous	\$ 384,166	\$ 1,672,904	\$ 1,288,738	335.5%
<b>Totals</b>	<b>\$ 48,840,220</b>	<b>\$ 51,911,106</b>	<b>\$ 3,070,886</b>	<b>6.3%</b>

Sales tax was down approximately 1% from the prior year's actual receipts, and came in below budgetary estimates by 1.3%. On the other hand, Transient Occupancy Tax showed another solid gain of 5.9% compared to 2007, and outpaced our budget projections by 5.4%. Interest income



exceeded budget estimates by 11.1%. On an overall basis, General Fund revenues increased by 6.3% over 2007 results, and came in 6.7% over our budget estimates. However, \$1.1 million of General Fund revenue was the result of a transfer of funds from the Pension Fund to the General Fund in order to pre-fund retiree medical liabilities with CalPERS. Discounting that one time revenue/transfer, FY 2008 revenues exceeded FY 2007 by 4%.

It is clear that our Property Tax revenues reflect the peak values and growth of the real estate market before the down turn which commenced in earnest in late 2007, well after the 2007-2008 property tax assessments had been established. While FY 2008-2009 property tax collections are estimated to grow between 6-7%, FY 2009-2010 revenues will reflect the effects of the housing market declines.

Despite the revenue growth of 6.3%, fund balance decreased by \$2.54 million mainly due to the use of \$4.7 million to pre-fund the General Fund portion of our post employment medical benefits. Other expenditure increases were as follows:

- Salaries and wages increased by \$1.3 million, or 5.9%
- Group medical insurance rose by \$170,000, up 7.5 %
- Pension costs went up by \$316,000, or 6.8%
- Materials and services went up by \$660,000 (8%)

Overall, expenditures came in 2% below final budget appropriations, but increased over the prior year by 2.9%. Fewer staff vacancies this past year is a major reason for the year-over-year increase. Clearly, rising costs is an area of concern that needs to be addressed.

## **Other Funds**

### ***Capital Improvement Fund***

The Capital Improvement Projects Fund (CIP) is designed to manage general governmental capital projects. In FY 2008, the CIP Fund had revenues of \$1.49 million, and capital expenditures of \$2.72 million. A transfer-out of \$55,850 to the Parking Fund was made for the installation of security surveillance cameras in the Metlox parking structure. At June 30, 2008 the total balance in the CIP Fund was \$6.26 million. Of this balance, \$2.63 million has been specifically earmarked for planned infrastructure projects and restricted bond cash. \$1 million has also been designated for the City's Underground Assessment District Loan Program. Unreserved fund balance totals \$3.63 million, with \$2.6 million of that amount remaining unreserved and undesignated. Project reserves at year end include:

- \$940,580 for Playground equipment
- \$280,000 for Live Oak and Manhattan Heights park fencing
- \$106,220 for City entryway signage
- \$75,000 for Live Oak Park retaining wall and landscaping
- \$40,000 for Creative Arts Center sound baffling

### ***Special Revenue, Internal, and Enterprise Funds***

All other Governmental and Business Type funds performed within budget. However, several under-performing funds deserve our attention.

The Water Fund had negative net income from operations of \$498,873 in FY 2008. This is a dramatic decline from FY 2006, when net operating income was \$598,000, and FY 2007 when it totaled \$80,000. This is the result of operating expenses (labor, purchased water costs, services, etc.) rising by 2.8% in FY 2008, while revenues actually declined by 5%. City Council has already taken steps to address this issue. At the beginning of FY 2008-2009, the Council implemented a 15% across the board increase in water rates to help mitigate the rising cost of imported water from our main supplier, Metropolitan Water District. Additionally, the FY 2008-2009 budget includes a rate study for both Water and Waste Water utilities. As the drought continues and water resources dwindle, and conservation becomes increasingly important, further rate hikes that consider reduced consumption in the context of capital needs will be necessary.

A similar situation exists in the Waste Water Fund, which had \$244,530 in net operating income in FY 2006, \$141,940 in 2007, and now \$70,115 in 2008. While operating expenses rose slightly by 1.2%, revenues declined by 4.4%. A rate increase of 15% was implemented in early FY 2008-2009 to address this imbalance. The aforementioned rate study will help us design fees that address our longer term capital needs with today's market dynamics.

The Storm Water Fund net operating income in FY 2008 was a negative \$79,880. This was the result of operating expenses increasing by 30% over 2007 levels to \$418,088, while revenues dropped 4.4% to \$338,208 from the prior year. Storm Water revenues are based upon assessments, which in order to increase, requires property owner approval through an assessment ballot. Additionally, increased regulation of storm water will serve to drive up the costs associated with this activity. Until revenues can be adjusted, the Storm Water Fund will remain subject to funding limitations, and when necessary, General Fund subsidies.

As has been the trend in recent years, Workers Compensation claims and reserves continue to remain at high levels and have resulted in increased departmental charge outs in the Insurance Reserve Fund to match these claims. New cases filed in FY 2007-2008 added \$1 million in claims costs, bringing the total Workers Compensation claims paid in FY 2007-2008 to \$2.58 million – an increase over the prior year of \$1.4 million. This continues to be an area of concern for us.

### ***Trust and Agency Funds***

In several cases, the City acts as a custodian of funds held for the benefit of others which mostly relates to the administration of employee pension and 401(a) deferred compensation plans. All such plans funding requirements have been maintained. City Plans include the supplemental retirement and single highest year programs - dormant plans which were previously offered by the City. It is significant to note that this financial report does not include the value of trust holdings in the employees' 457 deferred compensation plan totaling \$15.6 million at June 30, 2008. This recognizes enacted legislation establishing the City as a plan trustee and protecting these employee-owned assets from external creditors.

The trust and agency fund group also includes debt service funds held in trust on behalf of the undergirding assessment districts. This fund accounts for assessment collections and the related debt service payments. The cash held as of June 30, 2008, will be used to pay bondholders in FY 2008-2009.

### **Post Retirement Pension and Medical Plans**

**Defined Benefit Pension Plan:** The City contracts with the California Public Employees Retirement System (CalPERS) for certain retirement, disability, death and survivor benefits for qualified employees. The annual actuarial valuation by CalPERS changes from year to year, and the City's contribution rates are modified accordingly.

In FY 2005-2006, the City's Police and Fire plans were moved into the CalPERS pools, a mandatory change for cities of our size. The Financial notes reflect the impact of this change which is intended to smooth rates for all member cities over time. In FY 2007, the City issued pension obligation bonds (POB's) in the amount of \$6.8 million to liquidate the City's unfunded liabilities within these plans. The savings are derived from issuing bonds at a lower interest rate than applied by CalPERS. The present value savings realized from this sale was approximately \$430,000.

**Retiree Medical Plan:** During FY 2007-2008, the City contracted with CalPERS to participate in the California Employers' Retirement Benefit Trust (CERBT). This plan allows participating agencies to pre-fund retiree medical benefit liabilities while taking advantage of CalPERS' investment expertise at a low cost. Funds are invested in the same manner in which public pension funds are invested, and are actuarially assumed to earn 7.75% annually, although actual earnings will fluctuate with market conditions. The City hired an independent actuary to determine the City's liabilities for the various retiree medical benefits provided. The liability across all funds totaled \$6.15 million. The City funded this liability in its entirety through the use of existing pension reserves set aside specifically for this purpose, as well as through the use of other reserves. GASB 45, which provides guidance on "other post employment benefits" (OPEB) requires us to perform an actuarial study every two years. As such, our next valuation will be dated July 1, 2009.

**Retirement Plan for Part-Time Employees:** From 1990 to 1997, the City of Manhattan Beach provided its own retirement plan for part-time, seasonal and temporary employees not eligible for participation in the California Public Employees Retirement System. This plan was eliminated in June 1997, as the City opted to provide the Public Agency Retirement System (PARS) program instead.

### **Significance of GASB 34 on Capital Asset Presentation**

GASB 34 requires state and local governments to report financial information in two distinct presentations:

**Government wide statements** - These are consolidated financial statements for Citywide operations based on full accrual accounting. They are not presented on a fund basis, but on a fiscal operations basis. There are two major categories – governmental and business type. The focus is on the flow of economic resources versus flow of funds (working capital). Business type activities include the Enterprise Funds which have always been reported on a full accrual flow of economic resources basis. The governmental activities include General Fund, Capital Improvement Funds, Special

Revenue Funds, Internal Service Funds and all current and non current assets and liabilities associated with these funds. Governmental activities account for all capital assets such as land, buildings, facilities, infrastructure (roads, sidewalks), vehicles, machinery, and equipment. Capital assets of governmental activities are expensed via depreciation. Capital expenditures and payment on debt service principal are excluded since those transactions involve flow of funds and not economic resources.

*Fund statements* – This section includes information on the City’s major governmental and enterprise funds. Governmental funds (General, Capital Improvement, and Special Revenue Funds) are prepared using the flow of funds measurement focus. Balance sheets for the governmental funds include only current assets and current liabilities; therefore the fund balance is the working capital. There is a budget-to-actual comparison for the General Fund (original, final budget, actual amounts and variance). Budgetary comparisons for other governmental funds are shown in the Combining Financial Statements & Schedules which follows the footnotes. Proprietary fund statements are presented using full accrual accounting and the focus is flow of economic resources.

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

## **CURRENT TRENDS AND EVENTS**

Since the close of FY 2007-2008, the economy has turned dramatically. The country’s financial system is seemingly in disrepair, major financial institutions have failed, while others have sought mergers to remain viable. Home foreclosures are at record highs, brought on by questionable lending practices, further exacerbating a weak housing market. Unemployment is growing rapidly. The Federal Government has taken action to support the auto industry. Huge governmental bailouts have occurred, with more expected. These are historic times to say the least.

While Manhattan Beach is often envied for our fiscal stability, and ability to weather the storms, there is no doubt that we are, and will be, affected by the economic problems. We can expect revenues tied to retail sales, such as our gross receipts-based business license tax and sales tax, to decline. Our building related fees such as building permits and plan check fees, which have already declined, will be further impacted. Our hospitality industry will also feel the effects of recession as business and leisure travel drop off, which in turn will reduce our transient occupancy tax and sales tax.

Safeguarding the City’s assets is a top priority for us. Recently, steps were taken to reduce the City’s portfolio exposure to corporate debt, particularly in the financial sector. While cities around us are sustaining losses on investments that once were considered among the safest, we have thus far successfully navigated these currents. We remain cautious and monitor developments daily. Unfortunately, investment opportunities for the City will yield extremely low rates, reducing revenues further.

The City’s biggest General Fund revenue source, property tax, has grown rapidly over recent years. But even this revenue source is beginning to show signs of deterioration. As home values drop, properties sold in the last 2-3 years now have assessed values in excess of market value. As a result, an increasing number of property owners will apply for a reduction in the assessed value in an effort to lower their property taxes. Additionally, sales volume has dropped dramatically, and with that, so have prices. In 2007, sales volume for single family residential properties was 391 units, with a median price of \$1,628,500. Our most recent report shows we are on a pace for calendar year 2008

for 300 units sold (a decrease of 23%), with a median price of \$1,540,000 (a 5.4% decrease). While we still have approximately 25% of pre-Proposition 13 properties with very low assessed values, it is likely that our property tax growth will be in the 2%-3% range for the next couple of years, until the housing market recovers.

Couple these revenue challenges with an expenditure structure that is 70% labor based, with salary and benefit costs pre-determined through labor agreements, and it becomes self evident that we face significant fiscal challenges which will need to be addressed in the coming year.

The good news is that Manhattan Beach has been preparing for times like these for many years. We have reserves established and funded. We run a lean operation. We don't "buy" what we can't afford. And we issue debt prudently. The dividend will be our ability to weather this storm and continue providing outstanding services. And when the economy improves, we will take that opportunity once again to prepare for the next rainy day.

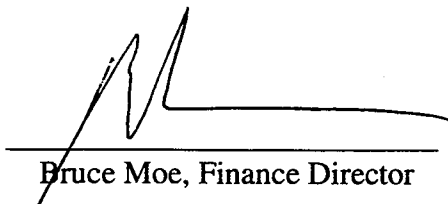
## **OTHER INFORMATION**

**Acknowledgments:** Preparation of this report could not have been accomplished without the efficient and dedicated services of the Finance Department staff. We would like to express our appreciation to all members of the department, particularly Henry Mitzner, Sharon Koike, Sande Johnson, Eugene Wee, Luisa Camba, and Helga Foushanes who assisted and contributed to its preparation. A special thanks to Lance, Soll & Lunghard, LLP our independent auditors, for their professionalism and diligence in preparing this year end financial report. We would also like to thank the Mayor, members of the City Council, and the City Treasurer for their leadership and support, without which the preparation of this report would not have been possible.



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Geoff Dolan, City Manager



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Bruce Moe, Finance Director

## ELECTED OFFICIALS & EXECUTIVE STAFF

### ELECTED OFFICIALS

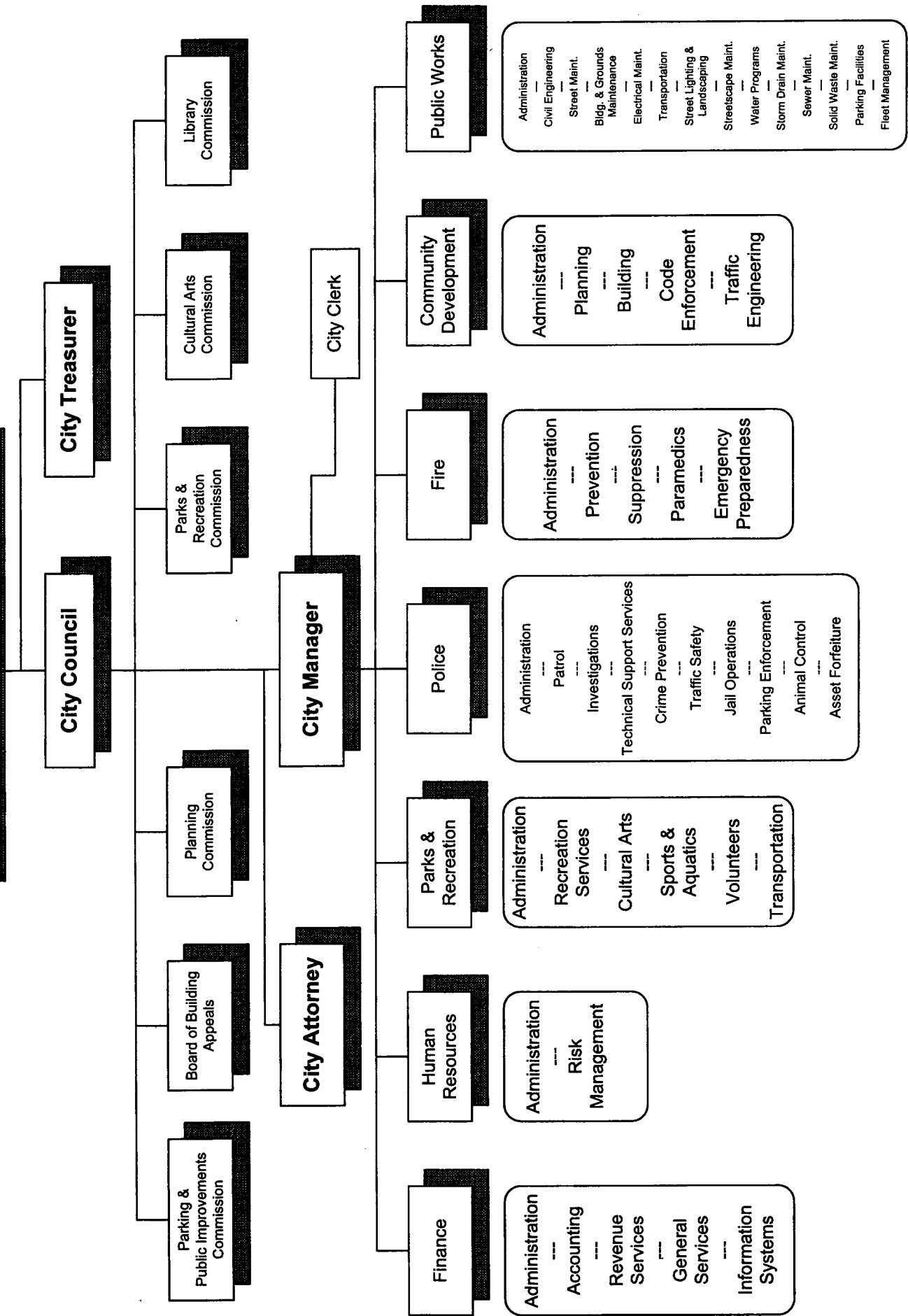
### TERM ENDS

- |                               |   |  |
|-------------------------------|---|--|
| ● <i>Mayor</i>                | Richard Montgomery                      | March 2009                             |
| ● <i>Mayor Pro-Tem</i>        | Portia Cohen                            | March 2011                             |
| ● <i>City Council Members</i> | Mitch Ward<br>Nick Tell<br>Jim Aldinger | March 2011<br>March 2009<br>March 2009 |
| ● <i>City Treasurer</i>       | Tim Lilligren                           | March 2009                             |

### EXECUTIVE STAFF

- |   |                       |
|---|-----------------------|
| ● <i>City Manager</i>                       | Geoff Dolan           |
| ● <i>City Clerk</i>                         | Liza Tamura           |
| ● <i>City Attorney</i>                      | Robert V. Wadden, Jr. |
| ● <i>Director of Finance</i>                | Bruce Moe             |
| ● <i>Director of Human Resources</i>        | Cathy Hanson          |
| ● <i>Director of Parks &amp; Recreation</i> | Richard Gill          |
| ● <i>Chief of Police</i>                    | Rod Uyeda             |
| ● <i>Fire Chief</i>                         | Scott Ferguson        |
| ● <i>Director of Community Development</i>  | Richard Thompson      |
| ● <i>Director of Public Works</i>           | Jim Arndt             |

# CITIZENS OF MANHATTAN BEACH



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Manhattan Beach  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

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



*Oliver S. Cox*

President

*Jeffrey R. Emery*

Executive Director





# **Financial Section**





CERTIFIED PUBLIC ACCOUNTANTS

- ◊ Brandon W. Burrows, C.P.A.
- ◊ Donald L. Parker, C.P.A.
- ◊ Michael K. Chu, C.P.A.
- ◊ David E. Hale, C.P.A., C.F.P.  
A Professional Corporation
- ◊ Donald G. Slater, C.P.A.
- ◊ Richard K. Kikuchi, C.P.A.
- ◊ Susan F. Matz, C.P.A.

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Manhattan Beach, California, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Manhattan Beach's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Manhattan Beach as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December, 18, 2008, on our consideration of the City of Manhattan Beach's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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



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

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

*Lanci, Solt & Loughard, LLP*

December 18, 2008

## CITY OF MANHATTAN BEACH

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Manhattan Beach, we offer our readers of these financial statements this narrative overview and analysis of the financial activities of the City of Manhattan Beach for the fiscal year ended June 30, 2008. 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 xi of this report.

#### FINANCIAL HIGHLIGHTS

##### *Government Wide Financial Basis*

- As of June 30, 2008, the City's total net assets citywide (including all governmental and business type activities) totaled \$171,118,767. This is an increase from the prior fiscal year of \$1,065,337, or .6%.
  - Governmental net assets increased slightly by \$511,779 (.4%) to \$131,060,065.
  - Business type activity net assets increased by \$773,822 (2%) after restatement of beginning balance by negative \$220,264, largely due to investment earnings and rents of \$874,003.
- Unrestricted net assets, which may be used to meet the government's on-going obligations within certain parameters and requirements, totaled \$41,561,172. This is a decrease of \$1,641,998 (3.8%) from FY 2006-2007 levels. The decline is the result of the use of working capital to generate capital assets, and the payment of required actuarial contributions to meet GASB 45 (Other Post Employment Benefits, or OPEB) pronouncement.
- Citywide capital assets, net of depreciation, increased by \$1.2 million from the prior year, the result of infrastructure and water enterprise capital expenditures.
- The City's bonded debt decreased by \$1.78 million during FY 2007-2008. This decrease is attributable to the scheduled principal pay down of issued bonds and leases by both governmental activities and business type activities.
- Long term insurance claim reserves were increased by \$1.78 million primarily attributable to a high level of workers compensation claims activity. Employee leave reserve balances were marginally increased to keep pace with the value of wage increases.

##### *Fund Financial Basis*

- As of June 30, 2008, the General Fund balance was \$18,437,158. Fund expenditures exceeded revenues by \$2,358,950. The imbalance was primarily caused by the expenditure of \$4.72 million for advanced funding of the General Fund portion of Other Post Employment Benefits (OPEB) for future retiree medical benefits, which was mostly paid from reserves.
- Total Governmental Fund revenue totaled \$56,724,348, a decrease of 10.2% (\$6,446,962) from the prior year. One-time bond proceeds and prepayment revenues from property owners for underground assessment district construction in the prior year (which were not repeated in the current year) accounted for \$8.5 million in decreases. Offsetting that is revenue from the City's Pension Fund transferred to the General Fund (\$1.1 million) to contribute to the retiree medical benefits pre-payment, as well as \$423,301 from the Insurance Fund to reimburse the General Fund for salary continuation payments for employees out on injuries.
- Governmental Fund expenditures totaled \$60,509,915, down \$13,821,855 (18.6%) from FY 2006-2007. In the prior year, there were one-time expenditures of pension obligation bond proceeds (\$5,777,433), as well as disbursements from the underground assessment district funds (\$11,168,303) which account for the decrease.

- General Fund transfers-out totaled \$207,984 for the following purposes:
  - \$189,967 to the Street Lighting Fund to relieve a deficit from operations
  - \$18,017 to the Insurance Fund to maintain policy reserves.

## **USING THIS ANNUAL REPORT**

### **Overview of the Financial Statements**

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

### **Reporting on the City as a Whole**

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

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

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

The government wide statement of activities has two components:

#### ***Governmental Activities***

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

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

#### ***Business Type Activities***

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

The government-wide financial statements can be found on pages 19 and 20 of this report.

## Reporting on the City's Most Significant Funds

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

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

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

The City of Manhattan Beach maintains 11 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 9 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these *non-major* governmental funds is provided in the form of *combining statements* elsewhere in the fund financial statements section of this report.

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

The basic governmental fund financial statements can be found on pages 23 to 38 of this report.

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

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. All four internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal

service funds is provided in the form of combining statements. Four of the City's seven enterprise funds are considered major funds and presented as such in the fund financial statements. The three non-major funds, Storm Water, County and State parking lots, are presented individually in the combining statements.

The combining statements referred to earlier in connection with non-major governmental funds, proprietary and internal service funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 79 to 108 of this report.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39 to 78 of this report.

### The City as Trustee

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

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

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net assets (assets in excess of liabilities) may serve over time as a useful indicator of a government's financial position. In the case of the City of Manhattan Beach, net assets totaled \$171,118,767 at June 30, 2008.

By far, the largest portion of the City's net assets (88%) reflects its investment in capital assets (e.g., land, infrastructure, buildings and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

#### City of Manhattan Beach Net Assets

	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current Assets	\$ 42,156,000	\$ 46,237,333	\$ 14,809,449	\$ 15,999,710	\$ 56,965,449	\$ 62,237,043
Non-Current Assets	\$ 132,435,624	127,995,339	\$ 42,861,242	41,673,414	175,296,866	169,668,753
<b>Total Assets</b>	<b>174,591,624</b>	<b>174,232,672</b>	<b>57,670,691</b>	<b>57,673,124</b>	<b>232,262,315</b>	<b>231,905,796</b>
Current Liabilities	\$ 11,183,912	10,402,897	\$ 1,900,163	2,081,125	13,084,075	12,484,022
Non-Current Liabilities	\$ 32,347,647	33,281,489	\$ 15,711,826	16,086,855	48,059,473	49,368,344
<b>Total Liabilities</b>	<b>43,531,559</b>	<b>43,684,386</b>	<b>17,611,989</b>	<b>18,167,980</b>	<b>61,143,548</b>	<b>61,852,366</b>
Invested in Capital Assets						
Net of Related Debt	\$ 94,464,084	93,644,407	\$ 24,736,570	23,447,692	119,200,654	117,092,099
Restricted	\$ 8,591,311	8,011,040	\$ 1,765,630	1,747,121	10,356,941	9,758,161
Unrestricted	\$ 28,004,670	28,892,839	\$ 13,556,502	14,310,331	41,561,172	43,203,170
<b>Total Net Assets</b>	<b>\$ 131,060,065</b>	<b>\$ 130,548,286</b>	<b>\$ 40,058,702</b>	<b>\$ 39,505,144</b>	<b>\$ 171,118,767</b>	<b>\$ 170,053,430</b>



Net assets of the City's *Governmental* activities amounted to \$131.06 million, an increase over the prior year of \$511,779. Of the \$131.06 million, \$94.46 million is invested in capital assets net of related debt such as land, buildings, machinery, infrastructure, equipment and other improvements; \$8.59 million is restricted for debt service or for Special Revenue Fund resources that are subject to external restrictions on use. The balance of unrestricted net assets (\$28.0 million) is investment in economic resources available to the City. A significant portion of this remaining balance is subject to capital project designations and policy reserves displayed in financial Note 8.

Net assets of the City's *Business-type* activities totaled \$40.06 million. This represents an increase from FY 2006-2007 of \$553,558. \$24.7 million is invested in capital assets (land, buildings, machinery, equipment, etc.) net of related debt, while \$1.77 million is reserved for debt service and for business improvement district use. \$13.56 million is investment in economic resources available to the City.

The City's total change in net assets amounts to \$1.285 million with respect to the beginning balance as restated. The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ending June 30, 2007 and June 30, 2008:

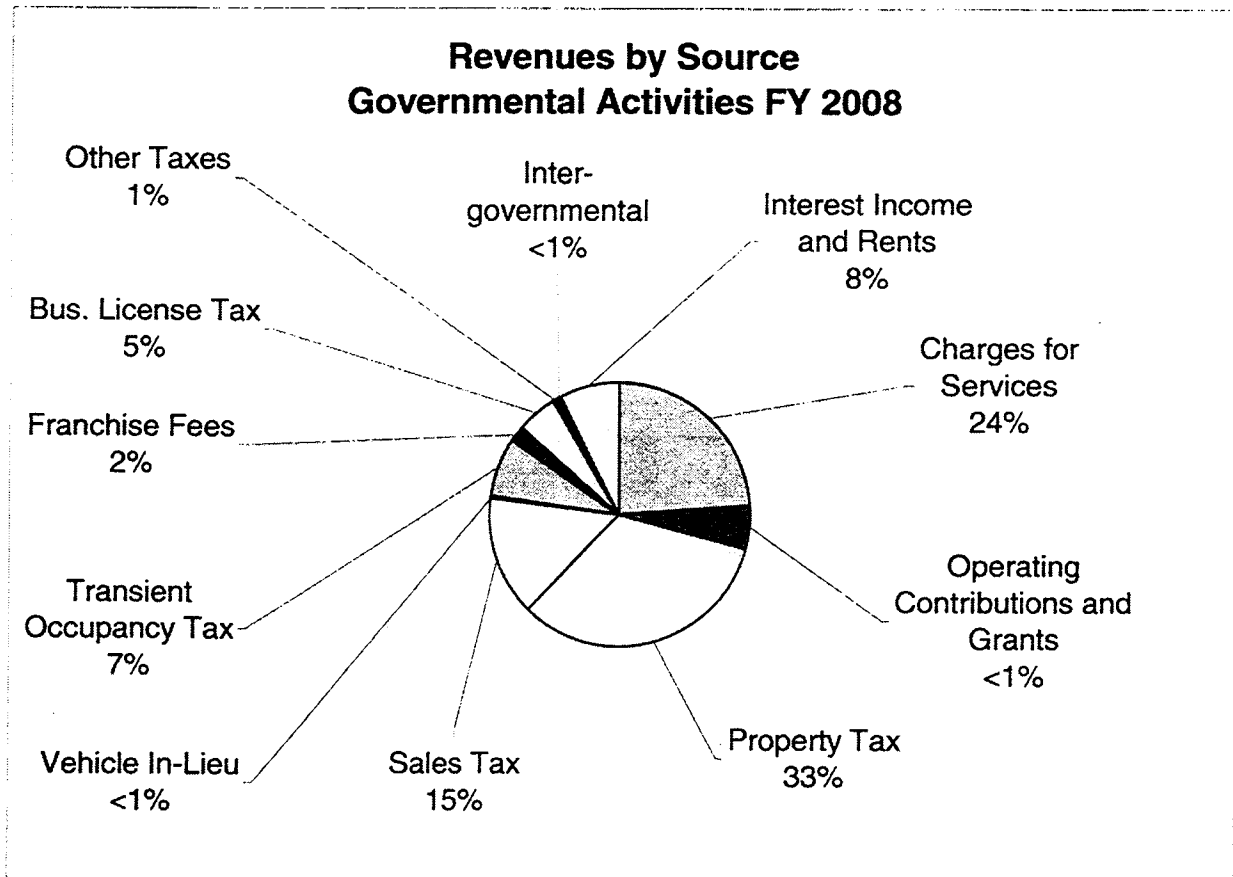
**City of Manhattan Beach Changes in Net Assets**

	Governmental Activities		Business -Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Program Revenues:</b>						
Charges for Services	\$ 13,491,412	\$ 12,904,269	\$ 14,357,640	\$ 14,889,212	\$ 27,849,052	\$ 27,793,481
Operating Contributions and Grants	2,250,606	1,933,403	90,853	10,861	2,341,459	1,944,264
Capital Contributions and Grants	679,865	10,923,007	900,000	-	1,579,865	10,923,007
<b>General Revenues:</b>						
Property Taxes	18,567,451	17,257,507	-	-	18,567,451	17,257,507
Other Taxes	16,580,383	16,223,609	-	-	16,580,383	16,223,609
Motor Vehicle in Lieu	157,143	245,008	-	-	157,143	245,008
Other	5,544,068	4,336,284	874,003	935,323	6,418,071	5,271,607
<b>Total Revenues</b>	<b>57,270,928</b>	<b>63,823,087</b>	<b>16,222,496</b>	<b>15,835,396</b>	<b>73,493,424</b>	<b>79,658,483</b>
<b>Expenses:</b>						
General Government	9,090,991	9,057,584	-	-	9,090,991	9,057,584
Public Safety	31,752,170	27,134,132	-	-	31,752,170	27,134,132
Public Works	8,675,214	19,721,241	-	-	8,675,214	19,721,241
Parks & Recreation	6,031,938	5,593,739	-	-	6,031,938	5,593,739
Interest on Long-Term debt	1,178,065	990,298	-	-	1,178,065	990,298
Water, Waste, Storm	-	-	9,198,028	8,894,850	9,198,028	8,894,850
Refuse	-	-	3,888,615	3,858,401	3,888,615	3,858,401
Parking	-	-	2,392,802	1,973,300	2,392,802	1,973,300
<b>Total Expenses</b>	<b>56,728,378</b>	<b>62,496,994</b>	<b>15,479,445</b>	<b>14,726,551</b>	<b>72,207,823</b>	<b>77,223,545</b>
Revenues Over Expenses	542,550	1,326,093	743,051	1,108,845	1,285,601	2,434,938
Transfers In (Out)	(30,771)	26,000	30,771	(26,000)	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>511,779</b>	<b>1,352,093</b>	<b>773,822</b>	<b>1,082,845</b>	<b>1,285,601</b>	<b>2,434,938</b>
Net Assets - Beginning	130,548,286	129,043,118	39,505,144	38,422,299	170,053,430	167,465,417
Restatement	-	153,075	(220,264)	-	(220,264)	153,075
<b>Net Assets - June 30 (Year End)</b>	<b>\$ 131,060,065</b>	<b>\$ 130,548,286</b>	<b>\$ 40,058,702</b>	<b>\$ 39,505,144</b>	<b>\$ 171,118,767</b>	<b>\$ 170,053,430</b>
<b>Total Change from Prior Year (Before restatement)</b>	<b>\$ 511,779</b>		<b>\$ 553,558</b>		<b>\$ 1,065,337</b>	

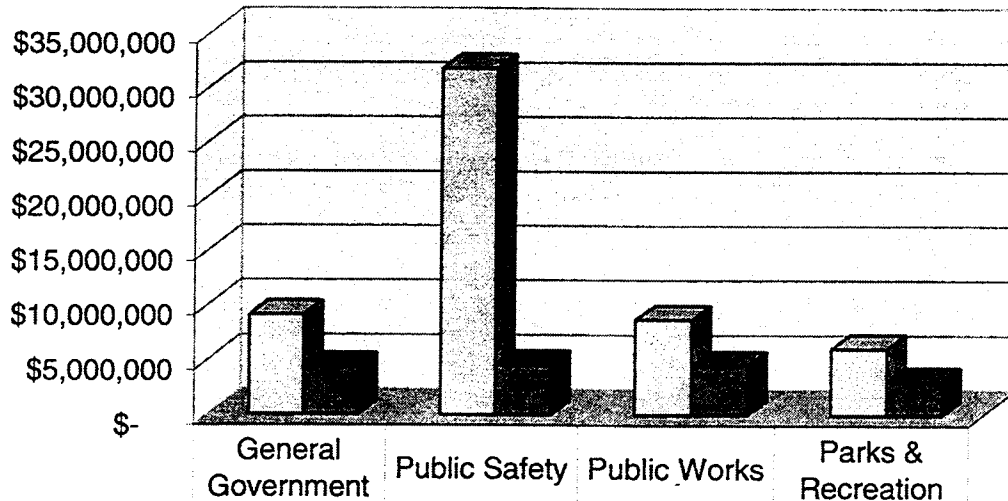
**Changes in Net Assets - Governmental Activities**

The City's governmental activities in FY 2007-2008 increased net assets by \$511,779, which was a .4% increase from FY 2006-2007.

Total Governmental revenues of \$57,270,928 are broken-out as follows:



**Governmental Activities Revenue and Expenses  
by Function/Program  
Year Ended June 30, 2008**



□ Expenses	\$9,090,991	\$31,752,170	\$8,675,214	\$6,031,938
■ Program Revenue	\$4,315,348	\$4,556,726	\$4,484,076	\$3,065,733

Functional expenses (excluding interest on debt) for the years ending June 30, 2008 and 2007 were as follows:

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
General Government	\$ 9,090,991	\$ 9,057,584	\$ (4,775,643)	\$ (4,521,629)
Public Safety	31,752,170	27,134,132	\$ (27,195,444)	(22,983,178)
Public Works	8,675,214	19,721,241	\$ (4,191,138)	(6,264,602)
Parks and Recreation	6,031,938	5,593,739	\$ (2,966,205)	(1,976,608)
<b>Total</b>	<b>\$ 55,550,313</b>	<b>\$ 61,506,696</b>	<b>\$ (39,128,430)</b>	<b>\$ (35,746,017)</b>

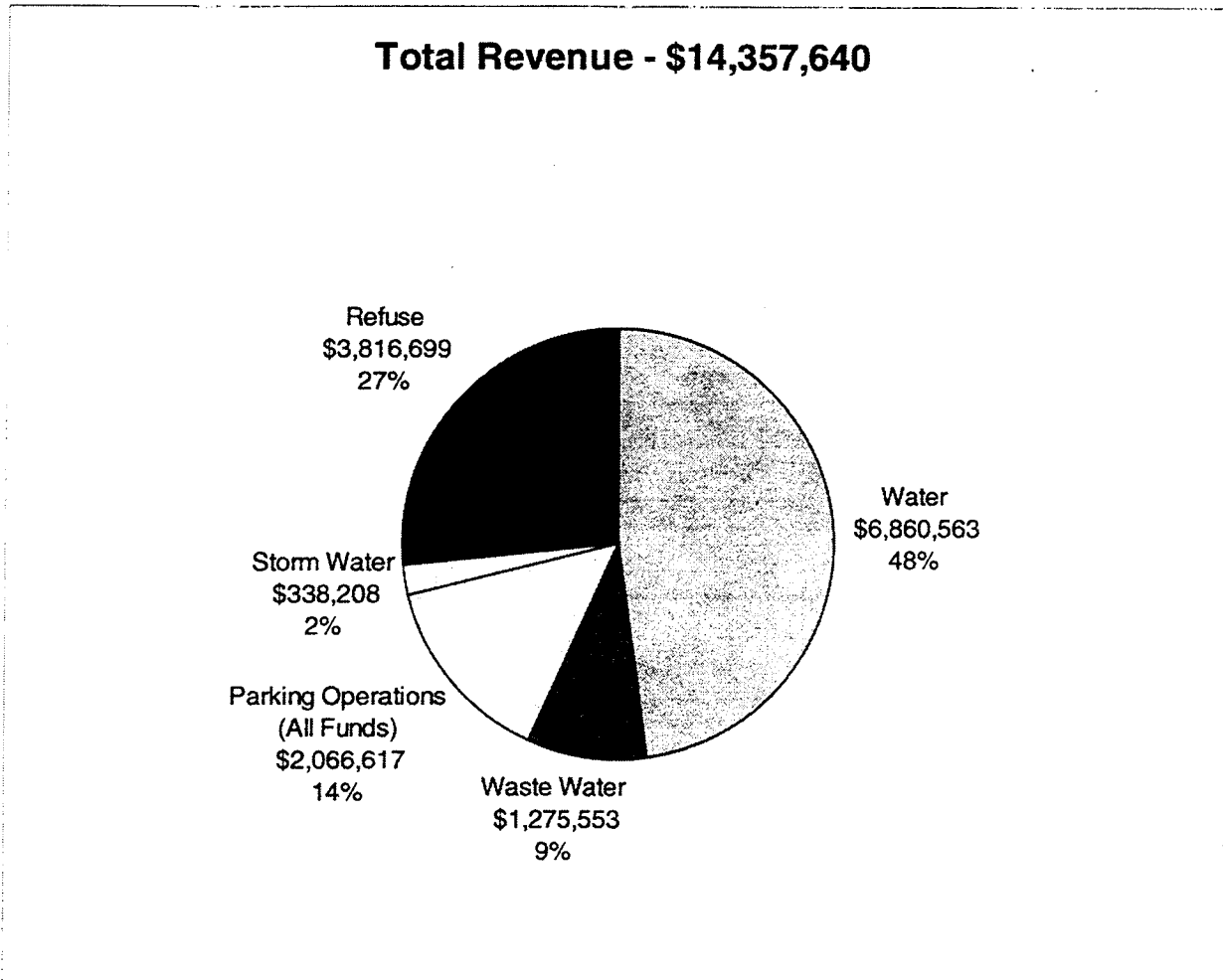
The total cost of services declined from the prior year by \$5.96 million (9.7%), while the net cost of services increased by \$3.38 million, or 9.5% from the prior year. Activities contributing to the change include:

- The one-time revenues and expenditures in 2007, and not repeated in 2008, for underground assessment district formation and construction (see Public Works above). These expenditures benefit the individual property owners and are not considered a City project, and therefore do not generate a City capital asset.
- Salary and benefit cost increases citywide
- The annual required contribution for OPEB

## Business Type Activities

In fiscal year 2007-2008, operating revenues for the City's business type activities amounted to \$14,357,640, while total operating expenses equaled \$14,663,437, for operating income of *negative* \$305,797.

### Operating Revenues by Source - Business Type Activities FY 2008

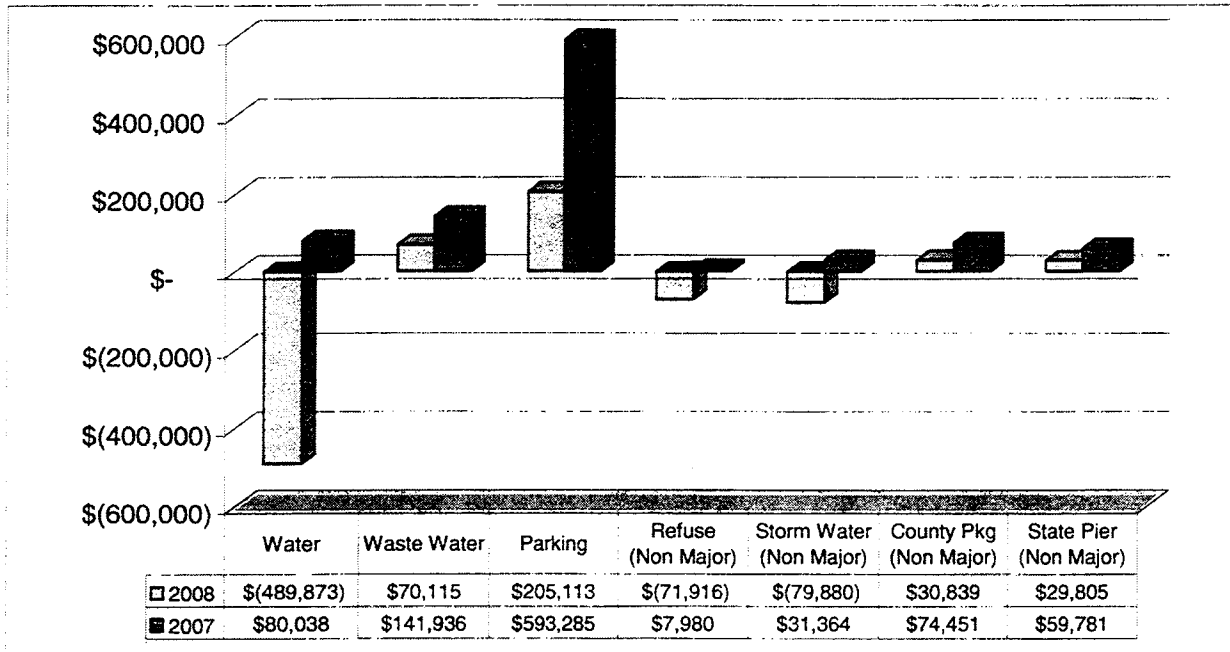


Non-operating revenues net of expenses was \$1,048,848, and consisted of a parking fund grant of \$900,000 for installation of pervious pavement in parking lots, investment income of \$874,853 and debt interest expense of \$816,003. Net income was \$743,822, however it should be noted that without grant revenue which is a nonrecurring event, net income would have been negative \$156,949. Subsequent to 2007-2008 year end, interest rates on investments declined dramatically. As a result, measures will need to be taken to bolster revenues to generate positive net income.

The beginning value of net assets was restated by negative \$220,264 resulting in an increase of net assets of \$773,822.

Operating Income varied across the business-type activities in FY 2008. A year-over-year comparison is presented below. Further analysis of the major funds is discussed later in this report.

**Net Operating Income/(Loss) for Business-Type Activities for 2007 & 2008**



**FUND FINANCIAL STATEMENTS**

**Governmental Funds**

As of the end of the 2008 fiscal year, the City's governmental funds ending fund balances totaled \$30.56 million, a decrease of \$3.83 million in comparison with the prior year. The use of resources totaling \$5,777,433 to fund accrued liability and the normal cost for Other Post Employment Benefits (OPEB) with a third party trustee is the primary cause for the decrease. Infrastructure improvements also contributed to the decrease.

Approximately 76% of the total Governmental Funds total, or \$23.2 million, constitutes unreserved fund balance. The remainder of the fund balance (\$7.35 million) is reserved, to indicate that it is not available for new spending because it has already been committed for on-going capital projects, purchase orders of the prior period, and for legally-required debt service reserves.

***It is important to note that City Council established fund designations in its financial policy requirements and budgetary capital planning initiatives.*** Components of fund balances are listed in Note 8 of these financial statements. Of the \$23.2 million unreserved governmental fund balance noted above, \$14.7 million has been designated by City Council actions. Considering these designations, \$8.5 million in governmental fund balances (General, Capital Improvement, and Special Revenue Funds) remain unreserved and undesignated.

## General Fund

The General Fund is the chief operating fund of the City of Manhattan Beach. At the end of the 2007-2008 fiscal year, unreserved fund balance of the General Fund was \$16.59 million, while total fund balance was \$18.44 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 31% (3.7 months) of total General Fund expenditures, while total fund balance represents 34% (4.1 months) of that same.

During the current fiscal year, General Fund expenditures exceeded revenues by approximately \$2.36 million. This imbalance is mainly the result of funding of the accrued OPEB liability and the normal cost in the amount of \$5,704,981. This expenditure was partially offset by revenue of \$1.1 million from the Pension Fund to the General Fund to assist in the pre-funding.

Net transfer activity in this fund totaled \$182,905, and included the following transfers:

- Funds totaling \$18,017 were transferred to the Insurance Reserve Fund to maintain policy reserve levels.
- The Street Lighting Fund received \$189,967 to relieve a deficit fund balance.
- \$25,079 of excess reserves from the County Lot Fund was transferred to the General Fund in line with the contract with the County of Los Angeles.

## Capital Improvement Fund

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

At the end of the current fiscal year, the unreserved fund balance of the Capital Improvement Fund was \$3.6 million, while total fund balance was \$6.3 million. \$1 million of the unreserved balance has been specifically earmarked for the underground assessment district loan program, leaving \$2.6 million in undesignated fund balance at June 30, 2008 (please see Note 8 to these financial statements). Project reserves, which total \$1.81 million at year-end include:

- \$940,580 for Playground equipment
- \$280,000 for Live Oak and Manhattan Heights park fencing
- \$106,220 for City entryway signage
- \$75,000 for Live Oak Park retaining wall and landscaping
- \$40,000 for Creative Arts Center sound baffling

During Fiscal Year 2007-2008, the Capital Improvement Fund balance decreased by \$1.29 million. The decrease is the result of expenditures for a number of projects and purposes discussed below.

Dedicated revenues in this fund amounted to \$1.3 million in FY 2007-2008. These revenues are earmarked for funding general government capital improvement projects in the effort to maintain and enhance City infrastructure. A breakdown of these follows:

**Hotel Tax:** 15% of the Transient Occupancy Tax has been dedicated to funding CIP's. This has resulted in the generation of \$644,111 of revenue for the year. This is 19% above prior year levels marking a significant increase in general local tourism and patronage.

**Parking Meter Rates:** A twenty-five cent per hour increment of on-street parking meter rates, dedicated to capital improvements, generated revenue of \$536,140 this fiscal year. Actual revenues were consistent with budgetary estimates, and down slightly (3.6%) from last year's results.

**Parking Citation Rates:** Four dollars of most parking citations is dedicated to the CIP fund. For FY 2007-2008, revenue of \$122,216 was realized; a decrease of 4% over the prior year.

This fund realized \$185,849 in permits, interest and other revenue.

Capital Improvement Fund expenditures equaled \$2.7 million which included:

- \$814,574 for Police & Fire facility debt service
- \$700,500 for synthetic turf at the Manhattan Village Soccer Field
- \$185,350 for Strand Improvements
- \$196,600 for the Facilities Strategic Plan project
- \$162,400 for the Council Chambers remodeling project
- \$140,390 for Police & Fire Facility
- \$127,600 towards park playground equipment
- \$90,000 for Downtown Streetscape improvements
- \$51,000 for Polliwog Park exercise equipment
- \$44,000 towards entryway signage at the City's borders

#### **Other Governmental Funds**

Other non major governmental funds include all Special Revenue funds used exclusively to account for intergovernmental and assessment proceeds which are restricted in use by law. This group of funds includes the Street Lighting Fund, Federal and State Grants Fund, Gas Tax Fund, Propositions A and C Funds, 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.

Combined fund balances at year-end approximated \$5.87 million, virtually unchanged from 2007. Gas Tax expenditures totaling \$1.8 million for sidewalk repair and street resurfacing caused the Gas Tax Fund balance to decline by \$413,468. However, accumulation of reserves for the future Sepulveda Bridge Widening project in the Proposition C Fund added \$569,373. Changes in fund balances for this group can be expected to fluctuate as capital projects are expended over time.

One fund in particular, the Street Lighting Fund, continues to run deficits each year. For FY 2007-2008, expenditures exceeded revenues by \$189,967. Because there is no fund balance to draw upon, the General Fund contributed the entire \$189,967 needed for continued operations. 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, Waste Water, Refuse and Parking Funds (major funds), as well as Storm Water, and both the County and State Parking Lot Funds (which are considered non-major). Internal service funds include Insurance Reserve, Information Systems, Fleet Management and Building Maintenance and Operations.

At year-end, total net assets of all enterprise funds amounted to \$40.1 million, of which \$13.6 million is unrestricted. Within the working capital of that amount, Council, by policy, has established certain designations for continuing CIP's and financial policy goals, which total \$5.29 million. The remaining restricted balance has been classified as such given the existence of legal reserve requirements for ongoing bonded capital projects, business improvement district funds and debt service requirements.

Overall, enterprise funds combined net income was \$743,051 before transfers. Net assets increased for all funds by \$773,822.

Several enterprise funds are worth noting this year. In each of these cases, operating expenses are rising at a greater pace than revenues, signifying the need for future rate increases to sustain the operations:

- Water Fund net income from operations has been declining for the past two years. In 2006 net income from operations totaled \$598,000, and in 2007 totaled \$80,000. In 2008, the net income from operations was negative \$489,873. This is the result of operating expenses (labor, materials, services, etc.) rising by 2.8%, while revenues actually declined by 5%.
- A similar situation exists in the Waste Water Fund, which had \$244,530 in net operating income in FY 2006, \$141,940 in 2007, and now \$70,115 in 2008. While operating expenses rose slightly by 1.2%, revenues declined by 4.4%.
- Storm Water Fund net operating income in FY 2008 was a negative \$79,880. This was the result of operating expenses increasing by 30% over 2007 levels to \$418,088, while revenues dropped 4.4% to \$338,208 from the prior year.

The reduction in net operating income in all three funds is mitigated somewhat from non-operating revenues (interest income).

Subsequent to the end of FY 2007-2008, the City Council approved water and waste water rate increases to support those funds. However, further rate increases will be necessary to maintain levels of service and fiscal integrity for those operations.

Storm Water revenues are based on property assessments which require a Proposition 218 vote to change. Increased costs from new governmental clean water standards, as well as labor and materials costs will eventually require such a vote to support this activity.

Parking Fund net income, before transfers, was \$627,453, while income from operations was \$205,113. Non operating income was \$422,340 with a major contribution from a one-time State grant of \$900,000. This grant was used to install pervious payment in city parking lots. It is important to note that while the fund had positive net income, the overall cash flow generated from parking operations of \$610,108 is insufficient to meet payment of bond principal of \$270,000 and interest of \$581,609, while still providing for future capital improvements. Subsequent to the end of the 2008 fiscal year, the City Council took steps to support this fund through meter rate increases, which is anticipated to improve the cash flow and profitability of this fund.

#### *Internal Service Funds*

Unrestricted net assets of the internal service funds at the end of the year amounted to \$2.16 million with a net assets total of \$4.7 million. Net assets decreased by \$1,132,073 due to increasing claims cost in the Insurance Reserve Fund, primarily from Workers Compensation. FY 2007-2008 claims totaled \$3.5 million, up from \$2.96 million in 2007. The City continues to look for ways to proactively manage risk and reduce these costs.



## General Fund Budgetary Highlights

### Estimated Revenues

Actual revenues, which totaled \$51,911,105, exceeded the original budget by \$3.3 million. Taxes and Assessments exceeded budget by \$1.075 million, Charges for Services came in \$620,000 to the positive, and Use of Money (interest income) exceeded forecasts by \$507,000. Finally, Miscellaneous revenue included \$1.1 million transferred into the General Fund from the Pension Fund to pre-fund retiree medical benefits with a third party.

### Appropriations

The final amended budget reflects an increase of \$5,458,914 over the adopted appropriations.

Significant budget adjustments included:

- \$5,639,619 for funding of the OPEB normal cost and accrued liabilities
- \$422,224 in re-appropriations for open purchase orders from fiscal 2006-2007
- \$681,395 for an engineering analysis for underground assessment districts

The underground assessment district appropriation will be reimbursed to the City upon the successful formation of the specific districts.

## Capital Asset and Debt Administration

**Capital Assets:** The City's investment in capital assets government wide as of June 30, 2008, is \$158,225,662 (net of accumulated depreciation). This is an increase from the prior year of \$1.26 million, or .8%. This investment in capital assets includes land, buildings, park improvements, roadways, sewer, storm drains, vehicles, computer equipment, furniture and other equipment.

### City of Manhattan Beach Capital Assets (Net of depreciation)

	Governmental Activities		Business -Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land	\$ 33,634,566	\$ 33,634,566	\$ 1,757,434	\$ 1,757,434	\$ 35,392,000	\$ 35,392,000
Buildings	39,733,862	40,595,968	16,141,008	15,529,973	\$ 55,874,870	\$ 55,905,677
Machinery & Equipment	2,397,549	2,567,276	354,113	312,971	\$ 2,751,662	\$ 2,880,247
Vehicles	2,920,572	3,123,711	-	-	\$ 2,920,572	\$ 3,123,711
Infrastructure	34,770,892	27,711,821	20,889,327	20,453,153	\$ 55,660,219	\$ 48,164,974
Invested in Joint Venture (RCC)	1,840,811	1,855,268			\$ 1,840,811	\$ 1,855,268
Work In Progress	2,175,840	7,863,987	1,609,688	1,563,900	\$ 3,785,528	\$ 9,427,887
<b>Total</b>	<b>\$117,474,092</b>	<b>\$ 117,352,597</b>	<b>\$ 40,751,570</b>	<b>\$ 39,617,431</b>	<b>\$ 158,225,662</b>	<b>\$ 156,970,028</b>

\*2007 Business Type Activities restated by (\$220,264)

During the current fiscal year, governmental capital assets increased by a net \$121,495 (.1%). The increase is the result of the following:

- \$1.87 million in street improvements
- \$926,500 in park improvements
- \$323,900 of machinery and equipment purchases
- \$415,975 in vehicle purchases

These additions were offset by the sale of surplus vehicles and assets, and by scheduled depreciation.

During the current fiscal year, \$913,875 in net additions to business type activity assets were realized, the bulk of which relates to a grant-funded pervious pavement projects totaling \$1.09 million in the parking funds.

Additional information on the City's capital assets can be found in Note 5 of this report.

**Liabilities:** Total liabilities citywide equal \$55,519,504, an increase of \$145,324 over fiscal 2006-2007. Governmental liabilities increased by \$497,737 (1.3%) while business type liabilities decreased by \$352,413 (2.1%).

### City of Manhattan Beach Outstanding Liabilities

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Marine Avenue COP's	\$ 8,375,000	\$ 8,580,000	\$ -	\$ -	\$ 8,375,000	\$ 8,580,000
Capital Equipment Lease	390,008	558,190	-	-	\$ 390,008	558,190
Police & Fire Facility COP's	12,495,000	12,740,000	-	-	\$ 12,495,000	12,740,000
Accrued Employee Leave & Benefits	2,362,213	2,226,775	104,166	81,579	\$ 2,466,379	2,308,354
Supplemental Leave	27,058	35,595	-	-	\$ 27,058	35,595
Water and Wastewater COP's	-	-	3,715,000	3,820,000	\$ 3,715,000	3,820,000
Metlox Parking COP's	-	-	12,300,000	12,570,000	\$ 12,300,000	12,570,000
Pension Obligation Bonds	6,095,000	6,800,000	-	-	\$ 6,095,000	6,800,000
So. Bay Communications (RCC)	1,750,000	1,830,000	-	-	\$ 1,750,000	1,830,000
Insurance Claim Reserves	7,744,193	5,963,069	-	-	\$ 7,744,193	5,963,069
Unamortized Bond Premium	161,866	168,972	-	-	\$ 161,866	168,972
<b>Total Liabilities</b>	<b>\$ 39,400,338</b>	<b>\$ 38,902,601</b>	<b>\$ 16,119,166</b>	<b>\$ 16,471,579</b>	<b>\$55,519,504</b>	<b>55,374,180</b>
<b>Current</b>	<b>\$ 7,052,691</b>	<b>\$ 5,621,112</b>	<b>\$ 407,340</b>	<b>\$ 384,724</b>	<b>7,460,031</b>	<b>6,005,836</b>
<b>Long Term Liabilities</b>	<b>\$ 32,347,647</b>	<b>\$ 33,281,489</b>	<b>\$ 15,711,826</b>	<b>\$ 16,086,855</b>	<b>\$48,059,473</b>	<b>\$49,368,344</b>

#### *Governmental*

Principal obligations for existing debt were reduced in accordance with existing debt service schedules. The total decrease in debt was \$1,419,060. This decrease was offset by increases in liabilities for compensated absences and insurance cases. As a result, the total governmental liabilities increased by \$497,737. The increase in insurance reserves (\$1.78 million) is due to workers compensation and general liability cases. The increase in compensated absences is due to increases in salary and accrued leave hours.

### *Business Type*

Liabilities decreased as a result of the reduction in bond principal of \$375,000 (\$105,000 in Water/Waste Water bonds and \$270,000 in Metlox Public Improvement bonds). This reduction was offset by an increase of \$22,587 in employee leave and benefits. No new debt was issued in FY 2007-2008.

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 3.75% of its total assessed valuation. The current debt limitation for the City of Manhattan Beach is \$407,300,625.

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

The City Council adopted the FY 2008-2009 operating budget in June 2008. The budget, which included a planned use of reserves of \$520,000 in order to provide fiscal support for the Manhattan Beach Unified School District, estimates revenues at \$51,813,219 and expenditures of \$52,321,483. Factoring out the one-time support, expenditures are projected to be \$51,801,483.

The City's major General Fund revenue sources are beginning to show the affects of the recession and economic slowdown. Property Tax, the single biggest General Fund revenue source, which has had near double-digit growth rates for the past several years, is expected to have lower growth rates – the result of the decline in the housing market. As a result, the 2008-2009 budget projects property taxes to exceed 2007-2008 collections by 4% - a rate much lower than prior years. We expect to see further weakness in the housing market, and potentially lower annual growth rates in the near term.

By way of other revenues in the General Fund, Sales Tax is projected to increase by 1.72% over FY 2007-2008 results, while the Transient Occupancy Tax, which has seen strong growth in the past several years, is projected to be 10% above prior year receipts. In keeping with the housing slump, Building Permit and Plan Check Fees were budgeted below FY 2007-2008 actual levels by 3.9% and 3.7% respectively. Finally, Business License Tax revenue is expected to come in 7% below FY 2007-2008, reflective of the economic slowdown.

On the expenditure side of the equation, there are long term labor agreements in place with the three bargaining units (Police, Fire and Miscellaneous), with the first expiration date occurring in summer 2010. These agreements give us a measure of predictability in our labor costs, which equal nearly 70% of the General Fund expenditures. On a related note, the City is experiencing increased retiree medical liabilities with the passage in 2006 of State Assembly bill AB 2544. This legislation requires the City, as a subscriber to the CalPERS medical plans, to provide certain minimum cash contributions towards retirees' medical premiums, effective January 1, 2008. Those liabilities, as well as other negotiated retiree medical benefits (valued at \$5.7 million) have been recognized as required by GASB 45, and were pre-funded in its entirety during FY 2007-2008 with CalPERS' trust program.

The City completed the Facilities Strategic Plan during FY 2007-2008, which identified the needs for recreational and public facilities. While the ultimate plan is yet to be identified, construction of these facilities will likely require outside funding, the sources of which will need to be identified and evaluated.

Clearly, the recession and economic events of late 2008 will have material impacts on the City's finances. Lower interest rates will affect future investment income, the housing slowdown will continue to affect property taxes and construction-related revenues, and retail and tourism based revenues such as Sales Tax, Business License Tax and Transient Occupancy Tax will be weak.

Overall, the General Fund budget anticipates revenues and expenditures to increase 6.6% and 7.7% respectively over the prior year's budget. Excluding the one-time use of General Fund reserves (\$520,000) to support the school district, expenditures increased by 6.6% in line with revenue growth.

**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 ASSETS  
JUNE 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 37,134,981	\$ 13,469,860	\$ 50,604,841
Receivables:			
Accounts	479,015	813,474	1,292,489
Taxes	2,982,436	-	2,982,436
Accrued interest	620,323	-	620,323
Prepaid costs	35,940	-	35,940
Prepaid post-retirement benefit obligation	403,636	26,063	429,699
Inventories	122,492	55,375	177,867
Due from other governments	377,177	444,677	821,854
<b>Total Current Assets</b>	<b>42,156,000</b>	<b>14,809,449</b>	<b>56,965,449</b>
<b>Noncurrent:</b>			
Restricted assets:			
Cash and investments	3,255,752	1,497,188	4,752,940
Unamortized debt issuance costs	418,634	316,458	735,092
Prepaid pension obligation	6,679,599	-	6,679,599
Prepaid post-retirement benefit obligation	4,584,480	296,026	4,880,506
Loans receivable	23,067	-	23,067
Capital assets not being depreciated	35,810,406	3,367,122	39,177,528
Capital assets, net of depreciation	81,663,686	37,384,448	119,048,134
<b>Total Noncurrent Assets</b>	<b>132,435,624</b>	<b>42,861,242</b>	<b>175,296,866</b>
<b>Total Assets</b>	<b>174,591,624</b>	<b>57,670,691</b>	<b>232,262,315</b>
<b>Liabilities:</b>			
Current:			
Accounts payable	1,123,391	1,066,455	2,189,846
Accrued liabilities	1,034,631	-	1,034,631
Deposits payable	686,516	68,521	755,037
Unearned revenue	851,879	-	851,879
Interest payable	434,804	357,847	792,651
Long-term liabilities due within one year	7,052,691	407,340	7,460,031
<b>Total Current Liabilities</b>	<b>11,183,912</b>	<b>1,900,163</b>	<b>13,084,075</b>
Noncurrent liabilities:			
Long-term liabilities due in more than one year	32,347,647	15,711,826	48,059,473
<b>Total Liabilities</b>	<b>43,531,559</b>	<b>17,611,989</b>	<b>61,143,548</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	94,464,084	24,736,570	119,200,654
Restricted for:			
Business improvement districts	-	555,569	555,569
Debt service	3,255,752	1,210,061	4,465,813
Special revenue uses	5,335,559	-	5,335,559
Unrestricted	28,004,670	13,556,502	41,561,172
<b>Total Net Assets</b>	<b>\$ 131,060,065</b>	<b>\$ 40,058,702</b>	<b>\$171,118,767</b>

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 9,090,991	\$ 4,265,277	\$ 50,071	\$ -
Public safety	31,752,170	4,206,318	350,408	-
Culture and recreation	6,031,938	2,336,374	637,745	91,614
Public works	8,675,214	2,683,443	1,212,382	588,251
Interest on long-term debt	1,178,065	-	-	-
<b>Total Governmental Activities</b>	<b>56,728,378</b>	<b>13,491,412</b>	<b>2,250,606</b>	<b>679,865</b>
Business-Type Activities:				
Water	7,500,615	6,860,563	-	-
Stormwater	418,088	338,208	-	-
Wastewater	1,279,325	1,275,553	-	-
Refuse	3,888,615	3,816,699	90,853	-
Parking	1,742,342	1,355,513	-	900,000
County Parking Lot	374,799	405,638	-	-
State Pier and Parking Lot	275,661	305,466	-	-
<b>Total Business-Type Activities</b>	<b>15,479,445</b>	<b>14,357,640</b>	<b>90,853</b>	<b>900,000</b>
<b>Total Primary Government</b>	<b>\$ 72,207,823</b>	<b>\$ 27,849,052</b>	<b>\$ 2,341,459</b>	<b>\$ 1,579,865</b>

**General Revenues:**

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Business licenses taxes

Other taxes

Intergovernmental, unrestricted:

Motor vehicle in lieu

Homeowner property tax

Investment earnings and rent

Pension fund contribution

Transfers

**Total General Revenues and Transfers**

Change in Net Assets

Net Assets at Beginning of Year

Restatement of Net Assets

**Net Assets at End of Year**

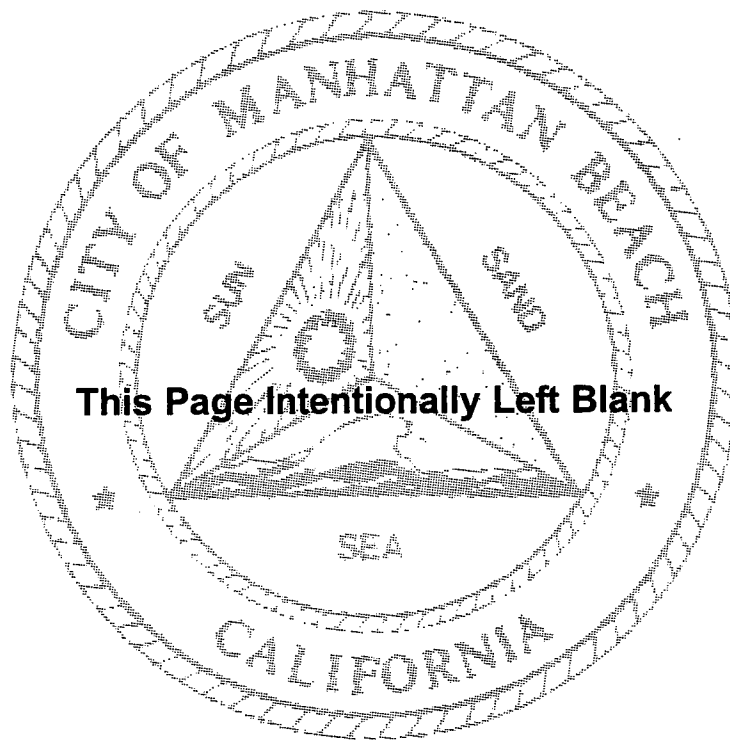
See Notes to Financial Statements



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

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (4,775,643)	\$ -	\$ (4,775,643)
(27,195,444)	-	(27,195,444)
(2,966,205)	-	(2,966,205)
(4,191,138)	-	(4,191,138)
(1,178,065)	-	(1,178,065)
<b>(40,306,495)</b>	<b>-</b>	<b>(40,306,495)</b>
-	(640,052)	(640,052)
-	(79,880)	(79,880)
-	(3,772)	(3,772)
-	18,937	18,937
-	513,171	513,171
-	30,839	30,839
-	29,805	29,805
-	<b>(130,952)</b>	<b>(130,952)</b>
<b>(40,306,495)</b>	<b>(130,952)</b>	<b>(40,437,447)</b>
18,567,451	-	18,567,451
3,995,411	-	3,995,411
8,230,387	-	8,230,387
1,168,383	-	1,168,383
2,747,098	-	2,747,098
439,104	-	439,104
157,143	-	157,143
144,482	-	144,482
4,289,586	874,003	5,163,589
1,110,000	-	1,110,000
(30,771)	30,771	-
<b>40,818,274</b>	<b>904,774</b>	<b>41,723,048</b>
511,779	773,822	1,285,601
130,548,286	39,505,144	170,053,430
-	(220,264)	(220,264)
<b>\$ 131,060,065</b>	<b>\$ 40,058,702</b>	<b>\$ 171,118,767</b>

See Notes to Financial Statements



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# **Fund Financial Statements**



CITY OF MANHATTAN BEACH

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<u>General</u>	<u>Capital Projects Fund Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Pooled cash and investments	\$ 16,574,852	\$ 5,407,104	\$ 5,509,426	\$ 27,491,382
Receivables:				
Accounts	440,824	48,067	13,189	502,080
Taxes	2,931,580	50,859	-	2,982,439
Notes receivable	-	-	-	-
Accrued interest	620,323	-	-	620,323
Prepaid costs	35,941	-	-	35,941
Due from other governments	130,274	-	246,902	377,176
Due from other funds	130,395	-	-	130,395
Restricted assets:				
Cash and investments	1,508,240	1,099,170	648,342	3,255,752
<b>Total Assets</b>	<b><u>\$ 22,372,429</u></b>	<b><u>\$ 6,605,200</u></b>	<b><u>\$ 6,417,859</u></b>	<b><u>\$ 35,395,488</u></b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 571,938	\$ 60,922	\$ 413,958	\$ 1,046,818
Accrued liabilities	1,034,633	-	-	1,034,633
Due to other funds	-	-	130,395	130,395
Deferred revenues	645,665	-	-	645,665
Unearned revenue	851,878	-	-	851,878
Interest payable	152,710	282,094	-	434,804
Deposits payable	678,447	-	8,069	686,516
<b>Total Liabilities</b>	<b><u>3,935,271</u></b>	<b><u>343,016</u></b>	<b><u>552,422</u></b>	<b><u>4,830,709</u></b>
<b>Fund Balances:</b>				
Reserved for:				
Encumbrances	459,705	-	40,925	500,630
Continuing projects	-	1,814,830	2,827,475	4,642,305
Prepaid costs	35,941	-	-	35,941
Debt service	1,355,530	817,076	-	2,172,606
Long-term receivables	-	-	-	-
Unreserved:				
Unreserved, reported in:				
General Fund	16,585,982	-	-	16,585,982
Special revenue funds	-	-	2,748,609	2,748,609
Capital projects funds	-	3,630,278	248,428	3,878,706
<b>Total Fund Balances</b>	<b><u>18,437,158</u></b>	<b><u>6,262,184</u></b>	<b><u>5,865,437</u></b>	<b><u>30,564,779</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 22,372,429</u></b>	<b><u>\$ 6,605,200</u></b>	<b><u>\$ 6,417,859</u></b>	<b><u>\$ 35,395,488</u></b>

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

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Fund balances of governmental funds	\$ 30,564,779
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	114,553,521
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund.	(30,847,502)
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	645,665
Prepaid pension benefit obligation is not reported in the governmental funds; however, it is reported in the government-wide statements.	6,679,599
Prepaid other post-retirement benefit obligation is not reported in the governmental funds; however, it is reported in the government-wide statements.	4,778,386
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.	<u>4,685,617</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 131,060,065</u></b>

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes and assessments	\$ 34,845,649	\$ 644,111	\$ 1,443,687	\$ 36,933,447
Licenses and permits	1,408,697	54,510	-	1,463,207
Intergovernmental	571,403	91,614	1,484,800	2,147,817
Charges for services	7,467,979	536,140	9,036	8,013,155
Use of money and property	3,897,286	39,725	352,574	4,289,585
Fines and forfeitures	2,047,186	122,216	-	2,169,402
Miscellaneous	1,672,905	-	34,830	1,707,735
<b>Total Revenues</b>	<b>51,911,105</b>	<b>1,488,316</b>	<b>3,324,927</b>	<b>56,724,348</b>
<b>Expenditures:</b>				
Current:				
General government	9,611,908	196,632	-	9,808,540
Public safety	32,294,088	814,574	206,432	33,315,094
Culture and recreation	5,785,612	970,240	694,792	7,450,644
Public works	6,578,447	741,580	2,615,610	9,935,637
<b>Total Expenditures</b>	<b>54,270,055</b>	<b>2,723,026</b>	<b>3,516,834</b>	<b>60,509,915</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,358,950)	(1,234,710)	(191,907)	(3,785,567)
<b>Other Financing Sources (Uses):</b>				
Transfers in	25,079	-	189,967	215,046
Transfers out	(207,984)	(55,850)	-	(263,834)
<b>Total Other Financing Sources (Uses)</b>	<b>(182,905)</b>	<b>(55,850)</b>	<b>189,967</b>	<b>(48,788)</b>
Net Change in Fund Balances	(2,541,855)	(1,290,560)	(1,940)	(3,834,355)
Fund Balances, Beginning of Year	20,979,013	7,552,744	5,867,377	34,399,134
<b>Fund Balances, End of Year</b>	<b>\$ 18,437,158</b>	<b>\$ 6,262,184</b>	<b>\$ 5,865,437</b>	<b>\$ 30,564,779</b>

See Notes to Financial Statements

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, 2008**

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Net change in fund balances - total governmental funds \$ (3,834,355)

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

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

Cost of assets capitalized	3,211,240
Depreciation expense	(2,886,607)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,235,000
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Bond Issuance costs is an expenditure in the governmental funds, but the deferred charges in the statement of net assets:	
Amortization for current fiscal year	(49,421)

Unamortized premium or discounts on bonds issued are revenue or expenditures in the governmental funds, but these are spread to future periods over the life of the new bonds:	
Amortization for current fiscal year	7,106

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.	(126,902)
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The payment of the prepaid post-employment benefit obligation in excess of the annually required contributions is reported only at the government-wide level.	4,778,389
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Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	(11,195)
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Amortization of long-term assets is reported only at the government-wide level:	
Prepaid PERS	(110,206)
Prepaid police/fire side fund payoff	(569,197)

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>(1,132,073)</u>
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<b>Change in net assets of governmental activities</b>	<u><u>\$ 511,779</u></u>
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See Notes to Financial Statements



CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON STATEMENT  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 20,979,013	\$ 20,979,013	\$ 20,979,013	\$ -
<b>Resources (Inflows):</b>				
<b>Estimated Revenues:</b>				
Taxes and assessments	33,770,000	33,770,000	34,845,649	1,075,649
Licenses and permits	1,577,000	1,577,000	1,408,697	(168,303)
Intergovernmental	499,010	579,239	571,403	(7,836)
Charges for services	6,847,895	6,847,895	7,467,979	620,084
Use of money and property	3,389,900	3,389,900	3,897,286	507,386
Fines and forfeitures	2,159,300	2,159,300	2,047,186	(112,114)
Miscellaneous	342,000	342,000	1,672,905	1,330,905
<b>Total Estimated Revenues</b>	<b>48,585,105</b>	<b>48,665,334</b>	<b>51,911,105</b>	<b>3,245,771</b>
<b>Transfers from other funds</b>	<b>75,000</b>	<b>75,000</b>	<b>25,079</b>	<b>(49,921)</b>
<b>Amounts Available for Appropriation</b>	<b>69,639,118</b>	<b>69,719,347</b>	<b>72,915,197</b>	<b>3,195,850</b>
<b>Charges to Appropriations (Outflow):</b>				
<b>Departmental Appropriations:</b>				
General government	9,278,448	10,620,556	9,611,908	1,008,648
Public safety	28,231,270	32,183,054	32,294,088	(111,034)
Culture and recreation	5,434,510	5,773,541	5,785,612	(12,071)
Public works	5,640,865	6,876,856	6,578,447	298,409
<b>Total Departmental Appropriations</b>	<b>48,585,093</b>	<b>55,454,007</b>	<b>54,270,055</b>	<b>1,183,952</b>
<b>Transfers to other funds</b>	<b>1,695,627</b>	<b>285,627</b>	<b>207,984</b>	<b>77,643</b>
<b>Total Charges to Appropriations</b>	<b>50,280,720</b>	<b>55,739,634</b>	<b>54,478,039</b>	<b>1,261,595</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 19,358,398</b>	<b>\$ 13,979,713</b>	<b>\$ 18,437,158</b>	<b>\$ 4,457,445</b>

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 JUNE 30, 2008

	Business-Type Activities Enterprise Funds			
	Water	Wastewater	Refuse	Parking
<b>Assets:</b>				
Current:				
Cash and investments	\$ 7,172,423	\$ 1,433,161	\$ 932,182	\$ 587,464
Receivables:				
Accounts	395,433	83,035	317,743	3,038
Due from other governments	-	-	-	444,677
Inventories	55,375	-	-	-
Prepaid OPEB - short-term	16,668	3,940	1,818	1,455
<b>Total Current Assets</b>	<b>7,639,899</b>	<b>1,520,136</b>	<b>1,251,743</b>	<b>1,036,634</b>
Noncurrent:				
Prepaid other post-employment benefits	189,320	44,747	20,654	16,522
Restricted assets:				
Cash and investments	227,100	111,495	-	1,158,593
Unamortized debt issuance costs	65,562	32,251	-	218,645
Capital assets - net of accumulated depreciation	13,308,091	5,399,460	-	17,936,937
<b>Total Noncurrent Assets</b>	<b>13,790,073</b>	<b>5,587,953</b>	<b>20,654</b>	<b>19,330,697</b>
<b>Total Assets</b>	<b>\$ 21,429,972</b>	<b>\$ 7,108,089</b>	<b>\$ 1,272,397</b>	<b>\$ 20,367,331</b>
<b>Liabilities and Net Assets:</b>				
<b>Liabilities:</b>				
Current:				
Accounts payable	\$ 644,612	\$ 3,023	\$ 247,912	\$ 13,789
Accrued leave payable	17,340	-	-	-
Interest payable	47,420	23,335	-	287,092
Workers' compensation claims	-	-	-	-
General liability claims	-	-	-	-
Deposits payable	915	-	-	52,450
Lease payable - current portion	-	-	-	-
Current portion of bonds payable	73,735	36,265	-	280,000
<b>Total Current Liabilities</b>	<b>784,022</b>	<b>62,623</b>	<b>247,912</b>	<b>633,331</b>
Noncurrent:				
Accrued leave long-term	86,826	-	-	-
Workers' compensation claims	-	-	-	-
General liability claims	-	-	-	-
Lease payable	-	-	-	-
Bonds, notes and loans payable	2,416,239	1,188,761	-	12,020,000
<b>Total Noncurrent Liabilities</b>	<b>2,503,065</b>	<b>1,188,761</b>	<b>-</b>	<b>12,020,000</b>
<b>Total Liabilities</b>	<b>3,287,087</b>	<b>1,251,384</b>	<b>247,912</b>	<b>12,653,331</b>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	10,818,117	4,174,434	-	5,636,937
Restricted for debt service	227,075	111,485	-	871,501
Restricted for business improvement district	-	-	-	555,569
Unrestricted	7,097,693	1,570,786	1,024,485	649,993
<b>Total Net Assets</b>	<b>18,142,885</b>	<b>5,856,705</b>	<b>1,024,485</b>	<b>7,714,000</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 21,429,972</b>	<b>\$ 7,108,089</b>	<b>\$ 1,272,397</b>	<b>\$ 20,367,331</b>

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 JUNE 30, 2008

	Business-Type Activities		Governmental Activities Internal Service Funds
	Enterprise Funds		
	Nonmajor Enterprise Funds	Totals	
<b>Assets:</b>			
Current:			
Cash and investments	\$ 3,344,630	\$ 13,469,860	\$ 9,643,599
Receivables:			
Accounts	14,225	813,474	-
Due from other governments	-	444,677	-
Inventories	-	55,375	122,492
Prepaid OPEB - short-term	2,182	26,063	16,972
<b>Total Current Assets</b>	<b>3,361,037</b>	<b>14,809,449</b>	<b>9,783,063</b>
Noncurrent:			
Prepaid other post-employment benefits	24,783	296,026	192,759
Restricted assets:			
Cash and investments	-	1,497,188	-
Unamortized debt issuance costs	-	316,458	-
Capital assets - net of accumulated depreciation	4,107,082	40,751,570	2,920,571
<b>Total Noncurrent Assets</b>	<b>4,131,865</b>	<b>42,861,242</b>	<b>3,113,330</b>
<b>Total Assets</b>	<b>\$ 7,492,902</b>	<b>\$ 57,670,691</b>	<b>\$ 12,896,393</b>
<b>Liabilities and Net Assets:</b>			
<b>Liabilities:</b>			
Current:			
Accounts payable	\$ 157,119	\$ 1,066,455	\$ 76,574
Accrued leave payable	-	17,340	-
Interest payable	-	357,847	-
Workers' compensation claims	-	-	4,446,141
General liability claims	-	-	859,176
Deposits payable	15,156	68,521	-
Lease payable - current portion	-	-	174,059
Current portion of bonds payable	-	390,000	-
<b>Total Current Liabilities</b>	<b>172,275</b>	<b>1,900,163</b>	<b>5,555,950</b>
Noncurrent:			
Accrued leave long-term	-	86,826	-
Workers' compensation claims	-	-	1,811,925
General liability claims	-	-	626,951
Lease payable	-	-	215,950
Bonds, notes and loans payable	-	15,625,000	-
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>15,711,826</b>	<b>2,654,826</b>
<b>Total Liabilities</b>	<b>172,275</b>	<b>17,611,989</b>	<b>8,210,776</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	4,107,082	24,736,570	2,530,562
Restricted for debt service	-	1,210,061	-
Restricted for business improvement district	-	555,569	-
Unrestricted	3,213,545	13,556,502	2,155,055
<b>Total Net Assets</b>	<b>7,320,627</b>	<b>40,058,702</b>	<b>4,685,617</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,492,902</b>	<b>\$ 57,670,691</b>	<b>\$ 12,896,393</b>

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2008

	Business-Type Activities Enterprise Funds			
	Water	Wastewater	Refuse	Parking
<b>Operating Revenues:</b>				
Sales and service charges	\$ 6,829,347	\$ 1,272,606	\$ 3,815,687	\$ 1,230,262
Miscellaneous	31,216	2,947	1,012	125,251
<b>Total Operating Revenues</b>	<b>6,860,563</b>	<b>1,275,553</b>	<b>3,816,699</b>	<b>1,355,513</b>
<b>Operating Expenses:</b>				
Salaries and wages	778,411	178,587	-	57,128
Employee benefits	351,238	61,207	4,698	22,558
Contract and professional services	3,484,988	18,749	3,293,486	212,878
Materials and services	772,673	114,031	210,517	170,838
Utilities	305,981	22,616	294	89,078
Administrative service charges	1,297,740	667,740	379,620	91,745
Leases and rents	-	-	-	-
Claims expense	-	-	-	-
Depreciation	359,405	142,508	-	506,175
<b>Total Operating Expenses</b>	<b>7,350,436</b>	<b>1,205,438</b>	<b>3,888,615</b>	<b>1,150,400</b>
Operating Income (Loss)	(489,873)	70,115	(71,916)	205,113
<b>Nonoperating Revenues (Expenses):</b>				
Intergovernmental	-	-	90,853	900,000
Interest revenue	449,705	85,298	54,251	114,282
Interest expense	(150,179)	(73,887)	-	(591,942)
Gain (loss) on disposal of fixed assets	-	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>299,526</b>	<b>11,411</b>	<b>145,104</b>	<b>422,340</b>
Income (Loss) Before Transfers	(190,347)	81,526	73,188	627,453
Transfers in	-	-	-	55,850
Transfers out	-	-	-	-
Changes in Net Assets	(190,347)	81,526	73,188	683,303
<b>Net Assets:</b>				
Beginning of Year, as previously reported	18,333,232	5,775,179	951,297	7,250,961
Restatements	-	-	-	(220,264)
Beginning of Fiscal Year, as Restated	18,333,232	5,775,179	951,297	7,030,697
<b>End of Fiscal Year</b>	<b>\$ 18,142,885</b>	<b>\$ 5,856,705</b>	<b>\$ 1,024,485</b>	<b>\$ 7,714,000</b>

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2008

	Business-Type Activities Enterprise Funds		Governmental Activities Internal Service Funds
	Other Enterprise Funds	Totals	
<b>Operating Revenues:</b>			
Sales and service charges	\$ 1,049,312	\$ 14,197,214	\$ 7,484,509
Miscellaneous	-	160,426	160,342
<b>Total Operating Revenues</b>	<b>1,049,312</b>	<b>14,357,640</b>	<b>7,644,851</b>
<b>Operating Expenses:</b>			
Salaries and wages	91,409	1,105,535	916,495
Employee benefits	36,721	476,422	434,640
Contract and professional services	407,060	7,417,161	718,872
Materials and services	82,578	1,350,637	2,307,063
Utilities	49,645	467,614	132,641
Administrative service charges	27,260	2,464,105	160,604
Leases and rents	223,101	223,101	9,389
Claims expense	-	-	3,494,985
Depreciation	150,774	1,158,862	588,035
<b>Total Operating Expenses</b>	<b>1,068,548</b>	<b>14,663,437</b>	<b>8,762,724</b>
Operating Income (Loss)	(19,236)	(305,797)	(1,117,873)
<b>Nonoperating Revenues (Expenses):</b>			
Intergovernmental	-	990,853	-
Interest revenue	170,467	874,003	-
Interest expense	-	(816,008)	(16,567)
Gain (loss) on disposal of fixed assets	-	-	(15,650)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>170,467</b>	<b>1,048,848</b>	<b>(32,217)</b>
Income (Loss) Before Transfers	151,231	743,051	(1,150,090)
Transfers in	-	55,850	18,017
Transfers out	(25,079)	(25,079)	-
Changes in Net Assets	126,152	773,822	(1,132,073)
<b>Net Assets:</b>			
Beginning of Year, as previously reported	7,194,475	39,505,144	5,817,690
Restatements	-	(220,264)	-
Beginning of Fiscal Year, as Restated	7,194,475	39,284,880	5,817,690
<b>End of Fiscal Year</b>	<b>\$ 7,320,627</b>	<b>\$ 40,058,702</b>	<b>\$ 4,685,617</b>

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2008

	Business-Type Activities Enterprise Funds			
	Water	Wastewater	Refuse	Parking
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ 7,032,525	\$ 1,274,396	\$ 3,813,811	\$ 1,943,174
Cash received from/(paid to) interfund service provided	-	-	-	-
Cash paid to suppliers for goods and services	(4,103,348)	(90,991)	(3,475,159)	(697,904)
Cash paid to employees for services	(967,312)	(219,020)	-	(72,088)
Cash paid for interfund services used	(2,036,378)	(817,778)	(489,437)	(563,074)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(74,513)</b>	<b>146,607</b>	<b>(150,785)</b>	<b>610,108</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Grant revenue	-	-	90,853	455,322
Cash transfers out	-	-	-	-
Cash transfers in	-	-	-	55,850
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>-</b>	<b>-</b>	<b>90,853</b>	<b>511,172</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Purchases of capital assets	(1,136,687)	-	-	(1,142,445)
Principal paid on capital debt	(70,376)	(34,624)	-	(270,000)
Interest paid on capital debt	(144,161)	(70,925)	-	(581,609)
Proceeds from sales of capital assets	-	-	-	-
Bond administration fee	(2,622)	(1,291)	-	(2,800)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(1,353,846)</b>	<b>(106,840)</b>	<b>-</b>	<b>(1,996,854)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest received	449,705	85,298	54,251	114,282
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>449,705</b>	<b>85,298</b>	<b>54,251</b>	<b>114,282</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(978,654)</b>	<b>125,065</b>	<b>(5,681)</b>	<b>(761,292)</b>
Cash and Cash Equivalents at Beginning of Year	8,378,177	1,419,591	937,863	2,507,349
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 7,399,523</b>	<b>\$ 1,544,656</b>	<b>\$ 932,182</b>	<b>\$ 1,746,057</b>

See Notes to Financial Statements

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2008

(Continued)

	Business-Type Activities Enterprise Funds			
	Water	Wastewater	Refuse	Parking
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (489,873)	\$ 70,115	\$ (71,916)	\$ 205,113
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>				
Depreciation	359,405	142,508	-	506,175
Capital assets adjustment	-	-	-	(15,907)
(Increase) decrease in accounts receivable	155,357	(1,403)	(3,048)	134,456
(Increase) decrease in due from other governments	-	-	-	-
(Increase) decrease in inventory	11,079	-	-	-
(Increase) decrease in prepaid OPEB	(205,988)	(48,166)	(22,472)	(17,977)
Increase (decrease) in accounts payable	72,840	(16,447)	(53,349)	(219,742)
Increase (decrease) in accrued liabilities	22,587	-	-	-
Increase (decrease) in deposits payable	80	-	-	17,990
Increase (decrease) in claims and judgments	-	-	-	-
<b>Total Adjustments</b>	<b>415,360</b>	<b>76,492</b>	<b>(78,869)</b>	<b>404,995</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (74,513)</b>	<b>\$ 146,607</b>	<b>\$ (150,785)</b>	<b>\$ 610,108</b>

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

During fiscal year 2007-2008, there were no noncash investing, capital and financing activities.

CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2008

	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	\$ 1,052,825	\$ 15,116,731	\$ 143,825
Cash received from/(paid to) interfund service provided	-	-	7,450,731
Cash paid to suppliers for goods and services	(615,788)	(8,983,190)	(4,572,911)
Cash paid to employees for services	(116,915)	(1,375,335)	(1,142,427)
Cash paid for interfund services used	(200,487)	(4,107,154)	(878,699)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>119,635</b>	<b>651,052</b>	<b>1,000,519</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Grant revenue	-	546,175	-
Cash transfers out	(25,079)	(25,079)	-
Cash transfers in	-	55,850	18,017
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>(25,079)</b>	<b>576,946</b>	<b>18,017</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Purchases of capital assets	(13,872)	(2,293,004)	(415,975)
Principal paid on capital debt	-	(375,000)	(168,182)
Interest paid on capital debt	-	(796,695)	(16,567)
Proceeds from sales of capital assets	-	-	15,429
Bond administration fee	-	(6,713)	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(13,872)</b>	<b>(3,471,412)</b>	<b>(585,295)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest received	170,467	874,003	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>170,467</b>	<b>874,003</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>251,151</b>	<b>(1,369,411)</b>	<b>433,241</b>
Cash and Cash Equivalents at Beginning of Year	3,093,479	16,336,459	9,210,358
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 3,344,630</b>	<b>\$ 14,967,048</b>	<b>\$ 9,643,599</b>

See Notes to Financial Statements



CITY OF MANHATTAN BEACH

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2008

	Business-Type Activities Enterprise Funds		Governmental Activities Internal Service Funds
	Other Enterprise Funds	Totals	
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (19,236)	\$ (305,797)	\$ (1,117,873)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>			
Depreciation	150,774	1,158,862	588,035
Capital assets adjustment	15,907	-	-
(Increase) decrease in accounts receivable	(1,487)	283,875	8,187
(Increase) decrease in due from other governments	-	-	-
(Increase) decrease in inventory	-	11,079	4,053
(Increase) decrease in prepaid OPEB	(26,965)	(321,568)	(209,731)
Increase (decrease) in accounts payable	642	(216,056)	(53,275)
Increase (decrease) in accrued liabilities	-	22,587	-
Increase (decrease) in deposits payable	-	18,070	-
Increase (decrease) in claims and judgments	-	-	1,781,123
<b>Total Adjustments</b>	<b>138,871</b>	<b>956,849</b>	<b>2,118,392</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 119,635</b>	<b>\$ 651,052</b>	<b>\$ 1,000,519</b>

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

During fiscal year 2007-2008, there were no noncash investing, capital and financing activities.

CITY OF MANHATTAN BEACH

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2008

	<u>Agency Funds</u>	<u>Pension Trust Fund</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,113,359	\$ 654,657
Receivables:		
Accounts	14,205	-
Restricted assets:		
Cash with fiscal agent	<u>2,521,750</u>	<u>-</u>
<b>Total Assets</b>	<b><u>\$ 3,649,314</u></b>	<b><u>\$ 654,657</u></b>
<b>Liabilities:</b>		
Accounts payable	\$ 10,000	\$ -
Deposits	1,870,307	-
Due to bondholders	<u>1,769,007</u>	<u>-</u>
<b>Total Liabilities</b>	<b><u>\$ 3,649,314</u></b>	<b><u>-</u></b>
<b>Net Assets:</b>		
Held in trust for pension benefits and other purposes		<b><u>\$ 654,657</u></b>

See Notes to Financial Statements

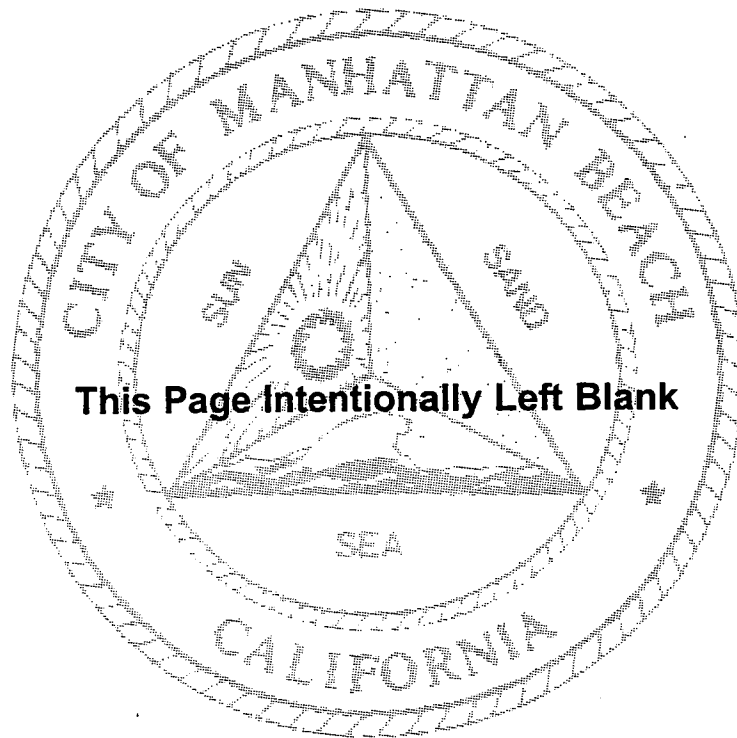
CITY OF MANHATTAN BEACH

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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	<u>Pension Trust Fund</u>
<b>Additions:</b>	
City contributions	\$ 27,903
Investment earnings	<u>123,648</u>
<b>Total Additions</b>	<b><u>151,551</u></b>
<b>Deductions:</b>	
Benefits	<u>1,218,951</u>
<b>Total Deductions</b>	<b><u>1,218,951</u></b>
Change in Net Assets	(1,067,400)
Net Assets - Beginning of the Year	<u>1,722,057</u>
<b>Net Assets - End of the Year</b>	<b><u>\$ 654,657</u></b>

See Notes to Financial Statements



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# **Notes to Financial Statements**



## CITY OF MANHATTAN BEACH

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

#### 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. Separate financial statements are not prepared for the Manhattan Beach Capital Improvements Corporation.

##### Blended Component Unit

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

##### b. Accounting and Reporting Policies

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

**City of Manhattan Beach**  
**Notes to Financial Statements (Continued)**

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

**c. Description of Funds**

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

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

**Governmental Fund Types**

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

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

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

**Proprietary Fund Types**

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

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

**Fiduciary Fund Types**

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

**Agency Funds:**

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



**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

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

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

**Government-Wide Financial Statements**

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

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

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

**Financial Statement Classification**

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

**Invested in Capital Assets, Net of Related Debt**

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

**Restricted Net Assets**

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

**City of Manhattan Beach**  
**Notes to Financial Statements (Continued)**

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

Unrestricted Net Assets

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

Governmental Fund Financial Statements

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

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

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

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

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

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

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

Proprietary Funds Financial Statements

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

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

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

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

Fiduciary Funds

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

Major Funds

The City reports the following 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 Project 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.

**City of Manhattan Beach**  
**Notes to Financial Statements (Continued)**

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

The City reports the following major proprietary funds:

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

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

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

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

**e. Property Tax Calculator**

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

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

**f. Capital Assets**

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

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

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

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

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

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

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

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

**g. Other Accounting Policies**

Cash and Cash Equivalents - For purpose of the Statement of Cash Flows, the City considers cash and cash equivalents as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The City follows the practice of pooling cash and investments of all funds except for funds in its 401(a) plan; 125 medical flex plan; outstanding Water and Wastewater; Marine Avenue Sports Field; and Metlox, Police & Fire Facility bonded debt, which are held by outside trustees. City employees individually direct their investments in the 401(a) plan.

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

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

**City of Manhattan Beach**  
**Notes to Financial Statements (Continued)**

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

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

**h. Interfund Transfers**

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

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

**i. Long-Term Obligations**

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

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

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

The recorded liability is based upon an estimate of reported claims as provided by an analysis of a third party administrator. Reported short-term and long-term estimated losses and reserves of \$5,305,317 and \$2,438,876 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 long-term debt in the Statement of Net Assets.

**j. Vacation and Sick Leave**

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

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

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

**k. Supplemental Leave Allowance**

In December 1994, an emergency leave bank was established for active management/confidential employees. At June 30, 2008, the total accrued liability for this benefit amounted to \$27,058, based on accumulated hours for months in service during the time period from January 1, 1990 to December 4, 1994, as specified in the parameters of the plan. Upon termination, the employee will be paid for any unused leave and as such the total amount of the liability is accrued as a long-term item (see Note 6).

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

**l. Allocation of Interest Income Among Funds**

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

**m. Cash Flow Statements**

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

**n. Estimates**

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

**o. Use of Restricted Resources**

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

**Note 2: Budgets and Budgetary Accounting**

**a. Budgetary Basis of Accounting**

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

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

**Note 2: Budgets and Budgetary Accounting (Continued)**

**b. Excess Expenditures**

For the year ended June 30, 2008, the following funds had expenditures in excess of budget:

Fund	Expenditures	Appropriations	Excess
General Fund:			
Public Safety	\$ 32,294,088	\$ 32,183,054	\$ 111,034
Culture and Recreation	5,785,612	5,773,541	12,071
Street Lighting & Landscaping			
Public Works	584,206	560,541	23,665
Underground Assessment District			
Public Works	148,283	-	148,283

**c. Deficit**

The Insurance Reserve Internal Service Fund has a net assets deficit of \$408,914. It is anticipated that this deficit will be reduced by assessing additional charges to other departments in future years.

**Note 3: Cash and Investments**

As of June 30, 2008, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 40,390,733
Business-type activities	14,967,048
Fiduciary funds	4,289,766
<b>Total Cash and Investments</b>	<b>\$ 59,647,547</b>

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

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

**a. Deposits**

At June 30, 2008, the carrying amount of the City's deposits was (\$527,381) and the bank balance was \$957,990. The \$1,485,371 difference represents outstanding checks and other reconciling items.



**City of Manhattan Beach**  
**Notes to Financial Statements (Continued)**

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

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The City's Treasurer may waive the collateral requirement for deposits that are fully insured up to \$100,000 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 local governmental agency.

**b. Authorized Investments**

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

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

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

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

**c. Investments Authorized by Debt Agreements**

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

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

**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 \$13,150,000 whose pro-rata share of fair value was estimated by the State Treasurer to be \$13,149,345.

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

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

**f. Cash and Investments - 401 (a) Plan**

The City contributes to a 401(a) plan for its management confidential employees into which these employees can make voluntary contributions. The fair value of the plan assets at June 30, 2008, was \$1,512,966.

**g. GASB Statement No. 31**

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

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

Methods and assumptions used to estimate fair value - The City maintains investment accounting records and adjusts those records to "fair value" on an annual basis for material amounts. The City's investment custodian provides market values on each investment instrument on a monthly basis for material amounts. The investments held by the City are widely traded in the financial markets and trading values are readily available from numerous published sources. Material unrealized gains and losses are recorded on an annual basis and the carrying value of its investments is considered fair value. For the year ended June 30, 2008, the fair value of investments exceeded the book value by \$495,906.

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

**h. Credit Risk**

The City's investment policy limits investments in medium-term notes (MTN's) to those rated in the top three rating categories by two of the three largest nationally recognized rating services at time of purchase. As of June 30, 2008, the City's investment in medium-term notes consisted of investments with Bank of America, Berkshire Hathaway, Citigroup, Fleet Financial Group, General Electric Capital, Gillette Company, Morgan Stanley Corp and Wachovia Bank. At June 30, 2008, all MTN's were rated "A" or higher by Moody'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, 2008, the City's investments in external investment pools and money market mutual funds are unrated.

**i. Custodial Credit Risk**

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

As of June 30, 2008, none of the City's deposits or investments was exposed to custodial credit risk.

**j. Concentration of Credit Risk**

The City's investment policy imposes restrictions for certain types of investments with any one issuer for the following types of investments. With respect to concentration of credit risk, as of June 30, 2008, the City is in compliance with its investment policy's restrictions.

In accordance with GASB Statement No. 40, if the city has invested more than 5% of its total investments in any one issuer then it is exposed to credit risk. With respect to concentration risk, as of June 30, 2008, the City has not invested more than 5.65% of its total investments in Citigroup and 7.75% of its total investments in General Electric Capital. Percent of total of any one of the other issuers is less than 5%. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

**k. Interest Rate Risk**

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

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

As of June 30, 2008, the City had the following investments and original maturities:

	Remaining Investment Maturities				Fair Value
	6 months or less	6 months to 1 year	1 to 3 years	More than 3 years	
Pooled Investments:					
Local Government Fund	\$ 13,149,345	\$ -	\$ -	\$ -	\$ 13,149,345
US Treasury and agency notes	4,009,060	4,567,045	9,707,550	8,003,760	26,287,415
Medium-term notes	4,000,050	2,991,970	3,467,930	3,001,590	13,461,540
	<u>\$ 21,158,455</u>	<u>\$ 7,559,015</u>	<u>\$ 13,175,480</u>	<u>\$ 11,005,350</u>	<u>\$ 52,898,300</u>
Investment with Fiscal Agents:					
Police & Fire Certificates of Participation					\$ 1,099,170
Utility Undergrounding					1,646,524
Metlox certificates of participation					1,158,593
Marine certificates of participation					310,520
Police & Fire pension bonds					983,009
Water/wastewater revenue bonds					338,595
SBRPCA revenue bonds					214,712
					<u>5,751,123</u>
Demand deposits					(527,381)
Other deposits					10,601
Petty cash					1,938
					<u>(514,842)</u>
Other Funds and Deposits:					
401(a) employee plan					1,512,966
					<u>1,512,966</u>
Grand Total					<u>\$ 59,647,547</u>

**Note 4: Interfund Transactions**

Interfund Transfers

With City Council approval, resources may be transferred from one fund to another. Transfers between individual funds during the fiscal year ended June 30, 2008, are presented below:

Transfers Out	Transfers In				Transfers In Totals
	General Fund	Nonmajor Governmental Funds	Parking Fund	Internal Service Funds	
General Fund	\$ -	\$ 189,967	\$ -	\$ 18,017	\$ 207,984
Capital Improvement Fund	-	-	55,850	-	55,850
Nonmajor proprietary funds	25,079	-	-	-	25,079
Transfers Out Totals	<u>\$ 25,079</u>	<u>\$ 189,967</u>	<u>\$ 55,850</u>	<u>\$ 18,017</u>	<u>\$ 288,913</u>

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

**Note 4: Interfund Transactions (Continued)**

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

- The County Parking Lot fund transferred \$25,079 to the General fund for recreation purposes.
- The General fund transferred \$189,967 to the Street Lighting fund to relieve a deficit fund balance.
- The Capital Improvement Fund transferred \$55,850 to the Parking Fund for surveillance equipment.
- The General fund transferred \$18,017 to the Insurance Reserve fund to alleviate ongoing deficits.

**Due To/From Other Funds**

	<u>Due To Other Funds:</u>		
	<u>Federal and State Grants</u>	<u>Underground Assessment Improvement</u>	<u>Total</u>
Due From Other Funds:			
General Fund	<u>\$ 20,000</u>	<u>\$ 110,395</u>	<u>\$ 130,395</u>

The amount due to the General Fund cash consist of the elimination of a cash deficit in the Federal and State Grants fund for grant money they have not yet received and the elimination of a cash deficit in the Underground Assessment Improvement Fund for amounts not received from restricted cash in that fund held by trustee.

**City of Manhattan Beach**  
**Notes to Financial Statements (Continued)**

**Note 5: Capital Assets and Depreciation**

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Assets. The City elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructure reporting, whereby depreciation expense and accumulated depreciation have been recorded. The following table presents the capital assets activity for the year ended June 30, 2008:

	Beginning Balance 7/1/2007	Adjustments (to beginning balance)	Adjusted Beginning Balance	Increases additions	Decreases (deletions)	Transfers	Ending Balance 6/30/2008
<b>Governmental Activities:</b>							
Land	\$ 33,634,566	\$ -	\$ 33,634,566	\$ -	\$ -	\$ -	\$ 33,634,566
Investment in Joint Venture (RCC)	1,855,268	(1,855,268)	-	-	-	-	-
Construction-in-progress							
Street / Roadways	7,508,697	-	7,508,697	1,866,006	-	(7,343,279)	2,031,424
Recreation	355,290	-	355,290	926,461	-	(1,137,335)	144,416
	9,719,255	(1,855,268)	7,863,987	2,792,467	-	(8,480,614)	2,175,840
<b>Total Capital Assets,     Not Being Depreciated</b>	<b>43,353,821</b>	<b>(1,855,268)</b>	<b>41,498,553</b>	<b>2,792,467</b>	<b>-</b>	<b>(8,480,614)</b>	<b>35,810,406</b>
Buildings and Structures	43,215,780	-	43,215,780	-	-	-	43,215,780
Machinery and Equipment	5,676,322	-	5,676,322	323,924	(130,427)	-	5,869,819
Vehicles	6,505,766	-	6,505,766	415,975	(343,549)	-	6,578,192
Infrastructure	-	-	-	-	-	-	-
Street / Roadways	37,952,553	-	37,952,553	-	-	7,343,279	45,295,832
Parks and Recreation	10,885,500	-	10,885,500	-	-	1,137,335	12,022,835
Investment in Joint Venture (RCC)	-	2,312,324	2,312,324	94,849	(164)	-	2,407,009
<b>Total Capital Assets,     Being Depreciated</b>	<b>104,235,921</b>	<b>2,312,324</b>	<b>106,548,245</b>	<b>834,748</b>	<b>(474,140)</b>	<b>8,480,614</b>	<b>115,389,467</b>
Buildings and Structures	(2,619,812)	-	(2,619,812)	(862,106)	-	-	(3,481,918)
Machinery & equipment	(3,109,046)	-	(3,109,046)	(490,044)	126,820	-	(3,472,270)
Vehicles	(3,382,055)	-	(3,382,055)	(588,035)	312,470	-	(3,657,620)
Infrastructure							
Street / Roadways	(17,603,610)	-	(17,603,610)	(1,219,898)	-	-	(18,823,508)
Parks and Recreation	(3,522,622)	-	(3,522,622)	(201,645)	-	-	(3,724,267)
Investment in Joint Venture	-	(457,056)	(457,056)	(109,235)	93	-	(566,198)
<b>Total Accumulated     Depreciation</b>	<b>(30,237,145)</b>	<b>(457,056)</b>	<b>(30,694,201)</b>	<b>(3,470,963)</b>	<b>439,383</b>	<b>-</b>	<b>(33,725,781)</b>
<b>Total Capital Assets,     Being Depreciated, Net</b>	<b>73,998,776</b>	<b>1,855,268</b>	<b>75,854,044</b>	<b>(2,636,215)</b>	<b>(34,757)</b>	<b>8,480,614</b>	<b>81,663,686</b>
Governmental Activities Capital Assets, Net	\$ 117,352,597	\$ -	\$ 117,352,597	\$ 156,252	\$ (34,757)	\$ -	\$ 117,474,092

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

**Note 5: Capital Assets and Depreciation (Continued)**

	Beginning Balance	Adjustments	Adjusted Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-Type Activities:</b>							
Capital assets, not being depreciated:							
Land - water	\$ 307,967	\$ -	\$ 307,967	\$ -	\$ -	\$ -	\$ 307,967
Land - storm water	7,650	-	7,650	-	-	-	7,650
Land - parking	1,441,817	-	1,441,817	-	-	-	1,441,817
Construction-in-progress	1,563,897	-	1,563,897	2,308,911	(15,907)	(2,247,213)	1,609,688
<b>Total Capital Assets, Not Being Depreciated</b>	<b>3,321,331</b>	<b>-</b>	<b>3,321,331</b>	<b>2,308,911</b>	<b>(15,907)</b>	<b>(2,247,213)</b>	<b>3,367,122</b>
Capital assets, being depreciated:							
Buildings and structures - parking	16,457,886	(271,931)	16,185,955	-	(512,732)	1,091,408	16,764,631
Machinery and equipment - parking	738,586	-	738,586	-	-	66,944	805,530
Water	19,766,510	-	19,766,510	-	-	508,443	20,274,953
Storm water	6,729,596	-	6,729,596	-	-	141,807	6,871,403
Wastewater	9,573,127	-	9,573,127	-	-	438,611	10,011,738
<b>Total Capital Assets, Being Depreciated</b>	<b>53,265,705</b>	<b>(271,931)</b>	<b>52,993,774</b>	<b>-</b>	<b>(512,732)</b>	<b>2,247,213</b>	<b>54,728,255</b>
Less Accumulated Depreciation:							
Buildings and structures - parking	(707,649)	51,667	(655,982)	(480,373)	512,732	-	(623,623)
Machinery and equipment - parking	(425,615)	-	(425,615)	(25,802)	-	-	(451,417)
Water	(8,258,569)	-	(8,258,569)	(359,405)	-	-	(8,617,974)
Storm water	(2,621,199)	-	(2,621,199)	(150,774)	-	-	(2,771,973)
Wastewater	(4,736,312)	-	(4,736,312)	(142,508)	-	-	(4,878,820)
<b>Total Accumulated Depreciation</b>	<b>(16,749,344)</b>	<b>51,667</b>	<b>(16,697,677)</b>	<b>(1,158,862)</b>	<b>512,732</b>	<b>-</b>	<b>(17,343,807)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>36,516,361</b>	<b>(220,264)</b>	<b>36,296,097</b>	<b>(1,158,862)</b>	<b>-</b>	<b>2,247,213</b>	<b>37,384,448</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 39,837,692</b>	<b>\$ (220,264)</b>	<b>\$ 39,617,428</b>	<b>\$ 1,150,049</b>	<b>\$ (15,907)</b>	<b>\$ -</b>	<b>\$ 40,751,570</b>

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

<b>Governmental Activities:</b>	
General government	\$ 174,630
Public safety	1,537,542
Public works	1,502,212
Culture and recreation	256,579
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 3,470,963</b>
<b>Business-Type Activities:</b>	
Water	\$ 359,405
Storm water	150,774
Wastewater	142,508
Parking	506,175
<b>Total Depreciation Expense - Business-Type Activities</b>	<b>\$ 1,158,862</b>

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

**Note 6: Long-Term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2008:

Governmental Activities:	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due in One Year
<b>Long-term Debt:</b>					
Capital Lease	\$ 558,190	\$ -	\$ (168,182)	\$ 390,008	\$ 174,060
Marine Ave Park COP	8,580,000	-	(205,000)	8,375,000	210,000
Police Fire COP	12,740,000	-	(245,000)	12,495,000	250,000
2001 South Bay Revenue Bond	1,830,000	-	(80,000)	1,750,000	80,000
Pension Obligation Bonds	6,800,000	-	(705,000)	6,095,000	695,000
<b>Other:</b>					
Supplemental Leave Allowance	35,595	-	(8,537)	27,058	-
Compensated Absences	2,226,775	1,936,237	(1,800,799)	2,362,213	338,314
Workers Compensation Claims	4,824,658	1,433,408	-	6,258,066	4,446,141
General Liability Claims	1,138,411	347,716	-	1,486,127	859,176
<b>Total governmental</b>	<b>\$ 38,733,629</b>	<b>\$ 3,717,361</b>	<b>\$ (3,212,518)</b>	<b>39,238,472</b>	<b>\$ 7,052,691</b>
	Unamortized premium			161,866	
				<b>\$ 39,400,338</b>	
<b>Business-Type Activities:</b>					
<b>Long-term Debt:</b>					
Water Fund COP	\$ 2,560,350	\$ -	\$ (70,376)	\$ 2,489,974	\$ 73,735
Wastewater Fund COP	1,259,650	-	(34,624)	1,225,026	36,265
Metlox Parking COP	12,570,000	-	(270,000)	12,300,000	280,000
<b>Other long term liabilities:</b>					
Compensated Absences	81,579	84,688	(62,101)	104,166	17,340
<b>Total business type</b>	<b>\$ 16,471,579</b>	<b>\$ 84,688</b>	<b>\$ (437,101)</b>	<b>\$ 16,119,166</b>	<b>\$ 407,340</b>

**a. Capital Lease: Fire & Sewer Vacuum Truck**

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

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

Fiscal Year Ending June 30,	Fire Truck			Sewer Truck		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 115,467	\$ 6,973	\$ 122,440	\$ 58,592	\$ 3,716	\$ 62,308
2010	119,502	2,937	122,439	60,640	1,669	62,309
2011	20,319	87	20,406	15,488	89	15,577
<b>Total</b>	<b>\$ 255,288</b>	<b>\$ 9,997</b>	<b>\$ 265,285</b>	<b>\$ 134,720</b>	<b>\$ 5,474</b>	<b>\$ 140,194</b>



**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

**b. Marine Avenue Certificates of Participation**

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 210,000	\$ 335,975	\$ 545,975
2010	220,000	327,555	547,555
2011	230,000	318,255	548,255
2012	235,000	309,226	544,226
2013	245,000	298,384	543,384
2014-2018	1,360,000	1,332,276	2,692,276
2019-2023	1,630,000	1,025,129	2,655,129
2024-2028	1,935,000	659,094	2,594,094
2029-2033	2,310,000	222,621	2,532,621
Total	<u>\$ 8,375,000</u>	<u>\$ 4,828,515</u>	<u>\$ 13,203,515</u>

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

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

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 250,000	\$ 564,188	\$ 814,188
2010	255,000	557,938	812,938
2011	265,000	550,288	815,288
2012	275,000	541,675	816,675
2013	285,000	532,050	817,050
2014-2018	1,580,000	2,495,088	4,075,088
2019-2023	1,925,000	2,151,406	4,076,406
2024-2028	2,390,000	1,684,531	4,074,531
2029-2033	3,050,000	1,027,500	4,077,500
2034-2036	2,220,000	225,500	2,445,500
Total	<u>\$ 12,495,000</u>	<u>\$ 10,330,164</u>	<u>\$ 22,825,164</u>

**d. 2001 South Bay Regional Public Communications Authority Revenue Bonds**

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

The annual requirements to amortize the 2001 South Bay Regional Public Communications Authority Revenue Bonds outstanding at June 30, 2008, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 80,000	\$ 70,368	\$ 150,368
2010	85,000	67,048	152,048
2011	90,000	63,403	153,403
2012	50,000	60,392	110,392
2013	50,000	58,152	108,152
2014-2018	280,000	258,690	538,690
2019-2023	360,000	194,060	554,060
2024-2028	440,000	112,696	552,696
2029-2031	315,000	21,075	336,075
Total	<u>\$ 1,750,000</u>	<u>\$ 905,884</u>	<u>\$ 2,655,884</u>

**e. 2007 Pension Obligation Bonds**

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

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

The annual requirements to amortize the 2007 Taxable Pension Obligation Bonds outstanding at June 30, 2008, were as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 695,000	\$ 288,007	\$ 983,007
2010	765,000	251,427	1,016,427
2011	840,000	211,214	1,051,214
2012	925,000	166,992	1,091,992
2013	1,010,000	118,510	1,128,510
2014-2015	1,860,000	84,936	1,944,936
Totals	<u>\$ 6,095,000</u>	<u>\$ 1,121,086</u>	<u>\$ 7,216,086</u>

**f. Compensated Absences**

At June 30, 2008, the total citywide accrued liability for compensated absences amounted to \$2,466,379 which is comprised of \$2,129,436 and \$336,943 of vested vacation and sick leave, respectively. \$2,362,213 of this compensated leave liability is related to general government services with the remaining \$104,166 related to business type activities. The governmental activities liability is generally liquidated by the General Fund and the business type activities liabilities are liquidated by the corresponding proprietary funds.

**g. Workers' Compensation Claims**

As of June 30, 2008, reserves for open workers compensation claims have been established in accordance with analysis by a third party claims administrator. The value of these claims is \$4,446,141. In addition, reserves of \$1,811,925 have been set aside for incurred but not reported claims.

**h. General Liability Claims**

As of June 30, 2008, 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 \$859,176. In addition, reserves of \$626,951 have set aside for incurred but not reported claims.

**i. Water and Wastewater Certificates of Participation**

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

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

The following schedule illustrates the debt service requirements to maturity for bonds outstanding as of June 30, 2008:

Fiscal Year Ending June 30,	Water			Wastewater		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 73,727	\$ 140,288	\$ 214,015	\$ 36,273	\$ 69,020	\$ 105,293
2010	77,079	136,235	213,314	37,921	67,026	104,947
2011	80,430	131,992	212,422	39,570	64,938	104,508
2012	87,132	127,370	214,502	42,868	62,664	105,532
2013	90,484	122,375	212,859	44,516	60,206	104,722
2014-2018	552,955	524,861	1,077,816	272,045	258,223	530,268
2019-2023	743,976	340,217	1,084,193	366,024	167,382	533,406
2024-2028	784,191	94,465	878,656	385,809	46,475	432,284
Total	<u>\$ 2,489,974</u>	<u>\$ 1,617,803</u>	<u>\$ 4,107,777</u>	<u>\$ 1,225,026</u>	<u>\$ 795,934</u>	<u>\$ 2,020,960</u>

**j. Metlox Certificate of Participation**

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

As of June 30, 2008, annual debt service requirements to maturity for the Metlox Parking Facility (COP) are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 280,000	\$ 574,184	\$ 854,184
2010	285,000	565,784	850,784
2011	300,000	555,809	855,809
2012	310,000	544,559	854,559
2013	325,000	532,159	857,159
2014-2018	1,830,000	2,452,543	4,282,543
2019-2023	2,285,000	2,005,365	4,290,365
2024-2028	2,930,000	1,392,750	4,322,750
2029-2033	3,755,000	582,000	4,337,000
Total	<u>\$ 12,300,000</u>	<u>\$ 9,205,153</u>	<u>\$ 21,505,153</u>

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

**Note 7: Non-City Obligation**

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

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

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

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

The City's governmental funds reserves and designations at June 30, 2008, are presented below:

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Total Fund Equity	\$ 18,437,158	\$ 6,262,184	\$ 5,865,437	\$ 30,564,779
Reserved:				
Encumbrances	\$ 459,705	\$ -	\$ 40,925	\$ 500,630
Prepays	35,941	-	-	35,941
Debt Service	1,355,530	817,076	-	2,172,606
Continuing capital projects	-	1,814,830	2,827,474	4,642,304
Total Reserved	1,851,176	2,631,906	2,868,399	7,351,481
Unreserved	16,585,982	3,630,278	2,997,038	23,213,298
Designated:				
Financial policy	9,651,953	-	-	9,651,953
Economic uncertainty	4,000,000	-	-	4,000,000
Accrued benefits	-	-	-	-
Loan Program	-	1,023,087	-	1,023,087
Total Designated	13,651,953	1,023,087	-	14,675,040
Undesignated	2,934,029	2,607,191	2,997,038	8,538,258

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

The City's Enterprise Fund restrictions and City Council designations at June 30, 2008, are presented below:

	Water Fund	Waste Water Fund	Parking Fund	Refuse Fund	Nonmajor Enterprise Funds
Total Net Assets	<u>\$ 18,142,885</u>	<u>\$ 5,856,705</u>	<u>\$ 7,714,000</u>	<u>\$ 1,024,485</u>	<u>\$ 7,320,626</u>
Restricted:					
Debt service	\$ 227,075	\$ 111,485	\$ 871,501	\$ -	\$ -
BID	-	-	555,569	-	-
Total Restricted	<u>227,075</u>	<u>111,485</u>	<u>1,427,070</u>	<u>-</u>	<u>-</u>
Investment in Net Capital Assets	<u>10,818,117</u>	<u>4,174,434</u>	<u>5,636,937</u>	<u>-</u>	<u>4,107,082</u>
Unrestricted	<u>7,097,693</u>	<u>1,570,786</u>	<u>649,993</u>	<u>1,024,485</u>	<u>3,213,544</u>
Designations:					
Continuing CIPs	1,248,151	783,458	85,000	-	99,930
Financial policy	2,463,000	405,000	203,000	-	84,000
Total Designated	<u>3,711,151</u>	<u>1,188,458</u>	<u>288,000</u>	<u>-</u>	<u>183,930</u>
After Designations	<u>3,386,542</u>	<u>382,328</u>	<u>361,993</u>	<u>1,024,485</u>	<u>3,029,614</u>

**Note 9: Retirement Plans and Other Post Employment Benefits**

**a. California Public Employees Retirement System**

CALPERS

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

In fiscal year 2001-2002, the City Safety Retirement Plan was unbundled and replaced with separate Police and Fire Plans. The Police Plan was modified from the 2% at 50 to the 3% at 50 benefits. The Fire Plan was modified from the 2% at 50 to the 3% at 55 benefits.

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

**Miscellaneous Employees Plan**

Plan Description

The City of Manhattan Beach contributes to CALPERS, an agent multiple-employer public employee defined benefit pension plan.

Funding Policy

Active plan members in the Miscellaneous Plans are required to contribute 7% of their annual covered salary, respectively. The City of Manhattan Beach is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. In accordance with existing bargaining group labor agreements, the City fully pays the employee contribution for all full time salaried safety and miscellaneous employees. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The Annual Valuation Report as of June 30, 2005, determined the required employer contribution rate for fiscal year 2007-2008 was 7.395% for miscellaneous employees. The contribution requirements of the plan members are established by state statute, and the employer contribution rate is established and adjusted in accordance with actuarial assumptions, investment performance, benefits and demographics.

Assumptions

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

Valuation Date	June 30, 2005
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	32 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

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

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

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

The plans' actuarial value (which differs from fair value) and funding progress over the past three years are set forth below at their actuarial valuation date of June 30. In addition, the City has received valuation reports of June 30, 2006 and June 30, 2007 which enable us to present additional years of funding progress. The following schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Funding Progress for PERS  
Miscellaneous Plan  
Most Recent Available

Valuation Date	Entry Age Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio		Annual Covered Payroll	Unfunded Liability as % of Payroll
				(AVA)	Market Value		
6/30/2005	\$ 41,904,317	\$ 42,266,305	\$ (361,988)	100.9%	103.5%	\$ 9,495,383	-3.8%
6/30/2006	45,342,124	45,486,563	(144,439)	100.3%	106.1%	9,913,363	-1.5%
6/30/2007	49,949,997	50,183,704	(233,707)	100.5%	106.1%	10,769,106	-2.2%

**Safety Employees Plan**

Plan Description

The City of Manhattan Beach contributes to CALPERS, a cost sharing multiple-employer public employee defined benefit pension plan.

Funding Policy

Active plan members in the Safety and Miscellaneous Plans are required to contribute 9% of their annual covered salary, respectively. The City of Manhattan Beach is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. In accordance with existing bargaining group labor agreements, the City fully pays the employee contribution for all full time salaried safety and miscellaneous employees. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The Annual Valuation Report as of June 30, 2005, determined the required employer contribution rate for fiscal year 2007-2008 was, 34.481%, and 29.426% for police and fire employees, respectively. The contribution requirements of the plan members are established by state statute, and the employer contribution rate is established and adjusted in accordance with actuarial assumptions, investment performance, benefits and demographics.



**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

**Mandatory Police & Fire Risk Pooling**

The City of Manhattan Beach Police and Fire retirement plans participate in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups thereby reducing potential rate fluctuations that are incurred by small populations. Mandated participation in risk pools began in fiscal year 2005-2006 for plans with less than 100 active members based on the active membership of each rate plan as of June 30, 2003. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The difference between the normal cost of each of the safety plans (based on final stand alone evaluation) and that of the pool is phased out over a five year period. The difference is charged in full in the first year, 80% in the second year and so on until the difference is phased out of the end of fiscal 2010-2011. Final stand alone normal costs for both safety plans was greater than that of the pool, In addition, each group is charged for class 1 benefits. a) one year final compensation and b) post retirement survivor continuance.

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

**Annual Pension Cost**

For fiscal year 2007-2008, the City of Manhattan Beach's annual pension payments was \$2,843,321 (a decrease of 932,900 attributable to safety side fund payoff) for the Police, Fire and Miscellaneous Plans combined, and was equal to the City's required contributions. The payments by group are as follows: Miscellaneous - \$832,511, Fire - \$737,624, Police - \$1,273,186). The City also contributed \$1,686,999 for the 2007-2008 fiscal year on behalf of the employees. Employee payments by group are as follows: Miscellaneous – \$788,150, Fire - \$382,093, Police – \$536,756. The City's payroll for employees covered by the plans for the year ended June 30, 2008, was \$21,246,501. The total payroll for the year was \$26,111,367.

**Three-Year Trend Information for PERS Police Plan**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2006	\$ 1,912,600	95.17%	\$ (434,535)
6/30/2007	1,870,202	342.52%	(4,970,161)
6/30/2008	1,702,272	74.79%	(4,541,075)

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

Annual Pension Cost and Net Pension Obligation Police Plan

The City of Manhattan Beach annual pension cost and change in net pension obligation in fiscal year ending June 30, 2008, was as follows:

	<u>Police</u>
Annual required contributions (ARC)	\$ 1,273,186
Interest on net pension obligation	(359,170)
Amortization of net pension obligation	<u>788,256</u>
Annual pension cost	1,702,272
Actual contributions made in fiscal year	<u>1,273,186</u>
Increase (Decrease) in NPO	429,086
NPO at Beginning of Year	<u>(4,970,161)</u>
NPO at End of Year	<u>\$ (4,541,075)</u>

Three-Year Trend Information for PERS Fire Plan

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2006	\$ 1,024,892	97.12%	\$ (244,424)
6/30/2007	1,087,358	297.21%	(2,388,841)
6/30/2008	987,941	74.66%	(2,138,524)

Annual Pension Cost and Net Pension Obligation Fire Plan

The City of Manhattan Beach annual pension cost and change in net pension obligation in fiscal year ending June 30, 2008, was as follows:

	<u>Fire</u>
Annual required contributions (ARC)	\$ 737,624
Interest on net pension obligation (NPO)	(171,286)
Amortization of net pension obligation	<u>421,603</u>
Annual pension cost	987,941
Actual contributions made in fiscal year	<u>737,624</u>
Increase (Decrease) in NPO	250,317
NPO at Beginning of Year	<u>(2,388,841)</u>
NPO at End of Year	<u>\$ (2,138,524)</u>

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

Annual Pension Cost and Net Pension Obligation Miscellaneous Plan

The City of Manhattan Beach annual pension cost and change in net pension obligation in fiscal year ending June 30, 2008, was as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2006	\$ 637,762	100%	\$ -
6/30/2007	772,796	100%	-
6/30/2008	832,511	100%	

The City of Manhattan Beach annual pension cost and change in net pension obligation in fiscal year ending June 30, 2008, was as follows:

	<u>Miscellaneous</u>
Annual required contributions (ARC)	\$ 832,511
Interest on net pension obligation (NPO)	-
Amortization of net pension obligation	-
Annual pension cost	<u>832,511</u>
Actual contributions made in fiscal year	<u>832,511</u>
Increase (Decrease) in NPO	-
NPO at Beginning of Year	-
NPO at End of Year	<u><u>\$ -</u></u>

**b. City Funded Pension Plans**

1. Supplemental Retirement Plan

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

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

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

The number of participants covered under the plan as of June 30, 2008, was as follows:

Retirees and beneficiaries receiving benefits Management/Confidential	6
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The financial statements are prepared using the accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan. Investments of the plan are reported at fair value. The city does not charge an administrative fee to the benefit plan.

Schedules of Funding Progress for Supplemental Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Overfunded) Accrued Liability	Covered Payroll	UAAL as a % of Payroll
6/30/2001	\$ 227,989	\$ 208,773	\$ (19,216)	N/A	N/A
6/30/2002	234,488	200,915	(33,573)	N/A	N/A
6/30/2003	224,064	200,915	(23,149)	N/A	N/A
6/30/2004	196,711	196,289	(422)	N/A	N/A
6/30/2005	183,066	196,289	13,223	N/A	N/A
6/30/2006	192,805	192,805	-	N/A	N/A
6/30/2007	183,185	192,805	9,620	N/A	N/A
6/30/2008	193,627	189,506	(4,121)	N/A	N/A

Year Ended	Annual Actual Contribution	Percentage Contribution
6/30/2001	N/A	N/A
6/30/2002	N/A	N/A
6/30/2003	N/A	N/A
6/30/2004	N/A	N/A
6/30/2005	N/A	N/A
6/30/2006	N/A	N/A
6/30/2007	N/A	N/A
6/30/2008	N/A	N/A

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

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

Valuation Date	June 30, 2008
Actuarial cost method	Projected Unit Cost Credit method
Amortization period	N/A plan is dormant
Remaining amortization period	N/A plan is dormant
Asset valuation method	N/A plan is dormant

Actuarial Assumptions:	
Investment rate of return	6.5%
Projected salary increases	N/A plan is dormant
Includes inflation at	N/A plan is dormant
Cost-of-living adjustments	2%

**2. Single Highest Year Plan**

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

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

The City has ceded the liabilities of active participants in the plan to PERS as of July 1, 1993. The City's remaining obligation is to fund the benefits for those participants who are currently retired. The number of participants covered under the plan as of June 30, 2008, was as follows:

Retirees receiving benefits:	
Management Confidential	4
Fire	1
Police	5
	<u>10</u>

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

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

Schedules of Funding Progress for Single Highest Year (Amounts in Thousands)						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Overfunded) Accrued Liability	Covered Payroll	UAAL as a % of Payroll	
6/30/2001	\$ 580,156	\$ 532,507	\$ (47,649)	N/A	N/A	
6/30/2002	602,569	516,298	(86,271)	N/A	N/A	
6/30/2003	582,400	516,298	(66,102)	N/A	N/A	
6/30/2004	499,227	498,155	(1,072)	N/A	N/A	
6/30/2005	472,367	498,155	25,788	N/A	N/A	
6/30/2006	444,497	444,497	-	N/A	N/A	
6/30/2007	428,561	444,497	15,936	N/A	N/A	
6/30/2008	461,030	432,935	(28,095)	N/A	N/A	

Year Ended	Annual Actual Contribution	Percentage Contribution
6/30/2001	N/A	N/A
6/30/2002	N/A	N/A
6/30/2003	N/A	N/A
6/30/2004	N/A	N/A
6/30/2005	N/A	N/A
6/30/2006	N/A	N/A
6/30/2007	N/A	N/A
6/30/2008	N/A	N/A

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

Valuation Date	June 30, 2008
Actuarial cost method	Projected Unit Cost Credit Method
Amortization period	N/A plan is dormant
Remaining amortization period	N/A plan is dormant
Asset valuation method	N/A plan is dormant
Actuarial Assumptions:	
Investment rate of return	6.5%
Projected salary increases	N/A plan is dormant
Includes inflation at	N/A plan is dormant
Cost-of-living adjustments	2%

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

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

Statement of Fiduciary Net Assets

	Supplemental	Single-Highest Year	Fire Medical	Police Medical	Total
<b>Assets:</b>					
Cash and Investments	\$ 193,627	\$ 461,030	\$ -	\$ -	\$ 654,657
Total Assets	193,627	461,030	-	-	654,657
<b>Net Assets:</b>					
Held in trust for pension benefits and other purposes	\$ 193,627	\$ 461,030	\$ -	\$ -	\$ 654,657

Statement of Changes in Fiduciary Net Assets

Plan Activity	Supplemental	Single Highest Year	Fire Medical	Police Medical	Total
<b>Additions:</b>					
Contribution	\$ -	\$ -	\$ 3,614	\$ 24,289	\$ 27,903
Interest	36,791	86,857	-	-	123,648
Total Additions	36,791	86,857	3,614	24,289	151,551
<b>Deductions:</b>					
Benefits	26,349	54,388	3,614	24,600	108,951
Contribution to General Fund	-	-	270,166	839,834	1,110,000
Total Deductions	26,349	54,388	273,780	864,434	1,218,951
Changes in net assets	10,442	32,469	(270,166)	(840,145)	(1,067,400)
<b>Net Assets Held in Trust for Pension Benefits:</b>					
Opening balance July 1, 2007	183,185	428,561	270,166	840,145	1,722,057
Ending balance June 30, 2008	\$ 193,627	\$ 461,030	\$ -	\$ -	\$ 654,657

The contribution to the General Fund of \$1,110,000 was included in the payment of \$6,420,450 to CERBT (California Employees' Retirement Benefit Trust).

**c. Other Post Retirement Benefits**

1. City Post Retirement Medical Plan

In accordance with employee memoranda of understanding, the City provides fixed stipends during retirement. Payments cease at age 65. The plan provides a benefit of \$250 to \$400 per month directly to the employee to be used towards the health insurance premiums. Employees who retire from employment with the City and meet service requirements ranging from 15 to 20 years are eligible. The plan and payment amounts are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreement between the City and the bargaining units. In fiscal year 2008, the City paid \$28,214 to retirees. The plan does not issue a separate report.

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

2. State of California Mandated Contribution to Retirees

In addition to the City plan as described above, the City makes a contribution to retirees who elect to purchase insurance through CALPERS. This contribution is mandated by Assembly Bill 2544 and is adjusted annually by CALPERS. For fiscal year 2008, the City contributed \$32,969 to the plan. Plan members receiving benefits contributed \$351,252.

These plans are financed via City actuarially determined contributions to a trust fund managed by CALPERS. CALPERS has dual independent capacities – as a provider of medical plans and as a trustee. In its capacity as a trustee, CALPERS will be referred to as CERBT (California Employees' Retirement Benefit Trust). City payments to employees and CALPERS will be reimbursed by payments from CERBT in fiscal 2009.

Annual OPEB Cost and Net OPEB Obligation

In the fiscal year ending June 30, 2008, the City conducted an actuarial analysis of these two plans in order to be in conformance with GASB 45.

The City's annual post employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. An actuarial valuation of the OPEB programs was performed with an effective date of July 1, 2007. Initially, the City elected to amortize the unfunded liability over a 10 year period; however at fiscal year end, the unfunded accrued liability plus interest in addition to the normal cost was paid to CERBT. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation: The required contribution for an amortization period of ten years was \$841,241 plus normal cost of \$269,000.

Annual required contribution	\$ 1,110,241
Annual OPEB cost	1,110,241
Actual contributions made	6,420,450
Increase (decrease) in OPEB obligation	(5,310,209)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2007-08 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Contribution	Net OPEB Obligation
06/30/06	N/A	N/A	N/A
06/30/07	N/A	N/A	N/A
06/30/08	\$ 1,110,241	\$ 6,420,450	\$ (5,310,209)



**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

**3. Funded Status and Funding Programs**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The basis for actuarial accrued liability are fixed payments for a period subsequent to retirement. These amounts are not related to payroll and therefore the unfunded actuarial accrued liability as percent of payroll has no meaning. The total contribution is fixed for each employee group. Since an actuarial evaluation is required every two years, the same actuarial accrued liability is presented for both fiscal years. Even though the actuarial valuation was effective July 1, 2007, the same results are used for June 30, 2008.

Type of Valuation	Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Underfunded Liability	Funded Ratio	Covered Payroll	Percent of Covered Payroll	Interest Rate
Actual	6/30/2007	\$ 5,709,000	\$ -	\$ 5,709,000	0.0%	N/A	N/A	7.75%
	6/30/2008	5,709,000	6,420,450	(711,450)	112.5%	N/A	N/A	7.75%

**Actuarial Methods and Assumptions**

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

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

In the July 1, 2007, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 7.75% investment rate of return (net of administrative expenses), which is the actuarial rate of return used by CALPERS for assets in all of their plans, an annual healthcare cost trend rate of 11% initially, reduced by decrements to an ultimate rate of 5% after ten years, and a fixed population of active participants. The actuarial value of assets was equal to the amount deposited with CALPERS at June 30, 2008. The number of active plan participants is 269.

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

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

**2. State of California Mandated Contribution to Retirees**

In addition to the City plan as described above, the City makes a contribution to retirees who elect to purchase insurance through CALPERS. This contribution is mandated by Assembly Bill 2544 and is adjusted annually by CALPERS. For fiscal year 2008, the City paid \$32,969 for the medical benefit. Plan members receiving benefits paid \$351,252.

These plans are financed via City actuarially determined contributions to a trust fund managed by CALPERS. CALPERS has dual independent capacities – as a provider of medical plans and as a trustee. In its capacity as a trustee, CALPERS will be referred to as CERBT (California Employees' Retirement Benefit Trust). City payments to employees and CALPERS will be reimbursed by payments from CERBT in fiscal 2009.

**Annual OPEB Cost and Net OPEB Obligation**

In the fiscal year ending June 30, 2008, the City conducted an actuarial analysis of these two plans in order to be in conformance with GASB 45.

The City's annual post employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. An actuarial valuation of the OPEB programs was performed with an effective date of July 1, 2007. Initially, the City elected to amortize the unfunded liability over a 10 year period; however at fiscal year end, the unfunded accrued liability plus interest in addition to the normal cost was paid to CERBT. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation: The required contribution for an amortization period of ten years was \$841,241 plus normal cost of \$269,000.

Annual required contribution	\$ 1,110,241
Annual OPEB cost	1,110,241
Actual contributions made	6,420,450
Increase (decrease) in OPEB obligation	(5,310,209)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2007-08 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Contribution	Net OPEB Obligation
06/30/06	N/A	N/A	N/A
06/30/07	N/A	N/A	N/A
06/30/08	\$ 1,110,241	\$ 6,420,450	\$ (5,310,209)

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

**Note 10: Risk Management (Continued)**

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

The ICRMA has published its own financial report for the year ended June 30, 2008, which can be obtained from Independent Cities Risk Management Authority, 3780 Kilroy Airport Way, Suite 470, Long Beach, California 90806.

**Note 11: Joint Ventures and Jointly Governed Organizations**

**a. Joint Venture**

South Bay Regional Public Communications Authority

The City is a member of the South Bay Regional Public Communications Authority (SBRPCA), a joint powers authority of the cities of Manhattan Beach, Gardena and Hawthorne. SBRPCA was formed October 14, 1975, for the purpose of financing a public safety communications system for the member cities. The Governing Board is composed of an elected official of each member city. An executive committee is composed of the city managers of each member city. The City's participation percentage at June 30, 2007, was 22.7%.

Summarized audited financial information for SBRPCA at June 30, 2007\*, is presented below:

<u>Statement of Net Assets</u>	
Current assets	\$ 2,438,177
Capital assets	8,112,164
Total Assets	<u>10,550,341</u>
Current liabilities	359,877
Noncurrent liabilities	215,691
Total Liabilities	<u>575,568</u>
Total Net Assets	<u>\$ 9,974,773</u>
 <u>Statement of Activities</u>	
Operating Revenues	\$ 6,382,252
Operating Expenses	<u>(6,436,083)</u>
Excess of Expenditures Over Revenues	(53,831)
Non operating revenues (expenses)	134,723
Net Assets - June 30, 2006	<u>9,893,881</u>
Net Assets - June 30, 2007	<u>\$ 9,974,773</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)**

**Note 11: 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, 2007\*, is presented below:

Statement of Net Assets

Assets

Current assets	\$ 5,219,319
Capital assets	843,506
Totals Assets	<u>\$ 6,062,825</u>

Liabilities

Current liabilities	\$ 1,305,542
Noncurrent liabilities	563,955
Totals liabilities	1,869,497
Total Net Assets	<u>\$ 4,193,328</u>

Statement of Activities

Revenues	\$ 5,812,401
Expenditures	<u>(4,242,951)</u>
Excess of Expenditures Over Revenues	1,569,450
Net Assets - June 30, 2006	<u>2,623,878</u>
Net Assets - June 30, 2007	<u>\$ 4,193,328</u>

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

**City of Manhattan Beach  
Notes to Financial Statements (Continued)**

**Note 12: Employee 401(a) Plan**

The City contributes to a 401(a) plan to its management confidential employees into which employees can make voluntary post-tax contributions. The market value of the plan assets at June 30, 2008, was \$1,512,966.

As of June 30, 2008, the following balances of assets and liabilities were present:

	Market Value <u>401(a) Plan</u>
Total Assets	<u>\$ 1,512,966</u>
Liability to Plan Participants	<u>\$ 1,512,966</u>

**Note 13: Related Party Transactions**

In June 1995, the City entered into a loan agreement with its City Manager to be used toward the purchase of his residence within the City. The original loan amount was \$430,000. The outstanding loan amount of \$309,205 was paid in full at June 30, 2007.

**Note 14: Commitments and Contingencies**

Contingencies:

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

Construction Contract – Strand Lighting & Walkway Improvements

The City of Manhattan Beach entered into a contract with Pazargad Engineering Construction, Inc. for improvements to the beach front strand walkway. The contract was for \$3,543,914. As of June 30, 2007, construction costs were \$3,556,210. The project was completed in fiscal year 2007-2008 and the completed cost was \$3,568,453.

**Note 15: Fund Balance and Net Assets Restatement**

Beginning fund equity has been restated as follows:

Business Type Activities - Enterprise Funds	
Parking - Beginning net assets as originally stated	\$ 7,250,961
To record deletion of parking lot to make way for Metlox Parking Structure	<u>(220,264)</u>
Parking - Beginning net assets as restated	<u>\$ 7,030,697</u>

**City of Manhattan Beach**  
**Notes to Financial Statements (Continued)**

**Note 16: Subsequent Event – Financial Concerns Relating to the California Economy**

As indicated in the State of California's 2008-2009 Proposed Budget Summary – Economic Outlook:

“The California and national economies faced considerable headwinds -a deepening housing slump, a breakdown in mortgage markets, tighter credit, more volatile financial markets, and rising energy prices. Upward resets of subprime mortgage rates made payments unaffordable for many borrowers and helped push mortgage defaults and foreclosures to record levels. Several large financial institutions reported huge losses on subprime mortgages and securities backed by these mortgages. Uncertainty about how far the problems with these mortgages would spread increased financial market volatility and prompted lenders to tighten credit standards. The Federal Reserve injected liquidity into the financial markets and eased monetary policy on a number of occasions in the second half of the year, but as year-end neared, financial markets were still not functioning normally.”

While the values shown in the attached financial statements reflect those present at June 30, 2008, substantial changes have occurred in the economy in which the City and its component units operate. Therefore, the projection of the financial data for the City and its component units into future periods must recognize these factors and consider the effect of these on its operations and costs.



# **Combining Financial Statements & Schedules**





## CITY OF MANHATTAN BEACH

JUNE 30, 2008

### 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 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.

#### Capital Project Fund Description

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

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

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	Special Revenue Funds			
	Street Lighting and Landscape	Gas Tax	Asset Forfeiture	Public Safety Grants
<b>Assets:</b>				
Pooled cash and investments	\$ 11,762	\$ 1,671,688	\$ 805,059	\$ 127,724
Receivables:				
Accounts	13,189	-	-	-
Due from other governments	-	215,488	-	-
Restricted assets:				
Cash and investments	-	-	-	-
<b>Total Assets</b>	<b>\$ 24,951</b>	<b>\$ 1,887,176</b>	<b>\$ 805,059</b>	<b>\$ 127,724</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 24,951	\$ 353,838	\$ 1,339	\$ -
Due to other funds	-	-	-	-
Deposits payable	-	-	-	-
<b>Total Liabilities</b>	<b>24,951</b>	<b>353,838</b>	<b>1,339</b>	<b>-</b>
<b>Fund Balances:</b>				
Fund balances:				
Reserved for:				
Encumbrances	4,250	-	-	25,850
Continuing projects	-	747,867	-	-
Unreserved:				
Undesignated	(4,250)	785,471	803,720	101,874
<b>Total Fund Balances</b>	<b>-</b>	<b>1,533,338</b>	<b>803,720</b>	<b>127,724</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 24,951</b>	<b>\$ 1,887,176</b>	<b>\$ 805,059</b>	<b>\$ 127,724</b>

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2008

(Continued)

	Special Revenue Funds			
	Federal and State Grants	Prop A	Prop C	AB 2766
<b>Assets:</b>				
Pooled cash and investments	\$ -	\$ 358,232	\$ 2,311,217	\$ 223,744
Receivables:				
Accounts	-	-	-	-
Due from other governments	20,000	-	-	11,414
Restricted assets:				
Cash and investments	-	-	-	-
<b>Total Assets</b>	<b>\$ 20,000</b>	<b>\$ 358,232</b>	<b>\$ 2,311,217</b>	<b>\$ 235,158</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 31,587	\$ 2,243	\$ -
Due to other funds	20,000	-	-	-
Deposits payable	-	-	-	-
<b>Total Liabilities</b>	<b>20,000</b>	<b>31,587</b>	<b>2,243</b>	<b>-</b>
<b>Fund Balances:</b>				
Fund balances:				
Reserved for:				
Encumbrances	-	10,825	-	-
Continuing projects	-	-	1,798,158	-
Unreserved:				
Undesignated	-	315,820	510,816	235,158
<b>Total Fund Balances</b>	<b>-</b>	<b>326,645</b>	<b>2,308,974</b>	<b>235,158</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 20,000</b>	<b>\$ 358,232</b>	<b>\$ 2,311,217</b>	<b>\$ 235,158</b>

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2008

	Capital Project Fund	
	Underground Assessment District	Total Governmental Funds
<b>Assets:</b>		
Pooled cash and investments	\$ -	\$ 5,509,426
Receivables:		
Accounts	-	13,189
Due from other governments	-	246,902
Restricted assets:		
Cash and investments	648,342	648,342
<b>Total Assets</b>	<b>\$ 648,342</b>	<b>\$ 6,417,859</b>
<b>Liabilities and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ -	\$ 413,958
Due to other funds	110,395	130,395
Deposits payable	8,069	8,069
<b>Total Liabilities</b>	<b>118,464</b>	<b>552,422</b>
<b>Fund Balances:</b>		
Fund balances:		
Reserved for:		
Encumbrances	-	40,925
Continuing projects	281,450	2,827,475
Unreserved:		
Undesignated	248,428	2,997,037
<b>Total Fund Balances</b>	<b>529,878</b>	<b>5,865,437</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 648,342</b>	<b>\$ 6,417,859</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, 2008

	Special Revenue Funds			
	Street Lighting and Landscape	Gas Tax	Asset Forfeiture	Public Safety Grants
<b>Revenues:</b>				
Taxes and assessments	\$ 374,342	\$ -	\$ -	\$ -
Intergovernmental	-	1,269,536	71,583	100,000
Charges for services	-	-	-	-
Use of money and property	1	119,448	45,742	9,969
Miscellaneous	19,896	1,136	-	-
<b>Total Revenues</b>	<b>394,239</b>	<b>1,390,120</b>	<b>117,325</b>	<b>109,969</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	114,721	91,711
Culture and recreation	-	-	-	-
Public works	584,206	1,803,588	-	-
<b>Total Expenditures</b>	<b>584,206</b>	<b>1,803,588</b>	<b>114,721</b>	<b>91,711</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(189,967)	(413,468)	2,604	18,258
<b>Other Financing Sources (Uses):</b>				
Transfers in	189,967	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>189,967</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	-	(413,468)	2,604	18,258
Fund Balances, Beginning of Year	-	1,946,806	801,116	109,466
<b>Fund Balances, End of Year</b>	<b>\$ -</b>	<b>\$ 1,533,338</b>	<b>\$ 803,720</b>	<b>\$ 127,724</b>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

(Continued)

	Special Revenue Funds			
	Federal and State Grants	Prop A	Prop C	AB 2766
<b>Revenues:</b>				
Taxes and assessments	\$ -	\$ 583,065	\$ 486,280	\$ -
Intergovernmental	-	-	-	43,681
Charges for services	-	9,036	-	-
Use of money and property	-	22,744	113,198	21,202
Miscellaneous	-	13,798	-	-
<b>Total Revenues</b>	<b>-</b>	<b>628,643</b>	<b>599,478</b>	<b>64,883</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	694,792	-	-
Public works	-	13,650	30,105	35,778
<b>Total Expenditures</b>	<b>-</b>	<b>708,442</b>	<b>30,105</b>	<b>35,778</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(79,799)	569,373	29,105
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	-	(79,799)	569,373	29,105
Fund Balances, Beginning of Year	-	406,444	1,739,601	206,053
<b>Fund Balances, End of Year</b>	<b>\$ -</b>	<b>\$ 326,645</b>	<b>\$ 2,308,974</b>	<b>\$ 235,158</b>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	<u>Capital Projects Fund Underground Assessment District</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>		
Taxes and assessments	\$ -	\$ 1,443,687
Intergovernmental	-	1,484,800
Charges for services	-	9,036
Use of money and property	20,270	352,574
Miscellaneous	-	34,830
<b>Total Revenues</b>	<u>20,270</u>	<u>3,324,927</u>
<b>Expenditures:</b>		
Current:		
Public safety	-	206,432
Culture and recreation	-	694,792
Public works	148,283	2,615,610
<b>Total Expenditures</b>	<u>148,283</u>	<u>3,516,834</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(128,013)</u>	<u>(191,907)</u>
<b>Other Financing Sources (Uses):</b>		
Transfers in	-	189,967
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>189,967</u>
Net Change in Fund Balances	<u>(128,013)</u>	<u>(1,940)</u>
Fund Balances, Beginning of Year	<u>657,891</u>	<u>5,867,377</u>
<b>Fund Balances, End of Year</b>	<u>\$ 529,878</u>	<u>\$ 5,865,437</u>



CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 STREET LIGHTING AND LANDSCAPE  
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
<b>Estimated Revenues:</b>				
Taxes and assessments	386,116	386,116	374,342	(11,774)
Use of money and property	3,000	3,000	1	(2,999)
Miscellaneous	19,030	19,030	19,896	866
<b>Total Estimated Revenues</b>	<b>408,146</b>	<b>408,146</b>	<b>394,239</b>	<b>(13,907)</b>
Transfers from other funds	131,082	131,082	189,967	58,885
<b>Amounts Available for Appropriation</b>	<b>539,228</b>	<b>539,228</b>	<b>584,206</b>	<b>44,978</b>
<b>Charges to Appropriations (Outflow):</b>				
<b>Departmental Appropriations:</b>				
Public works	539,228	560,541	584,206	(23,665)
<b>Total Departmental Appropriations</b>	<b>539,228</b>	<b>560,541</b>	<b>584,206</b>	<b>(23,665)</b>
<b>Total Charges to Appropriations</b>	<b>539,228</b>	<b>560,541</b>	<b>584,206</b>	<b>(23,665)</b>
Budgetary Fund Balance, June 30	\$ -	\$ (21,313)	\$ -	\$ 21,313

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 GAS TAX  
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,946,806	\$ 1,946,806	\$ 1,946,806	\$ -
<b>Resources (Inflows):</b>				
<b>Estimated Revenues:</b>				
Intergovernmental	670,850	726,761	1,269,536	542,775
Use of money and property	80,050	80,050	119,448	39,398
Miscellaneous	-	38,800	1,136	(37,664)
<b>Total Estimated Revenues</b>	<b>750,900</b>	<b>845,611</b>	<b>1,390,120</b>	<b>544,509</b>
<b>Amounts Available for Appropriation</b>	<b>2,697,706</b>	<b>2,792,417</b>	<b>3,336,926</b>	<b>544,509</b>
<b>Charges to Appropriations (Outflow):</b>				
<b>Departmental Appropriations:</b>				
Public works	907,260	2,574,412	1,803,588	770,824
<b>Total Charges to Appropriations</b>	<b>907,260</b>	<b>2,574,412</b>	<b>1,803,588</b>	<b>770,824</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,790,446</b>	<b>\$ 218,005</b>	<b>\$ 1,533,338</b>	<b>\$ 1,315,333</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 ASSET FORFEITURE  
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 801,116	\$ 801,116	\$ 801,116	\$ -
<b>Resources (Inflows):</b>				
<b>Estimated Revenues:</b>				
Intergovernmental	-	-	71,583	71,583
Use of money and property	24,000	24,000	45,742	21,742
<b>Total Estimated Revenues</b>	<b>24,000</b>	<b>24,000</b>	<b>117,325</b>	<b>93,325</b>
<b>Amounts Available for Appropriation</b>	<b>825,116</b>	<b>825,116</b>	<b>918,441</b>	<b>93,325</b>
<b>Charges to Appropriations (Outflow):</b>				
<b>Departmental Appropriations:</b>				
Public safety	130,004	185,317	114,721	70,596
<b>Total Charges to Appropriations</b>	<b>130,004</b>	<b>185,317</b>	<b>114,721</b>	<b>70,596</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 695,112</b>	<b>\$ 639,799</b>	<b>\$ 803,720</b>	<b>\$ 163,921</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 PUBLIC SAFETY GRANTS  
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 109,466	\$ 109,466	\$ 109,466	\$ -
<b>Resources (Inflows):</b>				
<b>Estimated Revenues:</b>				
Intergovernmental	-	-	100,000	100,000
Use of money and property	-	-	9,969	9,969
<b>Amounts Available for Appropriation</b>	<b>109,466</b>	<b>109,466</b>	<b>219,435</b>	<b>109,969</b>
<b>Charges to Appropriation (Outflow):</b>				
<b>Departmental Appropriations:</b>				
Public safety	-	113,727	91,711	22,016
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>113,727</b>	<b>91,711</b>	<b>22,016</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 109,466</b>	<b>\$ (4,261)</b>	<b>\$ 127,724</b>	<b>\$ 131,985</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 PROPOSITION A  
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 406,444	\$ 406,444	\$ 406,444	\$ -
<b>Resources (Inflows):</b>				
<b>Estimated Revenues:</b>				
Taxes and assessments	574,800	574,800	583,065	8,265
Charges for services	6,000	6,000	9,036	3,036
Use of money and property	12,400	12,400	22,744	10,344
Miscellaneous	-	-	13,798	13,798
<b>Total Estimated Revenues</b>	<b>593,200</b>	<b>593,200</b>	<b>628,643</b>	<b>35,443</b>
<b>Amounts Available for Appropriation</b>	<b>999,644</b>	<b>999,644</b>	<b>1,035,087</b>	<b>35,443</b>
<b>Charges to Appropriations (Outflow):</b>				
<b>Departmental Appropriations:</b>				
Culture and recreation	582,842	737,819	694,792	43,027
Public works	25,000	25,000	13,650	11,350
<b>Total Charges to Appropriations</b>	<b>607,842</b>	<b>762,819</b>	<b>708,442</b>	<b>54,377</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 391,802</b>	<b>\$ 236,825</b>	<b>\$ 326,645</b>	<b>\$ 89,820</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 PROPOSITION C  
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,739,601	\$ 1,739,601	\$ 1,739,601	\$ -
<b>Resources (Inflows):</b>				
<b>Estimated Revenues:</b>				
Taxes and assessments	478,800	478,800	486,280	7,480
Use of money and property	39,650	39,650	113,198	73,548
<b>Total Estimated Revenues</b>	<b>518,450</b>	<b>518,450</b>	<b>599,478</b>	<b>81,028</b>
<b>Amounts Available for Appropriation</b>	<b>2,258,051</b>	<b>2,258,051</b>	<b>2,339,079</b>	<b>81,028</b>
<b>Charges to Appropriation (Outflow):</b>				
<b>Departmental Appropriations:</b>				
Public works	34,860	1,079,745	30,105	1,049,640
<b>Total Charges to Appropriations</b>	<b>34,860</b>	<b>1,079,745</b>	<b>30,105</b>	<b>1,049,640</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 2,223,191</b>	<b>\$ 1,178,306</b>	<b>\$ 2,308,974</b>	<b>\$ 1,130,668</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE

AB 2766

YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 206,053	\$ 206,053	\$ 206,053	\$ -
<b>Resources (Inflows):</b>				
<b>Estimated Revenues:</b>				
Intergovernmental	43,000	43,000	43,681	681
Use of money and property	3,580	3,580	21,202	17,622
<b>Total Estimated Revenues</b>	<b>46,580</b>	<b>46,580</b>	<b>64,883</b>	<b>18,303</b>
<b>Amounts Available for Appropriation</b>	<b>252,633</b>	<b>252,633</b>	<b>270,936</b>	<b>18,303</b>
<b>Charges to Appropriations (outflow):</b>				
<b>Departmental Appropriations:</b>				
Public works	2,000	35,778	35,778	-
<b>Total Charges to Appropriations</b>	<b>2,000</b>	<b>35,778</b>	<b>35,778</b>	<b>-</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 250,633</b>	<b>\$ 216,855</b>	<b>\$ 235,158</b>	<b>\$ 18,303</b>

CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 CAPITAL IMPROVEMENT  
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 7,552,744	\$ 7,552,744	\$ 7,552,744	\$ -
<b>Resources (Inflows):</b>				
<b>Estimated Revenues:</b>				
Taxes and assessments	550,854	550,854	644,111	93,257
Licenses and permits	45,900	45,900	54,510	8,610
Intergovernmental	-	-	91,614	91,614
Charges for services	535,000	535,000	536,140	1,140
Use of money and property	37,000	37,000	39,725	2,725
Fines and forfeitures	130,062	130,062	122,216	(7,846)
<b>Total Estimated Revenues</b>	<b>1,298,816</b>	<b>1,298,816</b>	<b>1,488,316</b>	<b>189,500</b>
<b>Amounts Available for Appropriation</b>	<b>8,851,560</b>	<b>8,851,560</b>	<b>9,041,060</b>	<b>189,500</b>
<b>Charges to Appropriations (Outflow):</b>				
<b>Departmental Appropriations</b>				
General government	-	315,459	196,632	118,827
Public safety	818,700	818,700	814,574	4,126
Culture and recreation	150,000	2,491,710	970,240	1,521,470
Public works	-	1,257,377	741,580	515,797
<b>Total Departmental Appropriations</b>	<b>968,700</b>	<b>4,883,246</b>	<b>2,723,026</b>	<b>2,160,220</b>
Transfers to other funds	-	55,850	55,850	-
<b>Total Charges to Appropriations</b>	<b>968,700</b>	<b>4,939,096</b>	<b>2,778,876</b>	<b>2,160,220</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 7,882,860</b>	<b>\$ 3,912,464</b>	<b>\$ 6,262,184</b>	<b>\$ 2,349,720</b>



CITY OF MANHATTAN BEACH

BUDGETARY COMPARISON SCHEDULE  
 UNDERGROUND ASSESSMENT DISTRICT  
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 657,891	\$ 657,891	\$ 657,891	\$ -
<b>Resources (Inflows):</b>				
<b>Estimated Revenues:</b>				
Use of money and property	30,000	30,000	20,270	(9,730)
<b>Total Estimated Revenues</b>	<b>30,000</b>	<b>30,000</b>	<b>20,270</b>	<b>(9,730)</b>
<b>Amounts Available for Appropriation</b>	<b>687,891</b>	<b>687,891</b>	<b>678,161</b>	<b>(9,730)</b>
<b>Charges to Appropriations (Outflow):</b>				
<b>Departmental Appropriations:</b>				
General government	15,000	-	-	-
Public works	949,311	-	148,283	(148,283)
<b>Total Charges to Appropriations</b>	<b>964,311</b>	<b>-</b>	<b>148,283</b>	<b>(148,283)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (276,420)</b>	<b>\$ 687,891</b>	<b>\$ 529,878</b>	<b>\$ (158,013)</b>

**CITY OF MANHATTAN BEACH**

**JUNE 30, 2008**

**NONMAJOR ENTERPRISE FUNDS**

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

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

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

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

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF NET ASSETS  
 NON-MAJOR ENTERPRISE FUNDS  
 JUNE 30, 2008

	<u>Stormwater</u>	<u>County Parking Lot</u>	<u>State Pier and Parking Lot</u>	<u>Totals</u>
<b>Assets:</b>				
Current:				
Cash and investments	\$ 1,339,074	\$ 128,824	\$ 1,876,732	\$ 3,344,630
Receivables:				
Accounts	14,225	-	-	14,225
Prepaid OPEB - short-term	1,212	485	485	2,182
<b>Total Current Assets</b>	<b>1,354,511</b>	<b>129,309</b>	<b>1,877,217</b>	<b>3,361,037</b>
Noncurrent:				
Prepaid other post-employment benefits	13,769	5,507	5,507	24,783
Capital assets - net of accumulated depreciation	4,107,082	-	-	4,107,082
<b>Total Noncurrent Assets</b>	<b>4,120,851</b>	<b>5,507</b>	<b>5,507</b>	<b>4,131,865</b>
<b>Total Assets</b>	<b>\$ 5,475,362</b>	<b>\$ 134,816</b>	<b>\$ 1,882,724</b>	<b>\$ 7,492,902</b>
<b>Liabilities and Net Assets:</b>				
<b>Liabilities:</b>				
Current:				
Accounts payable	\$ 24,835	\$ 128,276	\$ 4,008	\$ 157,119
Deposits payable	14,608	548	-	15,156
<b>Total Current Liabilities</b>	<b>39,443</b>	<b>128,824</b>	<b>4,008</b>	<b>172,275</b>
<b>Total Liabilities</b>	<b>39,443</b>	<b>128,824</b>	<b>4,008</b>	<b>172,275</b>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	4,107,082	-	-	4,107,082
Unrestricted	1,328,837	5,992	1,878,716	3,213,545
<b>Total Net Assets</b>	<b>5,435,919</b>	<b>5,992</b>	<b>1,878,716</b>	<b>7,320,627</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,475,362</b>	<b>\$ 134,816</b>	<b>\$ 1,882,724</b>	<b>\$ 7,492,902</b>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
YEAR ENDED JUNE 30, 2008

	Stormwater	County Parking Lot	State Pier and Parking Lot	Totals
<b>Operating Revenues:</b>				
Sales and service charges	\$ 338,208	\$ 405,638	\$ 305,466	\$ 1,049,312
<b>Total Operating Revenues</b>	<b>338,208</b>	<b>405,638</b>	<b>305,466</b>	<b>1,049,312</b>
<b>Operating Expenses:</b>				
Salaries and wages	53,288	19,060	19,061	91,409
Employee benefits	21,681	7,521	7,519	36,721
Contract and professional services	140,195	103,991	162,874	407,060
Materials and services	41,022	5,021	36,535	82,578
Utilities	11,128	2,475	36,042	49,645
Administrative service charges	-	13,630	13,630	27,260
Leases and rents	-	223,101	-	223,101
Depreciation	150,774	-	-	150,774
<b>Total Operating Expenses</b>	<b>418,088</b>	<b>374,799</b>	<b>275,661</b>	<b>1,068,548</b>
Operating Income (Loss)	(79,880)	30,839	29,805	(19,236)
<b>Nonoperating Revenues (Expenses):</b>				
Interest revenue	66,499	-	103,968	170,467
<b>Total Nonoperating Revenues (Expenses)</b>	<b>66,499</b>	<b>-</b>	<b>103,968</b>	<b>170,467</b>
Income (Loss) Before Transfers	(13,381)	30,839	133,773	151,231
Transfers out	-	(25,079)	-	(25,079)
Changes in Net Assets	(13,381)	5,760	133,773	126,152
<b>Net Assets:</b>				
Beginning of Year	5,449,300	232	1,744,943	7,194,475
<b>End of Fiscal Year</b>	<b>\$ 5,435,919</b>	<b>\$ 5,992</b>	<b>\$ 1,878,716</b>	<b>\$ 7,320,627</b>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
YEAR ENDED JUNE 30, 2008

	Stormwater	County Parking Lot	State Pier and Parking Lot	Totals
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ 341,721	\$ 405,638	\$ 305,466	\$ 1,052,825
Cash paid to suppliers for goods and services	(179,066)	(259,377)	(177,345)	(615,788)
Cash paid to employees for services	(68,857)	(24,029)	(24,029)	(116,915)
Cash paid for interfund services used	(12,875)	(86,585)	(101,027)	(200,487)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>80,923</b>	<b>35,647</b>	<b>3,065</b>	<b>119,635</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Cash transfers out	-	(25,079)	-	(25,079)
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>-</b>	<b>(25,079)</b>	<b>-</b>	<b>(25,079)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Purchases of capital assets	(13,872)	-	-	(13,872)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(13,872)</b>	<b>-</b>	<b>-</b>	<b>(13,872)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest received	66,499	-	103,968	170,467
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>66,499</b>	<b>-</b>	<b>103,968</b>	<b>170,467</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>133,550</b>	<b>10,568</b>	<b>107,033</b>	<b>251,151</b>
Cash and Cash Equivalents at Beginning of Year	1,205,524	118,256	1,769,699	3,093,479
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,339,074</b>	<b>\$ 128,824</b>	<b>\$ 1,876,732</b>	<b>\$ 3,344,630</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (79,880)	\$ 30,839	\$ 29,805	\$ (19,236)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>				
Depreciation	150,774	-	-	150,774
Capital assets adjustment	15,907	-	-	15,907
(Increase) decrease in accounts receivable	(1,487)	-	-	(1,487)
(Increase) decrease in prepaid OPEB	(14,981)	(5,992)	(5,992)	(26,965)
Increase (decrease) in accounts payable	10,590	10,800	(20,748)	642
<b>Total Adjustments</b>	<b>160,803</b>	<b>4,808</b>	<b>(26,740)</b>	<b>138,871</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 80,923</b>	<b>\$ 35,647</b>	<b>\$ 3,065</b>	<b>\$ 119,635</b>

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

During fiscal year 2007-2008, there were no noncash investing, capital or financing activities.

**CITY OF MANHATTAN BEACH**

**JUNE 30, 2008**

**INTERNAL SERVICE FUNDS**

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

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

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

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

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

## CITY OF MANHATTAN BEACH

**COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2008**

	<u>Insurance Reserve</u>	<u>Information Systems</u>	<u>Fleet Management</u>	<u>Building Maintenance and Operations</u>	<u>Total</u>
<b>Assets:</b>					
Current:					
Cash and investments	\$ 7,308,437	\$ 645,989	\$ 1,638,556	\$ 50,617	\$ 9,643,599
Inventories	-	-	-	122,492	122,492
Prepaid OPEB - short-term	2,425	4,849	4,849	4,849	16,972
<b>Total Current Assets</b>	<b><u>7,310,862</u></b>	<b><u>650,838</u></b>	<b><u>1,643,405</u></b>	<b><u>177,958</u></b>	<b><u>9,783,063</u></b>
Noncurrent:					
Prepaid other post-employment benefits	27,537	55,074	55,074	55,074	192,759
Capital assets - net of accumulated depreciation	-	-	2,920,571	-	2,920,571
<b>Total Noncurrent Assets</b>	<b><u>27,537</u></b>	<b><u>55,074</u></b>	<b><u>2,975,645</u></b>	<b><u>55,074</u></b>	<b><u>3,113,330</u></b>
<b>Total Assets</b>	<b><u>\$ 7,338,399</u></b>	<b><u>\$ 705,912</u></b>	<b><u>\$ 4,619,050</u></b>	<b><u>\$ 233,032</u></b>	<b><u>\$ 12,896,393</u></b>
<b>Liabilities and Fund Equity:</b>					
<b>Liabilities:</b>					
Current:					
Accounts payable	\$ 3,120	\$ 38,247	\$ 13,218	\$ 21,989	\$ 76,574
Workers' compensation claims	4,446,141	-	-	-	4,446,141
General liability claims	859,176	-	-	-	859,176
Lease payable - current	-	-	174,059	-	174,059
<b>Total Current Liabilities</b>	<b><u>5,308,437</u></b>	<b><u>38,247</u></b>	<b><u>187,277</u></b>	<b><u>21,989</u></b>	<b><u>5,555,950</u></b>
Noncurrent:					
Workers' compensation claims	1,811,925	-	-	-	1,811,925
General liability claims	626,951	-	-	-	626,951
Lease payable	-	-	215,950	-	215,950
<b>Total Noncurrent Liabilities:</b>	<b><u>2,438,876</u></b>	<b><u>-</u></b>	<b><u>215,950</u></b>	<b><u>-</u></b>	<b><u>2,654,826</u></b>
<b>Total Liabilities</b>	<b><u>7,747,313</u></b>	<b><u>38,247</u></b>	<b><u>403,227</u></b>	<b><u>21,989</u></b>	<b><u>8,210,776</u></b>
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	-	-	2,530,562	-	2,530,562
Unrestricted	(408,914)	667,665	1,685,261	211,043	2,155,055
<b>Total Net Assets</b>	<b><u>(408,914)</u></b>	<b><u>667,665</u></b>	<b><u>4,215,823</u></b>	<b><u>211,043</u></b>	<b><u>4,685,617</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 7,338,399</u></b>	<b><u>\$ 705,912</u></b>	<b><u>\$ 4,619,050</u></b>	<b><u>\$ 233,032</u></b>	<b><u>\$ 12,896,393</u></b>



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CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2008

	Insurance Reserve	Information Systems	Fleet Management	Building Maintenance and Operations	Totals
<b>Operating Revenues:</b>					
Sales and service charges	\$ 3,403,140	\$ 1,252,614	\$ 1,744,144	\$ 1,084,611	\$ 7,484,509
Miscellaneous	109,588	-	50,754	-	160,342
<b>Total Operating Revenues</b>	<b>3,512,728</b>	<b>1,252,614</b>	<b>1,794,898</b>	<b>1,084,611</b>	<b>7,644,851</b>
<b>Operating Expenses:</b>					
Salaries and wages	175,411	379,423	190,453	171,208	916,495
Employee benefits	65,363	111,912	192,253	65,112	434,640
Contract and professional services	18,418	192,470	102,174	405,810	718,872
Materials and services	1,124,849	430,199	537,096	214,919	2,307,063
Utilities	8,514	2,107	-	122,020	132,641
Administrative service charges	73,257	-	56,986	30,361	160,604
Leases and rents	-	-	9,389	-	9,389
Claims expense	3,494,985	-	-	-	3,494,985
Depreciation	-	-	588,035	-	588,035
<b>Total Operating Expenses</b>	<b>4,960,797</b>	<b>1,116,111</b>	<b>1,676,386</b>	<b>1,009,430</b>	<b>8,762,724</b>
Operating Income (Loss)	(1,448,069)	136,503	118,512	75,181	(1,117,873)
<b>Non-Operating Revenues (Expenses):</b>					
Interest expense	-	-	(16,567)	-	(16,567)
Loss on disposition of assets	-	-	(15,650)	-	(15,650)
<b>Total Non-Operating Revenues</b>	<b>-</b>	<b>-</b>	<b>(32,217)</b>	<b>-</b>	<b>(32,217)</b>
Income Before Contributions and Transfers	(1,448,069)	136,503	86,295	75,181	(1,150,090)
Transfers in	18,017	-	-	-	18,017
Change in Net Assets	(1,430,052)	136,503	86,295	75,181	(1,132,073)
<b>Net Assets:</b>					
Beginning of Year	1,021,138	531,162	4,129,528	135,862	5,817,690
<b>End of Fiscal Year</b>	<b>\$ (408,914)</b>	<b>\$ 667,665</b>	<b>\$ 4,215,823</b>	<b>\$ 211,043</b>	<b>\$ 4,685,617</b>

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2008

	Insurance Reserve	Information Systems	Fleet Management
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 110,827	\$ 2,221	\$ 30,752
Cash received from interfund service provided	3,403,140	1,252,614	1,710,366
Cash paid to suppliers for goods and services	(2,419,502)	(596,372)	(684,539)
Cash paid to employees for services	(222,923)	(455,293)	(251,723)
Cash paid for interfund services used	(567,329)	(113,810)	(189,567)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>304,213</b>	<b>89,360</b>	<b>615,289</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash transfers in	18,017	-	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>18,017</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Purchases of capital assets	-	-	(415,975)
Principal paid on capital debt	-	-	(168,182)
Interest paid on debt	-	-	(16,567)
Proceeds from sales of capital assets	-	-	15,429
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>(585,295)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>322,230</b>	<b>89,360</b>	<b>29,994</b>
Cash and Cash Equivalents at Beginning of Year	6,986,207	556,629	1,608,562
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 7,308,437</b>	<b>\$ 645,989</b>	<b>\$ 1,638,556</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$(1,448,069)	\$ 136,503	\$ 118,512
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>			
Depreciation	-	-	588,035
(Increase) decrease in accounts receivable	-	-	8,187
(Increase) decrease in inventory	-	-	-
(Increase) decrease in prepaid OPEB	(29,962)	(59,923)	(59,923)
Increase (decrease) in accounts payable	1,121	12,780	(39,522)
Increase (decrease) in claims and judgments	1,781,123	-	-
<b>Total Adjustments</b>	<b>1,752,282</b>	<b>(47,143)</b>	<b>496,777</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 304,213</b>	<b>\$ 89,360</b>	<b>\$ 615,289</b>

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

During fiscal year 2007-2008, there were no noncash investing, capital and financing activities.

CITY OF MANHATTAN BEACH

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2008

	Building Maintenance and Operations	Totals
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers and users	\$ 25	\$ 143,825
Cash received from interfund service provided	1,084,611	7,450,731
Cash paid to suppliers for goods and services	(872,498)	(4,572,911)
Cash paid to employees for services	(212,488)	(1,142,427)
Cash paid for interfund services used	(7,993)	(878,699)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(8,343)</b>	<b>1,000,519</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Cash transfers in	-	18,017
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>-</b>	<b>18,017</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Purchases of capital assets	-	(415,975)
Principal paid on capital debt	-	(168,182)
Interest paid on debt	-	(16,567)
Proceeds from sales of capital assets	-	15,429
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>(585,295)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(8,343)</b>	<b>433,241</b>
Cash and Cash Equivalents at Beginning of Year	58,960	9,210,358
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 50,617</b>	<b>\$ 9,643,599</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ 75,181	\$ (1,117,873)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>		
Depreciation	-	588,035
(Increase) decrease in accounts receivable	-	8,187
(Increase) decrease in inventory	4,053	4,053
(Increase) decrease in prepaid OPEB	(59,923)	(209,731)
Increase (decrease) in accounts payable	(27,654)	(53,275)
Increase (decrease) in claims and judgments	-	1,781,123
<b>Total Adjustments</b>	<b>(83,524)</b>	<b>2,118,392</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (8,343)</b>	<b>\$ 1,000,519</b>

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

During fiscal year 2007-2008, there were no noncash investing, capital and financing activities.

**CITY OF MANHATTAN BEACH**

**JUNE 30, 2008**

**AGENCY FUNDS**

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

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

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

CITY OF MANHATTAN BEACH

COMBINING BALANCE SHEET  
 ALL AGENCY FUNDS  
 JUNE 30, 2008

	<u>Special Assessment Redemption</u>	<u>Special Deposits</u>	<u>Totals</u>
<b>Assets:</b>			
Cash and investments	\$ 756,619	\$ 356,740	\$ 1,113,359
Receivables (net of allowance for uncollectibles):			
Accounts	14,205	-	14,205
Restricted assets:			
Cash with fiscal agent	998,183	1,523,567	2,521,750
<b>Total Assets</b>	<b><u>\$ 1,769,007</u></b>	<b><u>\$ 1,880,307</u></b>	<b><u>\$ 3,649,314</u></b>
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 10,000	\$ 10,000
401 (a) plan deposits	-	1,512,966	1,512,966
Art development fees	-	271,471	271,471
Other deposits	-	85,870	85,870
Due to bondholders	1,769,007	-	1,769,007
<b>Total Liabilities</b>	<b><u>\$ 1,769,007</u></b>	<b><u>\$ 1,880,307</u></b>	<b><u>\$ 3,649,314</u></b>

CITY OF MANHATTAN BEACH

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<b><u>Special Assessment Redemption</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 853,808	\$ 1,095,858	\$ 1,193,047	\$ 756,619
Receivables (net of allowance for uncollectibles):				
Accounts	26,127	14,205	26,127	14,205
Restricted assets:				
Cash with fiscal agent	1,026,816	1,209,812	1,238,445	998,183
<b>Total Assets</b>	<b>\$ 1,906,751</b>	<b>\$ 2,319,875</b>	<b>\$ 2,457,619</b>	<b>\$ 1,769,007</b>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 1,261,045	\$ 1,261,045	\$ -
Due to bondholders	1,906,751	1,058,830	1,196,574	1,769,007
<b>Total Liabilities</b>	<b>\$ 1,906,751</b>	<b>\$ 2,319,875</b>	<b>\$ 2,457,619</b>	<b>\$ 1,769,007</b>
<b><u>Special Deposits</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 321,216	\$ 363,718	\$ 328,194	\$ 356,740
Restricted assets:				
Cash with fiscal agent	1,647,094	266,208	389,735	1,523,567
<b>Total Assets</b>	<b>\$ 1,968,310</b>	<b>\$ 629,926</b>	<b>\$ 717,929</b>	<b>\$ 1,880,307</b>
<b>Liabilities:</b>				
Accounts payable	\$ 22,500	\$ 77,204	\$ 89,704	\$ 10,000
401 (a) plan deposits	1,575,869	-	62,903	1,512,966
Art development fees	297,886	52,446	78,861	271,471
Other deposits	72,055	250,878	237,063	85,870
<b>Total Liabilities</b>	<b>\$ 1,968,310</b>	<b>\$ 380,528</b>	<b>\$ 468,531</b>	<b>\$ 1,880,307</b>
<b>Assets:</b>				
Cash and investments	\$ 1,175,024	\$ 1,459,576	\$ 1,521,241	\$ 1,113,359
Receivables (net of allowance for uncollectibles):				
Accounts	26,127	14,205	26,127	14,205
Restricted assets:				
Cash with fiscal agent	2,673,910	1,476,020	1,628,180	2,521,750
<b>Total Assets</b>	<b>\$ 3,875,061</b>	<b>\$ 2,949,801</b>	<b>\$ 3,175,548</b>	<b>\$ 3,649,314</b>
<b>Liabilities:</b>				
Accounts payable	\$ 22,500	\$ 1,338,249	\$ 1,350,749	\$ 10,000
401 (a) plan deposits	1,575,869	-	62,903	1,512,966
Art development fees	297,886	52,446	78,861	271,471
Other deposits	72,055	250,878	237,063	85,870
Due to bondholders	1,906,751	1,058,830	1,196,574	1,769,007
<b>Total Liabilities</b>	<b>\$ 3,875,061</b>	<b>\$ 2,700,403</b>	<b>\$ 2,926,150</b>	<b>\$ 3,649,314</b>



# **Statistical Section**





## Statistical Section (Unaudited)

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

### **Contents**

### **Exhibits**

#### **Financial Trends**

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

**A-2 to A-5**

#### **Revenue Capacity**

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

**A-6 to A-14**

#### **Debt Capacity**

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

**A-15 to A-18**

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

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

**A-19 to A-21**

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

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

**A-22 to A-25**

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

## **Statistical Section**

### **Financial Trends**

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

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

**Exhibit A-2**

	<b>Fiscal Year Ending</b>			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 70,373,993	\$ 87,848,227	\$ 93,644,407	\$ 94,464,084
Debt Service & Restricted Cash	19,119,420	10,676,274	2,801,554	3,255,752
Special Use Funds	5,493,705	5,659,610	5,209,486	5,291,992
Restricted	24,613,125	16,335,884	8,011,040	8,547,744
Unrestricted	<u>26,283,278</u>	<u>24,859,010</u>	<u>28,892,839</u>	<u>28,048,237</u>
<b>Total governmental activities net assets</b>	<b><u>\$ 121,270,396</u></b>	<b><u>\$ 129,043,121</u></b>	<b><u>\$ 130,548,286</u></b>	<b><u>\$ 131,060,065</u></b>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 17,903,955	\$ 21,672,031	\$ 23,447,692	24,736,571
Business Improvement district	427,607	461,754	536,856	555,569
Debt Service & Restricted Cash	3,648,074	1,400,471	1,210,265	1,210,061
Special Use Funds	0	0	0	
Restricted	\$4,075,681	\$1,862,225	\$1,747,121	\$1,765,630
Unrestricted	<u>14,842,196</u>	<u>14,888,040</u>	<u>14,310,331</u>	<u>13,556,500</u>
<b>Total business-type activities net assets</b>	<b><u>\$ 36,821,832</u></b>	<b><u>\$ 38,422,296</u></b>	<b><u>\$ 39,505,144</u></b>	<b><u>\$ 40,058,701</u></b>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$ 88,277,948	\$ 109,520,258	\$ 117,092,099	\$ 119,200,655
Business Improvement district	427,607	461,754	536,856	555,569
Debt Service & Restricted Cash	22,767,494	12,076,745	4,011,819	4,465,813
Special Use Funds	5,493,705	5,659,610	5,209,486	5,291,992
Restricted	28,688,806	18,198,109	9,758,161	10,313,374
Unrestricted	<u>41,125,474</u>	<u>39,747,050</u>	<u>43,203,170</u>	<u>41,604,737</u>
<b>Total primary government net assets</b>	<b><u>\$ 158,092,228</u></b>	<b><u>\$ 167,465,417</u></b>	<b><u>\$ 170,053,430</u></b>	<b><u>\$ 171,118,766</u></b>



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

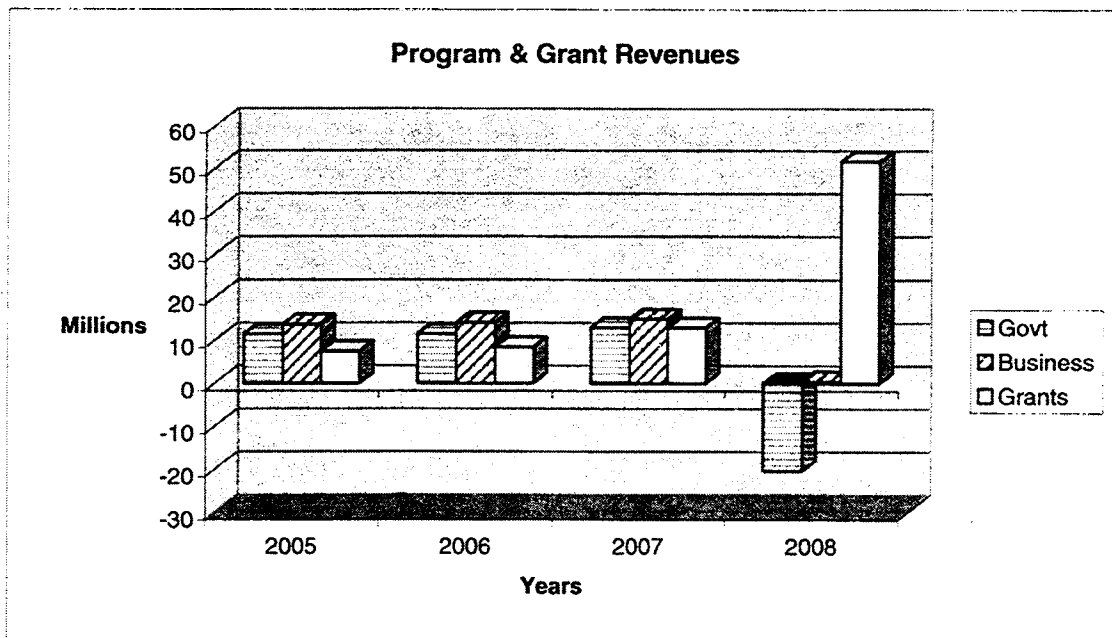
	<b>Fiscal Year Ending</b>			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Expenses</b>				
Governmental activities:				
General government	\$ 7,814,392	7,070,028	9,057,584	9,090,991
Public Safety	23,756,438	24,270,798	27,134,132	31,752,170
Culture and recreation	4,772,150	4,724,704	5,593,739	6,031,938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

	Fiscal Year Ending			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (28,493,442)	\$ (27,470,846)	\$ (36,736,315)	\$ (40,306,495)
Business-type activities	861,522	850,270	173,522	(130,952)
Total primary government net expense	<u>\$ (27,631,920)</u>	<u>\$ (26,620,576)</u>	<u>\$ (36,562,793)</u>	<u>\$ (40,437,447)</u>
<b>General Revenues and Other Changes</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 11,793,140	\$ 15,666,320	\$ 17,257,508	\$ 18,567,451
Sales taxes	7,903,191	8,072,906	8,104,778	8,230,387
Transient occupancy tax	2,449,326	3,186,359	3,665,741	3,995,411
Motor vehicle in lieu tax	2,472,372	835,709	245,008	157,143
Business license tax	2,316,232	2,501,180	2,464,239	2,747,098
Franchise taxes	903,490	1,149,740	1,200,503	1,168,383
Other taxes	1,003,916	1,001,386	788,348	439,104
Rental income	1,625,068	1,788,242	2,260,408	2,201,037
Investment earnings	707,298	835,352	2,075,875	2,088,549
Other	327,376	410,374	-	1,254,482
Transfers	143,000	(204,000)	26,000	(30,771)
Total governmental activities	<u>31,644,409</u>	<u>35,243,568</u>	<u>38,088,408</u>	<u>40,818,274</u>
Business-type activities:				
Investment earnings	450,702	546,197	935,323	874,003
Transfers	(143,000)	204,000	(26,000)	30,771
Other	-	-	-	-
Total business-type activities	<u>307,702</u>	<u>750,197</u>	<u>909,323</u>	<u>904,774</u>
Total primary government	<u>\$ 31,952,111</u>	<u>\$ 35,993,765</u>	<u>\$ 38,997,731</u>	<u>\$ 41,723,048</u>
<b>Change in Net Assets</b>				
Governmental activities	\$ 3,150,967	\$ 7,772,722	\$ 1,352,093	\$ 511,779
Business-type activities	1,169,224	1,600,467	1,082,845	773,822
Total primary government	<u>\$ 4,320,191</u>	<u>\$ 9,373,189</u>	<u>\$ 2,434,938</u>	<u>\$ 1,285,601</u>

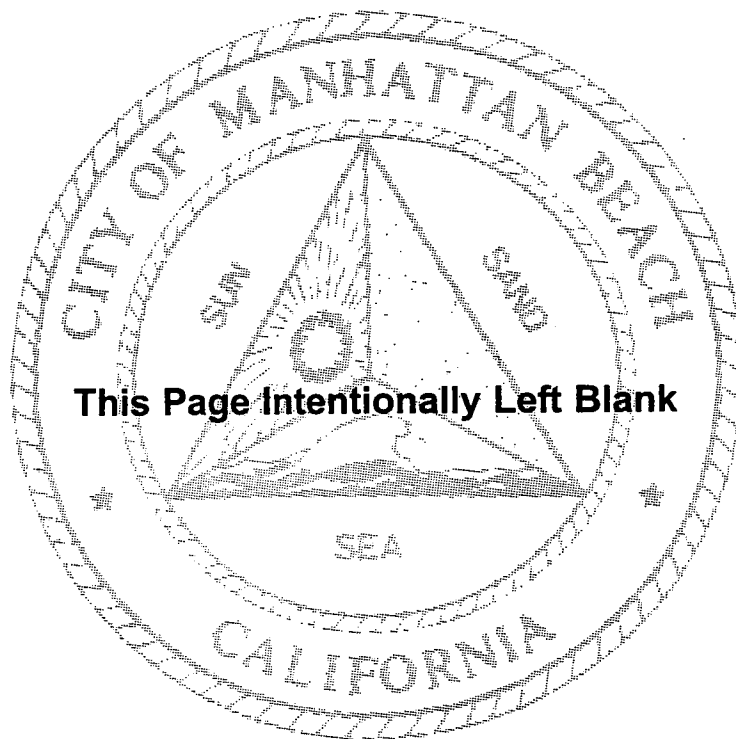
**City of Manhattan Beach**  
**Program Revenues by Function/Program,**  
**Last Four Fiscal Years**  
*(accrual basis of accounting)*

Exhibit A-4

	Fiscal Year			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General Government	5,311,693	5,425,563	4,535,955	4,265,277
Public Safety	2,877,951	2,925,278	3,433,570	4,206,318
Culture and recreation	1,945,432	1,965,118	2,261,707	2,336,374
Public works	1,277,149	1,168,167	2,673,037	2,683,443
Operating grants and contributions	2,571,735	2,767,865	1,933,403	2,250,606
Capital grants and contributions	4,795,086	5,598,244	10,923,007	679,865
<b>Total governmental activities program revenues</b>	<b>18,779,046</b>	<b>19,850,235</b>	<b>25,760,679</b>	<b>16,421,883</b>
Business-type activities:				
Charges for services:				
Water	6,776,437	6,976,473	7,227,008	6,860,563
Stormwater	346,906	345,327	353,929	338,208
Wastewater	1,325,721	1,310,622	1,333,639	1,275,553
Parking	1,672,347	1,781,333	2,108,255	3,816,699
Refuse	3,531,951	3,684,121	3,866,381	2,066,617
Operating grants and contributions	20,088	19,758	10,861	90,853
Capital grants and contributions	21,807	-	-	900,000
<b>Total business-type activities program revenues</b>	<b>13,695,257</b>	<b>14,117,634</b>	<b>14,900,073</b>	<b>15,348,493</b>
<b>Total primary government program revenues</b>	<b>\$ 32,474,303</b>	<b>\$ 33,967,869</b>	<b>\$ 40,660,752</b>	<b>\$ 31,770,376</b>



Source: City of Manhattan Beach Finance department historical CAFRs

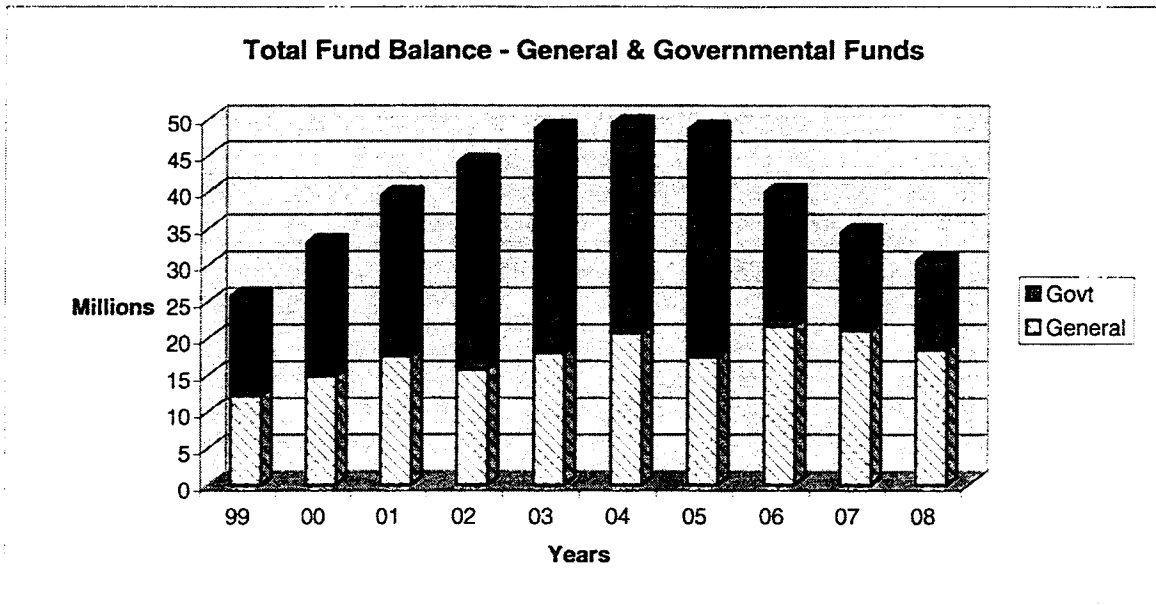


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**City of Manhattan Beach**  
**Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

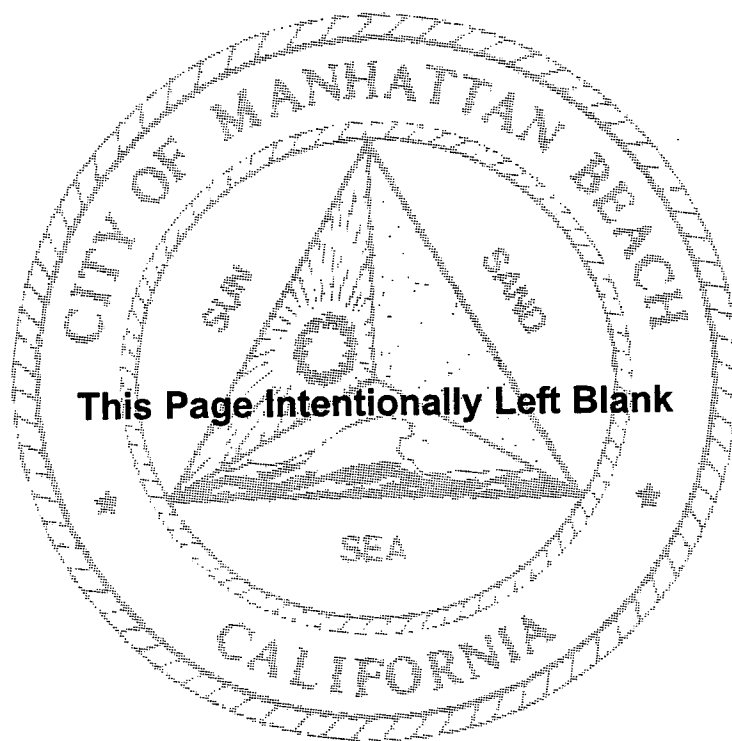
	Fiscal Year				
	1999	2000	2001	2002	2003
General Fund					
Reserved					
Debt service & restricted cash	\$ 517,248	\$ 445,325	\$ 743,571	\$ 279,585	\$ 178,062
Encumbrances & other items	\$ 1,286,680	\$ 1,603,081	\$ 368,294	\$ 679,057	\$ 648,740
Unreserved	10,354,443	12,813,755	16,429,638	14,762,895	17,143,116
<b>Total General fund</b>	<b>\$ 12,158,371</b>	<b>\$ 14,862,161</b>	<b>\$ 17,541,503</b>	<b>\$ 15,721,537</b>	<b>\$ 17,969,918</b>
All Other Governmental Funds					
Reserved					
Continuing Projects	\$2,878,882	\$3,783,741	\$3,348,585	\$3,543,850	\$2,429,186
Debt service & restricted cash				1,026,300	1,026,300
Encumbrances & other items	143,047	113,574	95,150	189,205	3,475
Unreserved, reported in:					
Special revenue funds	2,536,167	2,284,520	3,144,671	3,377,162	3,428,545
Capital projects funds	7,998,923	12,003,991	15,386,888	20,088,223	23,754,420
<b>Total all other governmental funds</b>	<b>\$ 13,557,019</b>	<b>\$ 18,185,826</b>	<b>\$ 21,975,294</b>	<b>\$ 28,224,740</b>	<b>\$ 30,641,926</b>
<b>Total all governmental funds</b>	<b>\$ 25,715,390</b>	<b>\$ 33,047,987</b>	<b>\$ 39,516,797</b>	<b>\$ 43,946,277</b>	<b>\$ 48,611,844</b>



Source: City of Manhattan Beach Finance department historical CAFRs

Fiscal Year				
<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
62,496	49,300	404,204	972,422	\$ 1,355,530
373,242	1,025,189	646,111	507,096	\$ 495,646
20,231,796	16,365,761	20,528,738	19,499,495	16,585,982
<u>\$ 20,667,534</u>	<u>\$ 17,440,250</u>	<u>\$ 21,579,053</u>	<u>\$ 20,979,013</u>	<u>\$ 18,437,158</u>
\$3,894,588	\$7,795,003	\$9,916,842	\$6,094,070	\$4,642,305
1,579,976	19,170,120	935,696	817,081	817,076
268,195	8,148	218,926	9,427	40,925
3,022,824	2,438,704	2,111,598	2,842,097	2,748,609
19,864,825	1,715,536	5,115,277	3,657,446	3,878,706
<u>\$ 28,630,408</u>	<u>\$ 31,127,511</u>	<u>\$ 18,298,339</u>	<u>\$ 13,420,121</u>	<u>\$ 12,127,621</u>
<u><b>\$ 49,297,942</b></u>	<u><b>\$ 48,567,761</b></u>	<u><b>\$ 39,877,392</b></u>	<u><b>\$ 34,399,134</b></u>	<u><b>\$ 30,564,779</b></u>

Source: City of Manhattan Beach Finance department historical CAFRs



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## **Statistical Section**

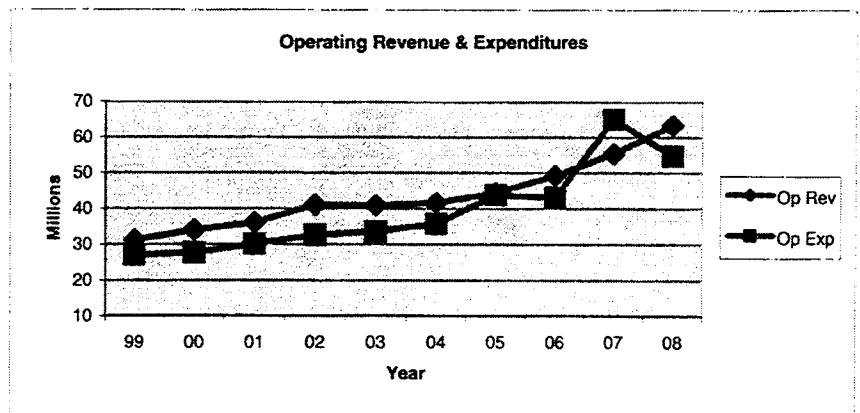
### **Revenue Capacity**

*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)*

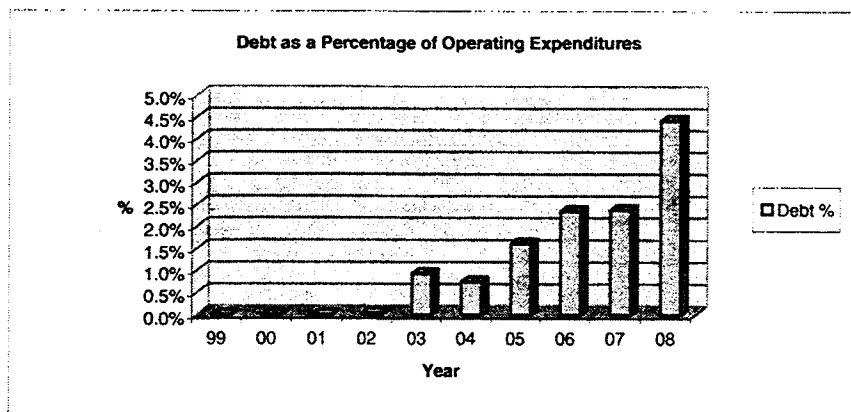
	Fiscal Year				
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<b>Revenues</b>					
Tax and assessments	\$ 18,190,737	\$ 20,474,732	\$ 22,234,198	\$ 22,096,665	\$ 24,038,547
Licenses, fees, and permits	1,538,607	1,320,358	1,394,038	1,447,841	1,563,171
Fines and forfeitures	1,512,428	1,716,625	2,044,684	1,890,321	2,041,805
Charges for services	4,380,222	4,300,996	4,724,434	5,253,485	6,160,531
Contributions from property owner					
Intergovernmental	4,523,902	4,933,577	5,219,620	4,248,036	4,144,954
Interest and Rents	3,173,943	3,206,052	3,973,287	3,677,986	3,389,920
Net change fair value investments		(360,836)	964,321	220,973	(287,140)
Other revenues	514,996	362,377	414,385	1,904,991	494,406
<b>Total revenues</b>	<b>33,834,835</b>	<b>35,953,881</b>	<b>40,968,967</b>	<b>40,740,298</b>	<b>41,546,194</b>
<b>Expenditures</b>					
General government	5,390,051	5,629,579	6,112,802	6,453,358	6,476,427
Public Safety	14,427,189	14,744,184	16,370,442	16,974,214	18,109,464
Culture and recreation	2,848,672	2,687,306	3,086,968	4,150,453	3,798,920
Public works	4,270,985	4,518,550	4,458,722	4,891,118	5,107,008
<b>Total operating expenditures</b>	<b>26,936,897</b>	<b>27,579,619</b>	<b>30,028,934</b>	<b>32,469,143</b>	<b>33,491,819</b>
<b>Excess of revenue over expenditures</b>	<b>6,897,938</b>	<b>8,374,262</b>	<b>10,940,033</b>	<b>8,271,155</b>	<b>8,054,375</b>
Capital outlay	3,149,102	8,989,370	5,949,461	2,045,689	4,749,294
Debt service					
Interest				12,565	112,622
Principal					200,000
Total Non Operating expenditures	3,149,102	8,989,370	5,949,461	2,058,254	5,061,916
<b>Excess of revenues over expenditures</b>	<b>3,748,836</b>	<b>(615,108)</b>	<b>4,990,572</b>	<b>6,212,901</b>	<b>2,992,459</b>
<b>Other financing sources (Uses)</b>					
Bonds issued	-	-	-	9,443,752	-
Premium on bonds issues	-	-	-	-	-
Refunding Lease	-	-	-	(9,732,862)	-
Capital Contribution	-	7,382,112	2,338,887	-	-
Transfers in	7,810,000	3,609,387	4,352,279	4,979,429	6,171,338
Transfers out	(2,736,443)	(3,308,612)	(5,212,928)	(6,473,740)	(4,498,230)
<b>Total other financing sources (uses)</b>	<b>5,073,557</b>	<b>7,682,887</b>	<b>1,478,238</b>	<b>(1,783,421)</b>	<b>1,673,108</b>
Prior Period Adjustment	-	264,818	-	-	-
<b>Net change in fund balances</b>	<b>8,822,393</b>	<b>7,332,597</b>	<b>6,468,810</b>	<b>4,429,480</b>	<b>4,665,567</b>

<b>Debt - % of Operating Expenditures</b>	0.0%	0.0%	0.0%	0.0%	0.9%
---	------	------	------	------	------



Source: City of Manhattan Beach Finance Department Historical CAFRs

Fiscal Year				
2004	2005	2006	2007	2008
\$ 27,381,711	\$ 26,907,138	\$ 33,026,089	\$ 35,261,246	\$ 36,933,447
1,643,682	1,560,346	1,810,681	1,686,922	1,463,207
2,294,535	1,910,757	1,895,506	2,153,078	2,169,402
6,454,314	7,218,915	7,400,197	7,812,110	8,013,155
-	3,372,891	3,147,739	8,498,306	-
3,639,236	4,623,276	2,994,138	3,007,764	2,147,817
3,094,363	2,863,553	3,354,041	3,845,001	3,939,191
(671,517)	(30,777)	(192,026)	353,642	350,394
436,260	705,588	1,863,937	553,241	1,707,735
<b>44,272,584</b>	<b>49,131,687</b>	<b>55,300,302</b>	<b>63,171,310</b>	<b>56,724,348</b>
6,636,125	7,120,760	7,452,850	8,646,822	9,808,544
19,719,804	22,735,205	24,020,705	33,302,747	31,354,970
3,989,250	4,592,628	4,680,871	5,328,693	6,027,462
5,297,262	9,303,463	6,819,825	17,737,634	7,500,615
<b>35,642,441</b>	<b>43,752,056</b>	<b>42,974,251</b>	<b>65,015,896</b>	<b>54,691,591</b>
<b>8,630,143</b>	<b>5,379,631</b>	<b>12,326,051</b>	<b>(1,844,586)</b>	<b>2,032,757</b>
7,751,990	18,382,798	19,965,439	7,764,994	3,405,258
87,055	524,158	822,862	1,035,878	1,178,066
180,000	185,000	190,000	515,000	1,235,000
8,019,045	19,091,956	20,978,301	9,315,872	5,818,324
<b>611,098</b>	<b>(13,712,325)</b>	<b>(8,652,250)</b>	<b>(11,160,458)</b>	<b>(3,785,567)</b>
-	12,980,000	-	6,634,179	-
-	186,055	-	163,120	-
-	-	-	-	-
-	-	-	-	-
18,919,651	11,647,938	841,116	4,179,102	215,047
(18,844,651)	(12,554,938)	(1,045,116)	(5,497,006)	(263,835)
75,000	12,259,055	(204,000)	5,479,395	(48,788)
-	-	165,882	202,807	-
<b>686,098</b>	<b>(1,453,270)</b>	<b>(8,690,368)</b>	<b>(5,478,256)</b>	<b>(3,834,355)</b>
0.7%	1.6%	2.4%	2.4%	4.4%

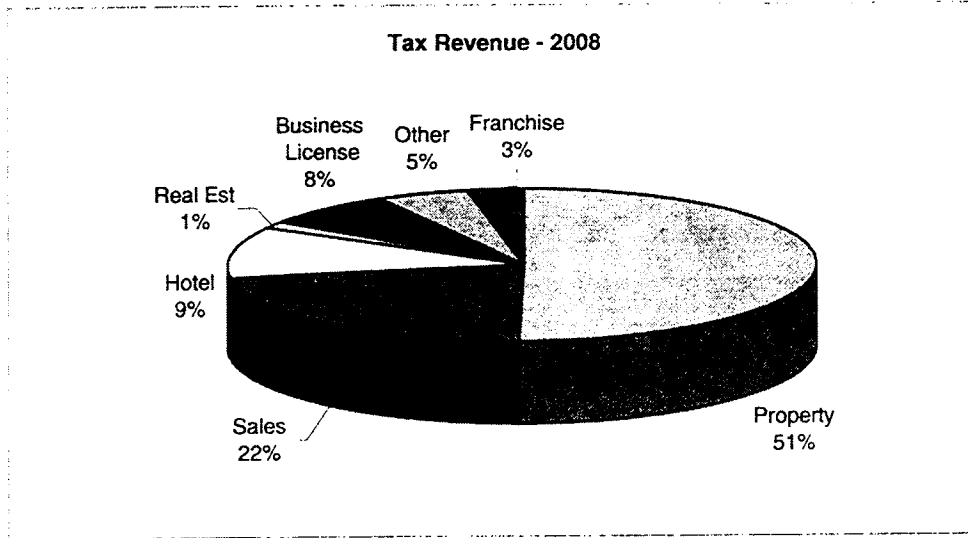


Source: City of Manhattan Beach Finance Department Historical CAFRs

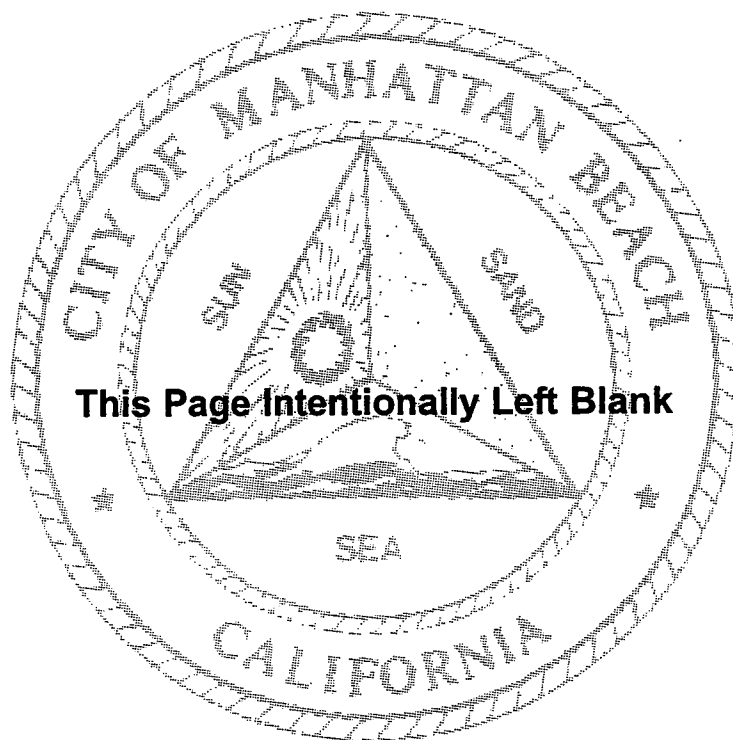
**City of Manhattan Beach**  
**Taxes & Assessment Revenues by Source, Governmental Funds, and Assessment**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

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

<b>Change 99-08</b>	181.6%	30.3%	76.8%	118.8%	23.0%	63.2%	-100.0%	372.4%	103.0%
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Source: City of Manhattan Beach Finance Department Historical CAFRs



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**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>	<b>Total Taxable Assessed Value</b>
1999	3,928,158,173	421,763,272	83,363,496	296,346,313	4,729,631,254
2000	4,370,934,531	459,217,053	147,754,060	306,706,203	5,284,611,847
2001	4,817,895,155	473,521,383	186,077,631	328,847,955	5,806,342,124
2002	5,263,285,308	491,561,315	218,443,219	391,885,116	6,365,174,958
2003	5,738,636,117	547,721,638	245,153,830	391,829,851	6,923,341,436
2004	6,303,521,834	577,301,448	247,401,995	426,209,729	7,554,435,006
2005	6,906,891,506	631,502,660	260,299,961	418,106,396	8,216,800,523
2006	7,676,737,831	708,333,276	265,885,057	429,932,918	9,080,889,082
2007	8,574,425,369	739,118,781	219,928,225	391,992,459	9,925,464,834
2008	9,424,677,494	794,484,003	224,326,781	417,862,475	10,861,350,753

Source: HDL Coren Cone

Exhibit A-8

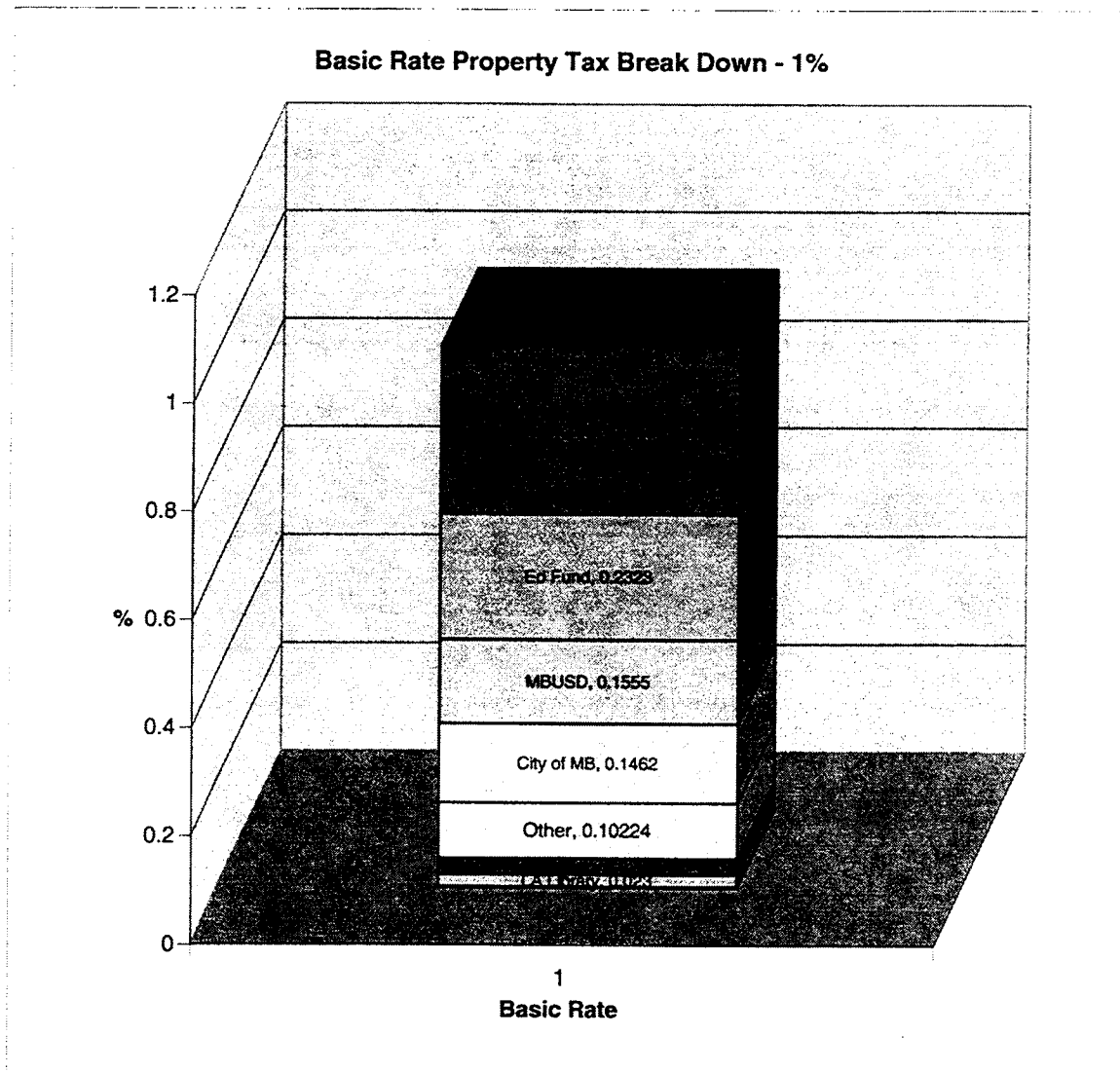
<b>Tax-Exempt Property</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Taxable Assessed Value as a Percentage of Actual Taxable Value</b>
303,304,061	0.14754%	4,729,631,254	100.000%
305,080,384	0.14753%	5,284,611,847	100.000%
305,057,097	0.16559%	5,806,342,124	100.000%
305,057,097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

Source: HDL Coren Cone

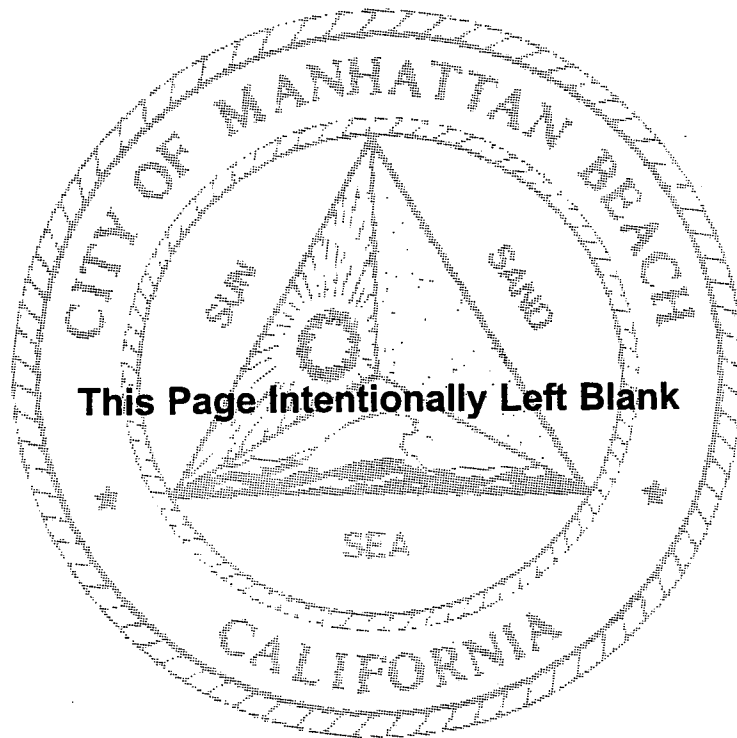
**City of Manhattan Beach  
Direct and Overlapping Property Tax Rates,  
Last Ten Fiscal Years**

**Exhibit A-9**

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



Source: HDL Coren Cone



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

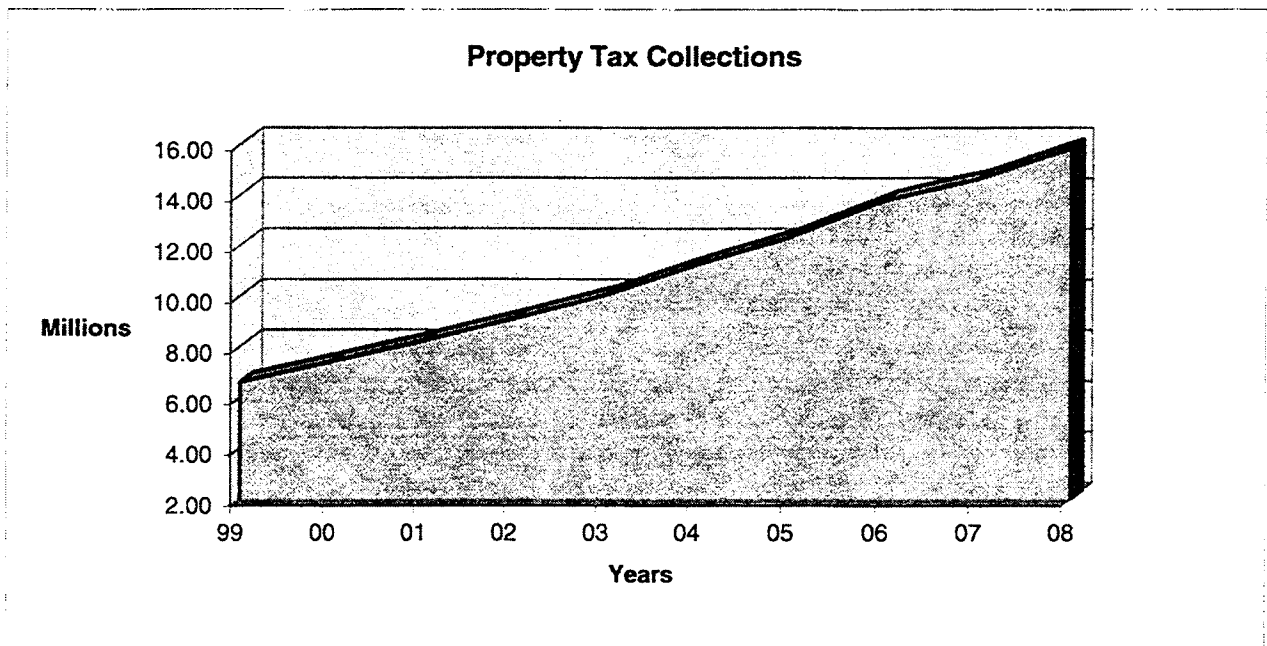
<u><b>Taxpayer</b></u>	<b>2008</b>	
	<u><b>Property Tax Revenue</b></u>	<u><b>Percentage of Total City Taxable Property Tax</b></u>
Northrop Grumman Space & Mission	\$ 288,379	1.84%
Reef America Reit II Corporation BBB	251,799	1.61%
Wells Reit II Manhattan Towers LLC	165,668	1.06%
CRP MB Studios LLC	164,552	1.05%
Parstem Realty Company Inc.	104,636	0.67%
TRW Inc.	104,628	0.67%
Host Marriott Corporation Interstate	98,464	0.63%
Sketchers USA Inc.	57,690	0.37%
Sun Manhattan LLC	55,082	0.35%
St. Paul Properties Inc.	48,231	0.31%
<b>Top Ten Total</b>	<u><u>\$ 1,339,129</u></u>	<u><u>8.5%</u></u>
<b>City Total</b>	<u><u>\$ 15,687,849</u></u>	

<u>Taxpayer</u>	1999	
	<u>Property Tax Revenue</u>	<u>Percentage of Total City Taxable Property Tax</u>
TRW Inc.	\$ 269,105	3.86%
Manhattan Village LLC	141,167	2.02%
Shearson California Raddison	52,382	0.75%
Pastem Realty Company Inc.	36,205	0.52%
St. Paul Properties Inc.	35,725	0.51%
USAA Income Properties III	33,354	0.48%
Sanko Nakayama International Inc.	26,940	0.39%
San Enterprise Company Limited	20,228	0.29%
Hughes Aircraft Employees	19,619	0.28%
Manhattan Place Inc.	19,604	0.28%
	<u>\$ 654,330</u>	<u>9.4%</u>
	<u>\$ 6,978,049</u>	

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

**Exhibit A-11**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Prior Year	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999	6,589,987	6,371,225	96.68%	221,956	6,593,181	100.05%
2000	7,388,426	7,075,476	95.76%	323,564	7,399,040	100.14%
2001	8,160,264	7,962,043	97.57%	242,718	8,204,761	100.55%
2002	8,974,491	8,677,306	96.69%	415,019	9,092,325	101.31%
2003	9,795,290	9,503,645	97.02%	518,001	10,021,646	102.31%
2004	10,713,583	10,335,067	96.47%	888,919	11,223,986	104.76%
2005	11,677,784	11,336,153	97.07%	990,146	12,326,299	105.55%
2006	12,944,802	12,527,975	96.78%	1,249,660	13,777,635	106.43%
2007	14,197,925	13,311,119	93.75%	1,296,964	14,608,083	102.89%
2008	15,564,989	14,643,132	94.08%	1,178,860	15,821,992	101.65%



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

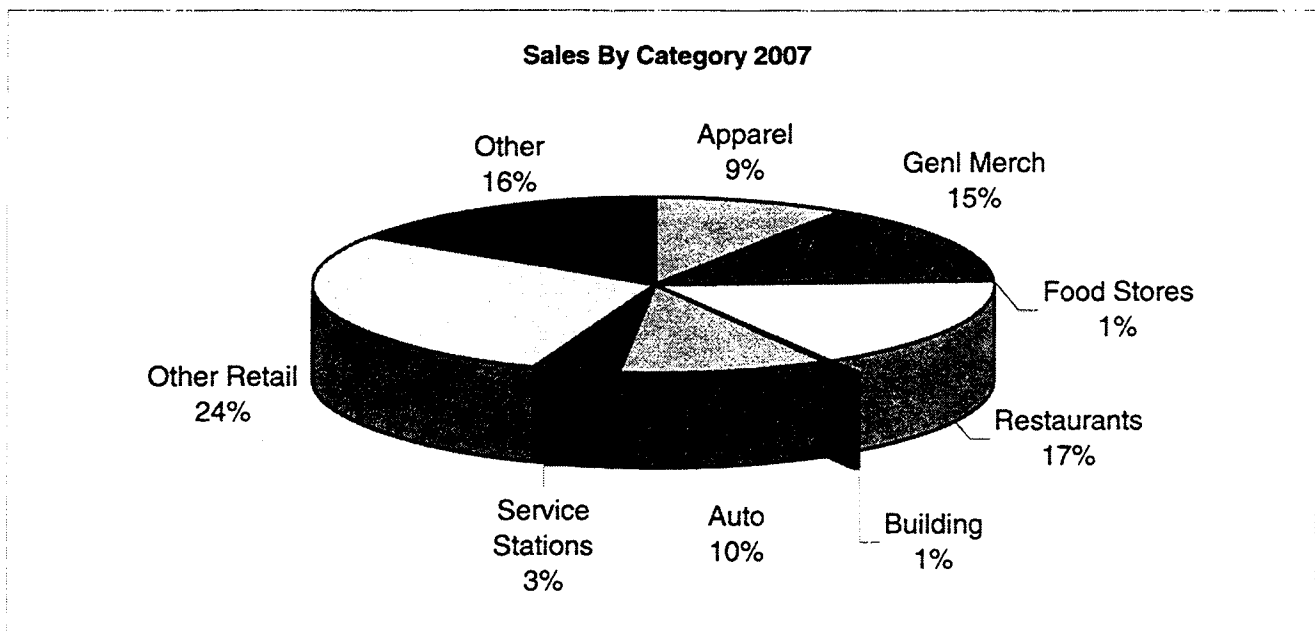


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**City of Manhattan Beach**  
**Taxable Sales by Category,**  
**Last Ten Calendar Years**  
*(in thousands of dollars)*

	<b>Calendar Year</b>				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Apparel stores	\$ 22,079	\$ 31,705	\$ 42,225	\$ 42,616	\$ 44,378
General merchandise	92,489	98,855	104,352	104,565	101,509
Food stores	28,778	30,468	32,111	32,705	31,535
Eating and drinking establishments	84,275	89,620	101,402	105,032	104,187
Building materials and farm tools	2,457	2,639	2,933	2,796	2,789
Auto dealers and supplies	91,092	99,177	81,637	76,634	79,620
Service stations	17,494	19,590	22,566	22,529	20,929
Other retail stores	145,421	169,704	190,445	189,545	196,613
All other outlets	128,504	128,419	136,243	145,350	125,637
<b>Total</b>	<b><u>\$ 612,589</u></b>	<b><u>\$ 670,177</u></b>	<b><u>\$ 713,914</u></b>	<b><u>\$ 721,772</u></b>	<b><u>\$ 707,197</u></b>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%



Source: State Board of Equalization HDL Coren Cone

Calendar Year				
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 58,438	\$ 67,319	\$ 69,663	\$ 73,185	\$ 71,338
105,376	108,221	109,957	114,830	118,872
31,715	33,485	34,032	36,585	36,223
112,692	119,191	127,614	134,849	135,138
2,849	3,116	3,129	3,229	2,994
55,527	75,254	80,594	76,375	78,621
24,684	29,402	33,927	34,313	33,413
199,358	201,251	209,849	219,224	221,716
<u>115,550</u>	<u>126,613</u>	<u>134,114</u>	<u>123,804</u>	<u>125,301</u>
<u>\$ 706,189</u>	<u>\$ 763,852</u>	<u>\$ 802,879</u>	<u>\$ 816,394</u>	<u>\$ 823,616</u>
1.00%	1.00%	1.00%	1.00%	1.00%

Source: State Board of Equalization HDL Coren Cone

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

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

Source: State of California Board of Equalization

**City of Manhattan Beach  
Principal Sales Tax Remitters,  
Current Year and Nine Years Ago**

**Exhibit A-14**

<b><u>Tax Remitter</u></b> <b><u>2007/2008</u></b>	<b><u>1998/1999</u></b>
Apple Computer	Albertsons
Barnes & Noble	Bristol Farms
California Pizza Kitchen	California Pizza Kitchen
CVS Pharmacy	Champion Chevrolet
Frys Electronics	Ford Credit Titling Trust
Frys Manhattan Chevron	Frys Electronics
Houstons	Gap
Islands	Houstons
Kwik/AI Sal Oil	Islands
Lam Enterprise	Kettle
Macys	Macys
Manhattan Beach Marriott	Macys Home Store
Manhattan Beach Toyota Scion	Manhattan Beach Marriott
Mobil Oil	Manhattan Ford
Office Depot	Manhattan Toyota
Old Navy	McDonalds
Panchos	Office Depot
Ralphs	Olive Garden
REI	Ralphs
Rock Fish	Rite Aid
Sephora	Sav On
Target	Target
Trader Joes	Trader Joes
Vons	TRW Space & Electronics
Williams Sonoma	Vons

\* Listed Alphabetically



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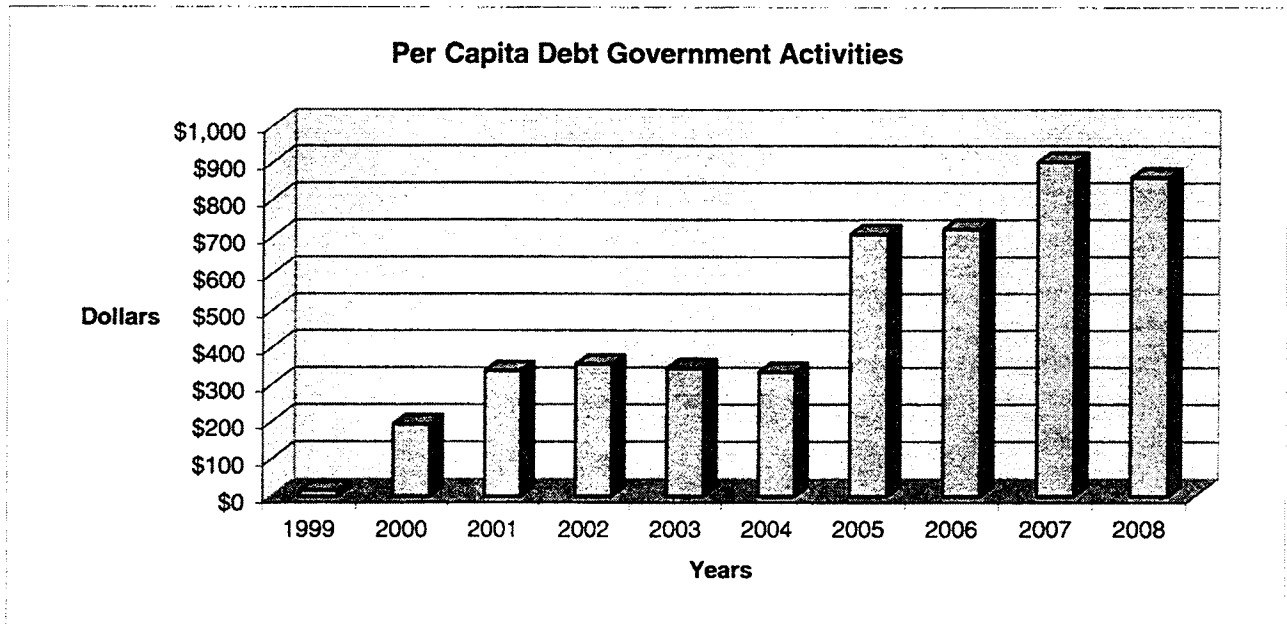
## **Statistical Section**

### **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.*

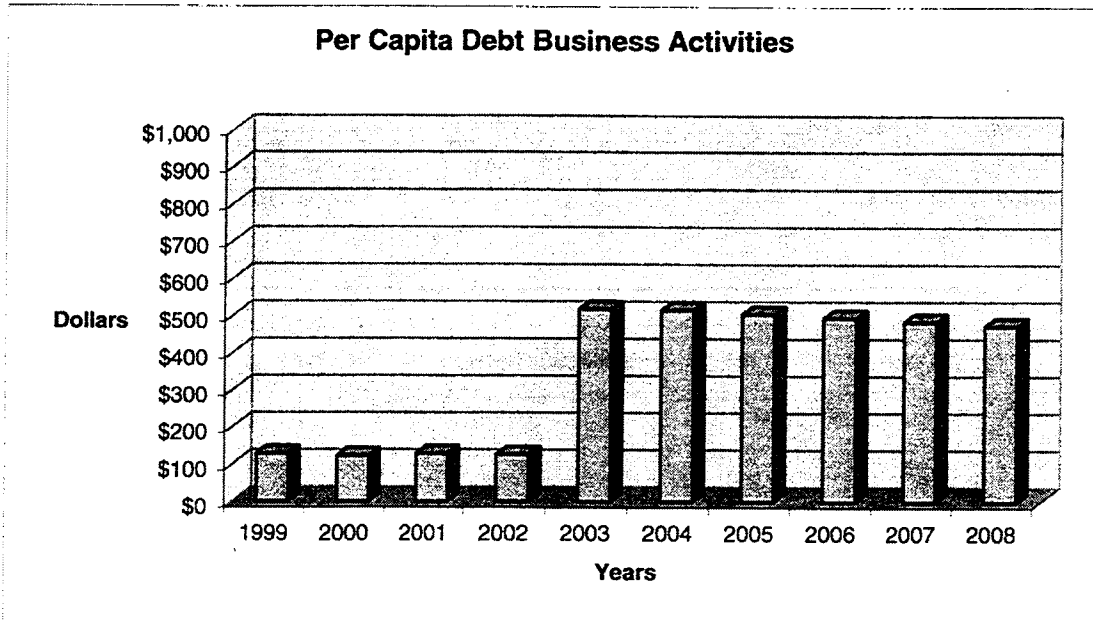
**City of Manhattan Beach  
Ratios of Outstanding Debt by Type,  
Last Ten Fiscal Years**

Governmental Activities							
Fiscal Year	RCC Facility	Pension Obligation Bonds	Marine Certificates of Participation	Police/Fire Certificates of Participation	Capital Leases	Total Governmental	Total Per Capita
1999	-	-	-	-	511,724	511,724	15
2000	-	-	-	-	6,944,596	6,944,596	192
2001	2,180,000	-	-	-	9,206,452	11,386,452	336
2002	2,180,000	-	9,535,000	-	279,584	11,994,584	354
2003	2,115,000	-	9,335,000	-	178,061	11,628,061	343
2004	2,045,000	-	9,155,000	-	62,495	11,262,495	333
2005	1,975,000	-	8,970,000	12,980,000	-	23,925,000	707
2006	1,905,000	-	8,780,000	12,980,000	720,693	24,385,693	720
2007	1,830,000	6,800,000	8,580,000	12,740,000	558,370	30,508,370	901
2008	1,750,000	6,095,000	8,375,000	12,495,000	390,008	29,105,008	860



**Notes:** \*FY 2000 and 2001 business activity reflects the lease obligation resulting from the initial Sale & Leaseback transaction related to the Marine Ave Park Development. This obligation was ultimately refunded via a Certificate of Participation in FY 2002 upon completion of the facility.

Business-type Activities				Total		
Metlox				Total Primary Government	Percentage of Personal Income	Total Per Capita
Utility Revenue Bonds	Certificates of Participation	Total Business Type	Total Per Capita			
4,485,000	-	4,485,000	129	4,996,724	0.00%	143
4,415,000	-	4,415,000	122 *	11,359,596	0.55%	314
4,345,000	-	4,345,000	128 *	15,731,452	0.72%	465
4,270,000	-	4,270,000	126	16,264,584	0.74%	480
4,190,000	13,350,000	17,540,000	518	29,168,061	1.30%	862
4,105,000	13,350,000	17,455,000	516	28,717,495	1.22%	848
4,015,000	13,095,000	17,110,000	505	41,035,000	1.68%	1,212
3,920,000	12,835,000	16,755,000	495	41,140,693	1.63%	1,215
3,820,000	12,570,000	16,390,000	484	46,898,370	1.81%	1,385
3,715,000	12,300,000	16,015,000	473	45,120,008	1.67%	1,333



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



**City of Manhattan Beach  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2008**

**Exhibit A-16**

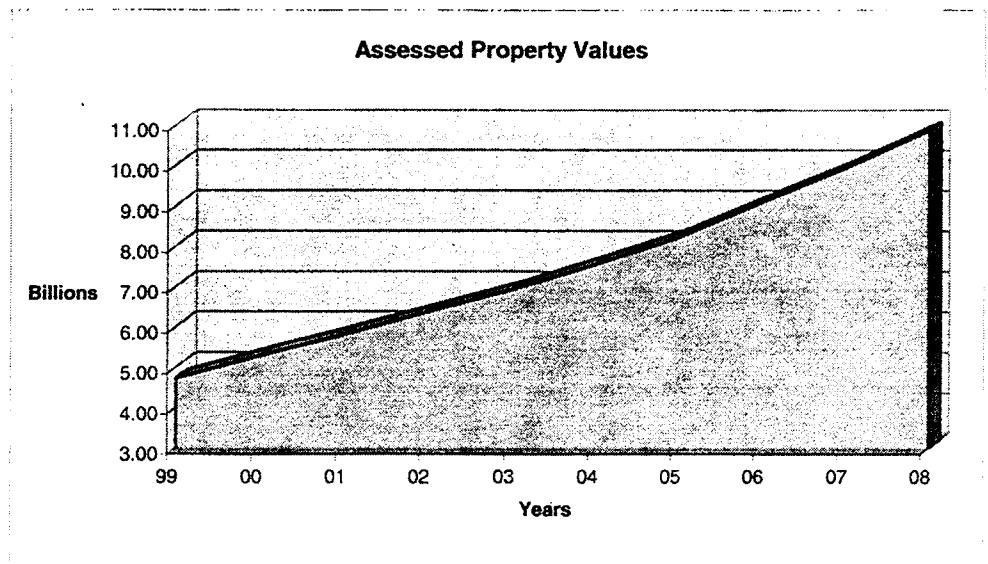
<u>Governmental Unit</u>	<u>Gross Bonded Debt Balance</u>	<u>Percentage Applicable To City</u>	<u>Net Bonded Debt</u>
<b>Debt repaid with property taxes</b>			
Manhattan Beach UNIF 96 SER A DS	11,917,488	100.000%	11,917,488
Manhattan Beach UNIF DS 1998 SER B	5,910,890	100.000%	5,910,890
Manhattan Beach U.S.D. DS 99 SER C	4,010,040	100.000%	4,010,040
Manhattan Beach USD DS 2001 SER D	4,773,769	100.000%	4,773,769
Manhattan Beach USD DS 1995 SER-E	4,628,829	100.000%	4,628,829
Manhattan Beach USD DS 2000 SER-B	8,766,026	100.000%	8,766,026
Manhattan Beach USD DS 2004 REF BDS	17,430,000	100.000%	17,430,000
<b>Total Direct Debt</b>			<b><u>57,437,042</u></b>
<b>Overlapping Debt</b>			
Metropolitan Water District	150,054,336	1.370%	2,056,092
El Camino CCS DS 2002 S-2003A	9,625,000	14.577%	1,403,070
El Camino CCS DS 2005 REF BONDS	31,036,201	14.577%	4,524,255
El Camino CCS DS 2002 SER 2006B	145,400,000	14.577%	21,195,463
<b>Total Overlapping Debt</b>			<b><u>29,178,880</u></b>
<b>Total Direct and Overlapping Debt</b>			<b><u><u>\$ 86,615,922</u></u></b>



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

	Fiscal Year				
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Total Assessed Value	\$ 4,729,631,254	\$ 5,284,611,847	\$ 5,806,342,124	\$ 6,365,174,958	\$ 6,923,341,436
Legal debt limit (3.75%)	177,361,172	198,172,944	217,737,830	238,694,061	259,625,304
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 177,361,172</u>	<u>\$ 198,172,944</u>	<u>\$ 217,737,830</u>	<u>\$ 238,694,061</u>	<u>\$ 259,625,304</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%	12%	10%	10%	9%



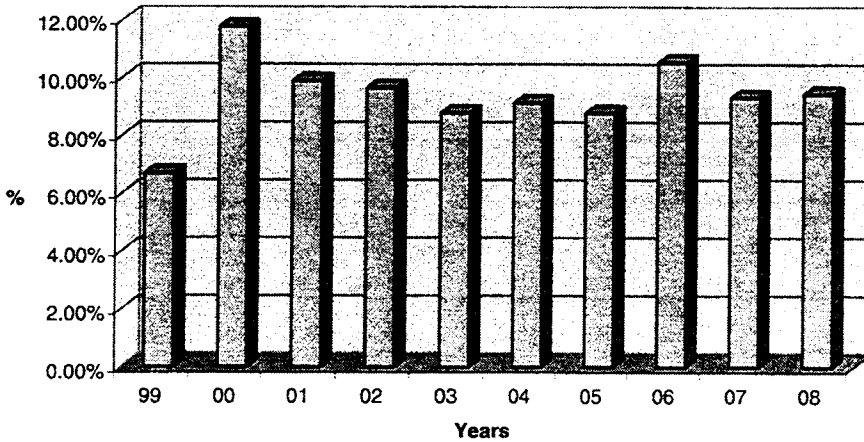
Source: City of Manhattan Beach Finance Department Historical CAFRs

Fiscal Year				
2004	2005	2006	2007	2008
\$ 7,554,435,006	\$ 8,216,800,523	\$ 9,080,889,082	\$ 9,925,464,834	\$ 10,861,350,753
283,291,313	308,130,020	\$ 340,533,341	\$ 372,204,931	\$ 407,300,653
<b>\$ 283,291,313</b>	<b>\$ 308,130,020</b>	<b>\$ 340,533,341</b>	<b>\$ 372,204,931</b>	<b>\$ 407,300,653</b>

0.00%	0.00%	0.00%	0.00%	0.00%
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9%	9%	11%	9%	9%
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Assessed Property Value Growth Rates



Source: City of Manhattan Beach Finance Department Historical CAFRs

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

**Water - Wastewater Revenue Bonds**

<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>	
1999	7,626,707	5,491,183	2,135,524	65,000	254,950	6.67
2000	7,881,742	5,742,280	2,139,462	70,000	251,373	6.66
2001	7,988,167	5,567,922	2,420,245	70,000	247,563	7.62
2002	8,012,508	5,255,940	2,756,568	75,000	243,820	8.65
2003	8,008,037	6,441,702	1,566,335	80,000	239,713	4.90
2004	7,856,711	6,454,773	1,401,938	85,000	235,340	4.38
2005	8,102,158	6,957,411	1,144,747	90,000	229,112	3.59
2006	8,287,096	6,993,409	1,293,687	95,000	224,121	4.05
2007	8,560,647	7,864,351	696,296	100,000	218,804	2.18
2008	8,136,116	8,053,961	82,155	105,000	213,205	0.26

*(a) Operating Expense less depreciation expense*

**Parking Certificates of Participation**

<b>Parking Fund Revenue</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>	
-	-	-	-	-	NA
-	-	-	-	-	NA
-	-	-	-	-	NA
-	-	-	-	-	NA
876,570	396,214	480,356	-	240,809	1.99
922,325	325,197	597,128	-	597,671	1.00
964,598	357,360	607,238	255,000	595,321	0.71
1,149,312	511,760	637,552	260,000	590,171	0.75
1,411,406	693,207	718,199	265,000	584,590	0.85
1,355,513	644,225	711,288	270,000	577,896	0.84

Source: City of Manhattan Beach Finance Department and Historical CAFRs



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## **Statistical Section**

### **Demographic and Economic Information**

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

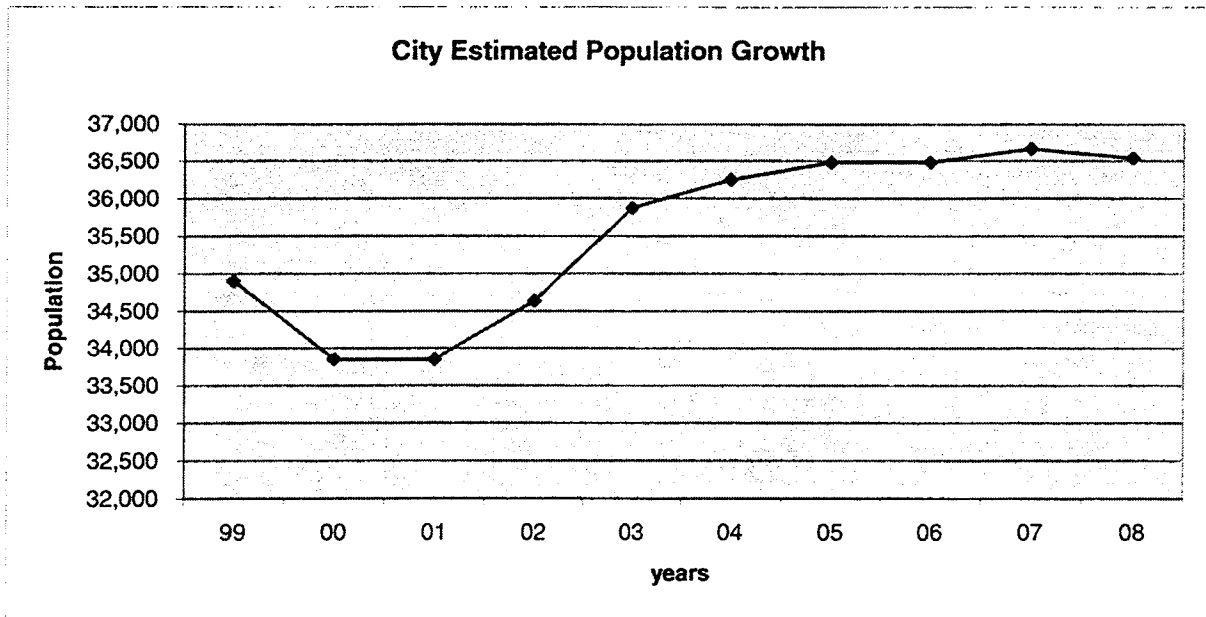


**City of Manhattan Beach  
Demographic and Economic Statistics,  
Last Ten Calendar Years**

**Exhibit A-19**

Calendar Year	Population	Man Beach Personal Income (in thousands)	Personal Income L.A. County (in thousands)	Per Capita Personal Income L.A. county	Per Capita Personal Income Man Beach	Unempl Rate	School Enrollment
1999	34,898	N/A	263,987,283	27,973	N/A	5.3%	5,851
2000	33,852	2,081,025	279,049,532	29,232	61,474	1.7%	5,842
2001	33,852 *	2,171,507 *	294,508,314	30,503	64,147	1.8%	6,163
2002	34,635 *	2,194,644 *	301,002,945	30,828	63,365	2.3%	6,450
2003	35,870 *	2,239,067 *	310,043,501	31,452	62,422	2.4%	6,434
2004	36,245 *	2,351,689 *	326,402,000	33,034	64,883	2.2%	6,354
2005	36,481 *	2,493,215 *	346,423,000 *	35,022 *	68,343 *	1.7%	6,260
2006	36,481 *	2,659,799 *	369,174,348 *	37,362 *	72,909 *	1.5%	6,266
2007	36,665 ·	2,742,702 ·	380,681,018 ·	38,527 ·	74,804 ·	1.7%	6,307
2008	36,536 ·	2,839,639 ·	392,546,336 ·	39,727 ·	77,722 ·	2.4%	6,282

\* Estimates beyond census years and latest available economic data



Source; US census Bureau; Manhattan Beach School District; Calif Laboe Market; Bureau of Econ Analysis

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

**Exhibit A-20**

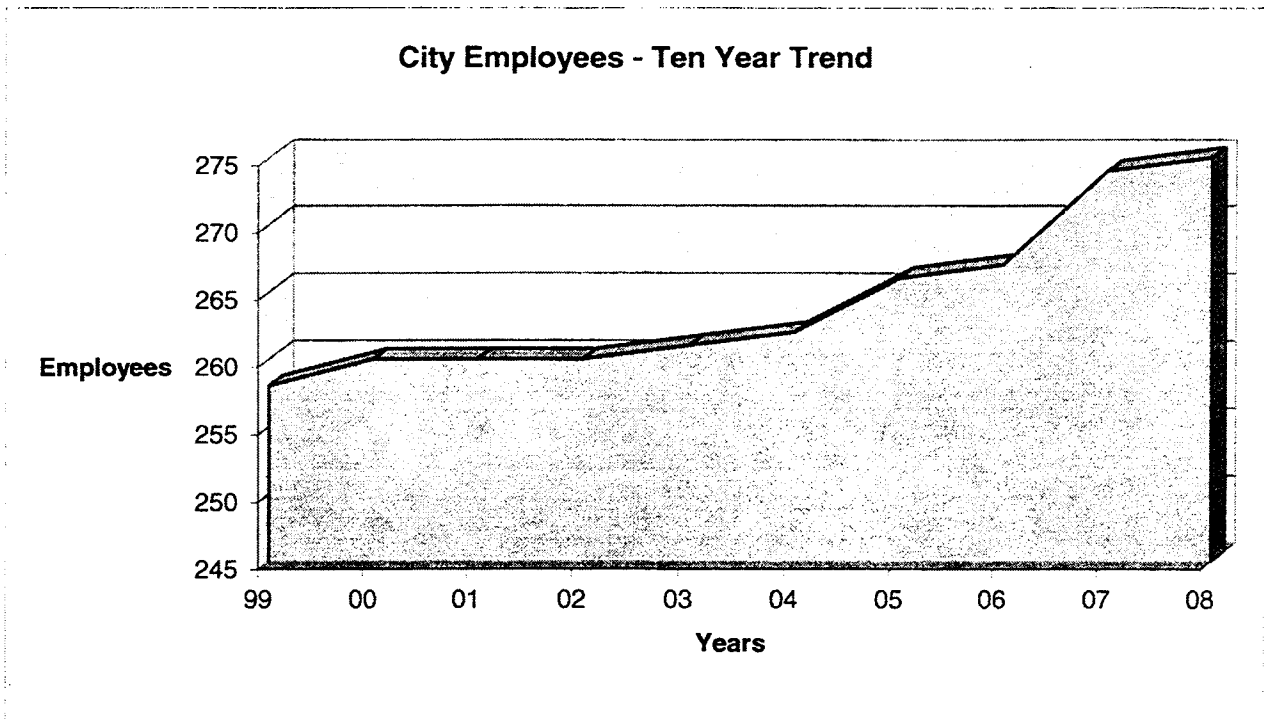
<b><u>Employer</u></b>	<b>2008</b>	
	<b><u>Employees</u></b>	<b><u>Percentage of Total Employment</u></b>
Target Corporation	405	14.36%
Sketchers USA Inc.	346	12.27%
Kinecta Federal Credit Union	295	10.46%
City of Manhattan Beach	275	9.75%
Macy's West LLC	271	9.61%
Fry's Electronics Inc.	235	8.33%
Marriot-HMC Interstate	233	8.26%
Ralphs Grocery Co.	159	5.64%
Houston's Restaurants Inc.	119	4.22%
Manhattan Beach Toyota	113	4.01%
California Pizza Kitchen	111	3.93%
Bristol Farms	109	3.86%
Islands Restaurant	75	2.66%
Recreational Equipment Inc.	75	2.66%
<b>Total</b>	<b><u>2,821</u></b>	<b><u>100.00%</u></b>

*Note: 1999 data is not available*

**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>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General government										
Management services	13	13	13	13	13	13	13	13	13	14
Finance	20	20	20	20	20	20	20	20	21	21
Human Resources	7	7	7	7	7	7	7	7	7	7
Planning & Building	21	20	20	20	21	21	21	21	22	22
Parks and recreation	14	14	14	15	15	16	16	16	19	19
Police										
Officers	63	64	64	64	64	64	64	64	65	65
Civilians	33	34	34	33	33	33	35	35	35	35
Fire										
Firefighters & officers	29	30	30	30	30	30	30	30	30	30
Civilians	1	1	1	1	1	1	1	1	1	1
Public works										
Engineering	6	6	6	6	6	6	7	7	7	7
Water	11	11	11	11	11	11	12	12	13	13
Wastewater	3	3	3	3	3	3	3	4	4	4
Other	37	37	37	37	37	37	37	37	37	37
<b>Total</b>	<b><u>258</u></b>	<b><u>260</u></b>	<b><u>260</u></b>	<b><u>260</u></b>	<b><u>261</u></b>	<b><u>262</u></b>	<b><u>266</u></b>	<b><u>267</u></b>	<b><u>274</u></b>	<b><u>275</u></b>



Source: City of Manhattan Beach Finance Department



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

June 30, 2008

<b><u>TYPE OF COVERAGE</u></b>	<b><u>POLICY NUMBER</u></b>	<b><u>FROM</u></b>
<b>Liability</b>		
Self-Insured	-	07/01/07
<b>Excess Liability</b>		
Independent Cities Risk Management		
ICRMA (Pool)	ICAPL 1014	07/01/07
Lexington Insurance Company	652018	07/01/07
<b>Building &amp; Property (All City excluding public safety building)</b>		
Lexington-Primary	8758186	07/01/07
Other Carriers	Various	07/01/07
<b>Building &amp; Property Public Safety Building</b>		
Mt. Hawley - Public Safety Bldg	MQE0101877	07/01/07
Other Carriers-Public Safet Bldg	Various	07/01/07
<b>Workers' Comp.</b>		
Self-Insured	-	07/01/07
<b>Excess Workers' Comp.</b>		
ICRMA (Pool)	ICRMA2008-1WC	07/01/07
National Union Fire	4772031	07/01/07
<b>Public Officials, Faithful Performance &amp; Fidelity Bonds</b>		
Hartford	72BPEAG8698	12/12/07

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

June 30, 2008

<b>TO</b>	<b>LIMITS OF COVERAGE</b>	<b>ANNUAL PREMIUM</b>
07/01/08	\$500,000 per occurrence	-
07/01/08	\$2,000,000 excess of \$500,000	\$293,481
07/01/08	\$20,000,000 excess of \$2,000,000	
07/01/08	\$25,000 All Risk	
07/01/08	\$65M earthquake & flood shared proportionally	\$470,951
07/01/08	\$5M Primary Layer	
07/01/08	\$21,923,085 Excess Layer	
07/01/08	\$750,000 per occurrence	-
07/01/08	\$5M xs \$750,000	\$163,472
07/01/08	\$100,000,000	
07/01/08	\$500,000 each employee	\$1,749

Source: City of Manhattan Beach Risk Management Division

**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>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>General government</b>										
Building permits issued	3,729	3,540	3,503	3,348	3,667	3,539	3,269	3,829	3,477	1,142
Building inspections conducted	22,095	22,336	20,972	19,670	19,167	18,338	16,564	18,170	18,021	14,634
<b>Police</b>										
Arrests	1,487	1,210	1,393	1,092	1,018	926	1,081	1,179	1,359	1,247
Parking citations	39,684	63,286	68,912	63,010	66,407	66,718	54,091	54,214	57,807	57,356
Traffic citations	7,794	8,045	8,947	5,680	6,126	6,417	5,340	5,774	6,461	6,726
<b>Fire</b>										
Emergency responses	2,472	2,752	2,690	2,671	2,610	2,693	2,719	2,469	2,831	2,958
Fires extinguished	67	57	90	85	97	114	98	75	103	126
Inspections	898	903	910	908	921	920	923	900	975	995
<b>Refuse collection</b>										
Refuse collected (tons per day)	-	-	-	-	85.4	84.1	73.7	77.8	63.0	58.7
Recyclables collected (tons per day)	-	-	-	-	22.1	28.5	34.6	28.6	61.0	52.2
<b>Other public works</b>										
Street resurfacing (miles)	-	-	-	-	1.3	1.0	2.3	0.4	1.2	1.2
<b>Parks and recreation</b>										
Athletic field permits issued	4,040	5,731	4,716	4,784	2,555	4,092	4,083	3,460	2,949	4,464
Community center admissions	110,302	132,305	224,911	137,690	100,228	93,495	125,554	166,910	150,041	153,628
<b>Water</b>										
Water main breaks	4	10	8	4	5	5	7	5	10	2
Average daily consumption (thousands of gallons)	-	-	-	-	6,255	6,395	6,223	6,203	6,020	6,018
Peak daily consumption (thousands of gallons)	-	-	-	-	7,200	7,360	7,300	N/A	7,265	7,168
<b>Transportation</b>										
Total route miles	-	44,122	42,072	43,004	43,004	31,469	31,936	31,849	32,940	46,749
Passengers	-	12,289	10,873	10,789	10,789	9,742	9,654	9,142	9,785	11,911

Source: City of Manhattan Beach Departments

**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>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	22	22	22	22	22	22	23	23	23	23
Fire stations	2	2	2	2	2	2	2	2	2	2
Other public works										
Streets (miles)	120.0	120.0	120.0	120.0	120.0	120.0	120.0	120.0	120.0	120.0
Highways (miles)	2,566	2,566	2,566	2,566	2,566	2,566	2,566	2,566	2,566	2,566
Parks and recreation										
Acreage	74.88	74.88	74.88	80.88	80.88	80.88	80.88	80.88	80.88	80.88
Baseball/softball diamonds	10	10	10	13	13	13	13	13	13	13
Soccer/football fields	12	12	12	15	15	15	15	15	15	15
Community centers	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	-	-	-	-	-	-	-	110.0	110.0	110.0
Fire hydrants	-	-	-	-	-	-	-	667	669	670
Storage capacity (1000s Gallons)	-	-	-	-	-	-	-	9,830	9,830	9,830
Wastewater										
Sanitary sewers (miles)	-	-	-	-	-	-	-	110.0	110.0	110.0
Storm sewers (miles)	-	-	-	-	-	-	-	118.0	118.0	118.0
Treatment capacity (1000s Gallons)										
Transportation—minibuses	3	3	3	3	3	4	4	4	4	4

Source: City of Manhattan Beach Departments



**CITY OF MANHATTAN BEACH**  
**DEMOGRAPHIC STATISTICAL DATA**

June 30, 2008

(As of 2000 Census)

**Population distribution by ethnic group:**

	<u>Number of persons</u>	<u>Percent</u>
White	30,124	89%
Asian	2,043	6%
Black or African American	208	1%
American Indian and Alaska Native	70	0%
Other	1,407	4%
	<u>33,852</u>	<u>100%</u>

**Household type:**

	<u>Number of households</u>	<u>Percent</u>
Family:		
Married couple	7,206	50%
Female head	846	6%
Male head	340	2%
Nonfamily	6,082	42%
	<u>14,474</u>	<u>100%</u>

**Population distribution by age group:**

	<u>Number of persons</u>	<u>Percent</u>
Under 5 years	2,197	6%
5-14	4,388	13%
15-24	2,344	7%
25-44	12,694	37%
45-59	7,404	22%
60-64	1,299	4%
65 and over	3,526	10%
	<u>33,852</u>	<u>100%</u>

**Population distribution by gender:**

	<u>Number of persons</u>	<u>Percent</u>
Male	17,052	50%
Female	16,800	50%
	<u>33,852</u>	<u>100%</u>

